深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2013 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- In the first half of 2013, revenue amounted to HK$5,038.3 million, an increase of 68.2% over the corresponding period last year;
- In the first half of 2013, profit attributable to owners of the parent amounted to HK$1,750.2 million, an increase of 87.1% over the corresponding period last year;
- Holding HK$8,209.0 million cash on hand (including pledged deposits and restricted cash) as of 30 June 2013; net gearing ratio at 57.3%.

INTERIM RESULTS

The board of directors (the "Board") of Shenzhen Investment Limited (the "Company") presents the interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**5,038,332**	2,995,830
Cost of sales		**(3,041,744)**	(2,096,999)
Gross profit		**1,996,588**	898,831
Other income and gains	*4*	**888,038**	151,497
Increase in fair value of investment properties		**542,050**	478,814
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		**(1,365)**	2,698
Selling and distribution costs		**(118,737)**	(94,486)
Administrative expenses		**(338,978)**	(346,900)
Other expenses		**(23,787)**	(33,160)
Finance costs	*5*	**(341,219)**	(168,385)
Share of profits and losses of:			
Jointly-controlled entities		**190,595**	41,641
Associates		**158,846**	387,973
PROFIT BEFORE TAX	*6*	**2,952,031**	1,318,523
Income tax expense	*7*	**(976,661)**	(215,248)
PROFIT FOR THE PERIOD		**1,975,370**	1,103,275
ATTRIBUTABLE TO:			
Owners of the parent		**1,750,235**	935,302
Non-controlling interests		**225,135**	167,973
		1,975,370	1,103,275

		For the six months ended 30 June	
		2013	2012
	Note	**(Unaudited)**	(Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic, profit for the period		**HK44.14 cents**	HK25.79 cents
Diluted, profit for the period		**HK43.93 cents**	HK25.79 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**1,975,370**	1,103,275
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Change in fair value	**(5,057)**	–
Income tax effect	**1,264**	–
	(3,793)	–
Exchange differences on translation of foreign operations	**366,854**	(208,444)
Share of other comprehensive income of associates	**45,534**	(18,204)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**408,595**	(226,648)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**408,595**	(226,648)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**2,383,965**	876,627
Attributable to:		
Owners of the parent	**2,125,347**	726,211
Non-controlling interests	**258,618**	150,416
	2,383,965	876,627

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,817,878**	2,414,252
Intangible assets		**89,925**	75,986
Prepaid land lease payments		**50,222**	49,045
Goodwill		**322,824**	322,744
Investment properties		**14,826,623**	9,210,339
Investments in associates		**5,418,288**	5,223,517
Investments in jointly-controlled entities		**312,293**	118,124
Available-for-sale investments		**48,247**	52,471
Other long term assets		**1,582,322**	1,377,822
Deferred tax assets		**756,593**	528,258
Pledged deposits		**329,241**	137,323
Total non-current assets		**26,554,456**	19,509,881
CURRENT ASSETS			
Inventories		**95,632**	109,107
Completed properties held for sale		**7,507,984**	7,094,670
Properties under development		**28,212,220**	15,723,873
Trade receivables	*10*	**188,941**	254,857
Prepayments, deposits and other receivables		**3,788,749**	4,520,838
Equity investments at fair value through profit or loss		**8,931**	10,296
Pledged deposits		**102,658**	129,905
Restricted cash		**961,645**	304,528
Cash and cash equivalents		**6,815,456**	6,734,052
Total current assets		**47,682,216**	34,882,126

	Note	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**11,919,113**	8,974,238
Trade payables	*12*	**882,954**	703,486
Other payables and accruals		**11,383,515**	8,283,656
Due to the immediate holding company		**540,230**	14,158
Due to the ultimate holding company		**2,190,231**	64,579
Tax payable		**2,369,550**	1,978,905
Total current liabilities		**29,285,593**	20,019,022
NET CURRENT ASSETS		**18,396,623**	14,863,104
TOTAL ASSETS LESS CURRENT LIABILITIES		**44,951,079**	34,372,985
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**9,905,442**	13,236,124
Due to the ultimate holding company		**3,965,304**	–
Deferred tax liabilities		**5,100,359**	1,627,018
Total non-current liabilities		**18,971,105**	14,863,142
Net assets		**25,979,974**	19,509,843
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**257,152**	186,451
Reserves		**23,511,178**	16,951,253
Proposed final dividend		**–**	410,192
		23,768,330	17,547,896
Non-controlling interests		**2,211,644**	1,961,947
Total equity		**25,979,974**	19,509,843

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

1. CORPORATE INFORMATION

Shenzhen Investment Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are described in note 3.

In the opinion of the directors, the immediate holding company of the Company is Shum Yip Holdings Company Limited ("Shum Yip Holdings", 深業(集團)有限公司), which is a private company incorporated in Hong Kong. The ultimate holding company of the Group is 深業集團有限公司 ("Shum Yip Group"), which is a state-owned company established in Shenzhen, the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new standards, interpretation and amendments as of 1 January 2013, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The amendment to HKAS 34 included in *Annual Improvements 2009-2011 Cycle* clarifies the requirements in HKAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. As a result of this amendment, the Group now also includes disclosure of total segment assets and liabilities as these are reported to the chief operating decision maker. See note 3.

Other than as further explained above regarding the impact of the amendment to HKAS 34 included in *Annual Improvements 2009-2011 Cycle*, the adoption of the above new standards, interpretation and amendments has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

(a) the property development segment engages in the development of residential, industrial and commercial properties;

(b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;

(c) the property management segment engages in the management of both properties developed by the Group and external parties;

(d) the transportation services segment consists of the provision of passenger transportation services, automobile maintenance and other related services;

(e) the manufacturing segment engages in the manufacture and sale of industrial and commercial products; and

(f) the "others" segment comprises, principally, the hotel operation, manufacture and sale of aluminum alloy products and other businesses.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains or losses from the Group's financial instruments as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, restricted cash, cash and cash equivalents, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank loans and other borrowings, an amount due to the ultimate holding company, tax payable, an amount due to the immediate holding company, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six months ended 30 June 2013	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	Transportation services (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:							
Sales to customers	3,638,335	271,979	548,369	141,884	168,016	269,749	5,038,332
Intersegment sales	–	6,538	2,862	–	–	31,011	40,411
	3,638,335	278,517	551,231	141,884	168,016	300,760	5,078,743
Reconciliation							
Elimination of intersegment sales							(40,411)
Revenue							5,038,332
Segment results before increase in fair value of investment properties	1,533,483	289,810	14,880	17,939	603	133,001	1,989,716
Increase in fair value of investment properties	–	542,050	–	–	–	–	542,050
Segment results after increase in fair value of investment properties	1,533,483	831,860	14,880	17,939	603	133,001	2,531,766
Reconciliation							
Elimination of intersegment results							(3,699)
Finance income							163,133
Dividend income and unallocated gains							10,358
Gain on a bargain purchase *(note 13)*							637,945
Fair value losses on financial instruments at fair value through profit or loss, net							(1,365)
Corporate and other unallocated expenses							(44,888)
Finance costs							(341,219)
Profit before tax							2,952,031
As at 30 June 2013							
Segment assets	43,824,151	17,480,058	105,527	430,742	153,940	3,219,276	65,213,694
Reconciliation							
Corporate and other unallocated assets							9,022,978
Total assets							74,236,672
Segment liabilities	12,811,151	2,801,636	289,472	331,390	43,498	2,036,812	18,313,959
Reconciliation							
Corporate and other unallocated liabilities							29,942,739
Total liabilities							48,256,698

For the six months ended 30 June 2012	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	Transportation services (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:							
Sales to customers	1,783,467	246,283	490,593	118,142	159,483	197,862	2,995,830
Intersegment sales	–	3,605	5,512	–	–	–	9,117
	1,783,467	249,888	496,105	118,142	159,483	197,862	3,004,947
Reconciliation							
Elimination of intersegment sales							(9,117)
Revenue							2,995,830
Segment results before increase in fair value of investment properties	486,318	311,983	46,948	11,529	5,655	63,594	926,027
Increase in fair value of investment properties	–	478,814	–	–	–	–	478,814
Segment results after increase in fair value of investment properties	486,318	790,797	46,948	11,529	5,655	63,594	1,404,841
Reconciliation							
Elimination of intersegment results							(5,283)
Finance income							120,160
Dividend income and unallocated gains							15,751
Fair value gains on financial instruments at fair value through profit or loss, net							2,698
Corporate and other unallocated expenses							(51,259)
Finance costs							(168,385)
Profit before tax							1,318,523
As at 31 December 2012 (Audited)							
Segment assets	29,984,330	13,459,697	103,022	361,629	150,407	2,390,302	46,449,387
Reconciliation							
Corporate and other unallocated assets							7,942,620
Total assets							54,392,007
Segment liabilities	6,137,842	988,033	276,902	268,310	39,363	1,269,637	8,980,087
Reconciliation							
Corporate and other unallocated liabilities							25,902,077
Total liabilities							34,882,164

As the Group generates substantially all of its revenues from customers domiciled in the PRC, no geographical information is presented.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**3,638,335**	1,783,467
Gross management fee income	**548,369**	490,593
Gross rental income from investment properties	**271,979**	246,283
Sale of commercial and industrial goods	**168,016**	159,483
Income from transportation services	**141,884**	118,142
Others	**269,749**	197,862
	5,038,332	2,995,830
Other income and gains		
Finance income	**163,133**	120,160
Gain on a bargain purchase *(note 13)*	**637,945**	–
Others	**86,960**	31,337
	888,038	151,497

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings	**643,765**	526,855
Other finance costs	**57,338**	–
Less: Interest capitalised	**(359,884)**	(358,470)
	341,219	168,385

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Cost of inventories sold		**2,146,188**	1,396,218
Cost of services provided		**895,556**	700,781
Depreciation		**83,184**	41,797
Amortisation of intangible assets		**3,305**	3,162
Amortisation of prepaid land lease payments		**765**	1,018
Gains on disposal of items of property, plant and equipment, net		**(1,458)**	(1,655)
Gain on a bargain purchase	*13*	**(637,945)**	–
Impairment of other receivables		**–**	15,541
Write-back of impairment of trade receivables		**–**	(5,257)

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income during the period.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
Mainland China corporate income tax	**419,615**	109,178
Withholding tax on dividend	**–**	12,807
LAT in Mainland China	**464,370**	(33,201)
Deferred:		
Mainland China corporate income tax	**137,900**	99,151
Withholding tax on dividend	**47,047**	16,446
LAT in Mainland China	**(92,271)**	10,867
Total tax charge for the period	**976,661**	215,248

The share of taxes attributable to associates and jointly-controlled entities amounting to HK$207,973,000 (six months ended 30 June 2012: HK$313,323,000) and HK$63,477,000 (six months ended 30 June 2012: HK$6,442,000), respectively, are included in "Share of profits and losses of associates" and "Share of profits and losses of jointly-controlled entities" on the face of the interim condensed consolidated income statement.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2013 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share amounts are based on:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**1,750,235**	935,302

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,964,873,212**	3,626,024,304
Effect of dilution – weighted average number of ordinary shares:		
Share options	**19,522,963**	–
	3,984,396,175	3,626,024,304

9. DIVIDEND

On 27 August 2013, the board of directors declared an interim dividend of HK7.00 cents per share for the six months ended 30 June 2013 (six months ended 30 June 2012: HK7.00 cents per share). The interim dividend will be satisfied wholly in the form of an allotment of new fully paid share(s) of nominal value of HK$0.05 each in the share capital of the Company ("scrip shares") but shareholders will be given the option of receiving such interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares.

10. TRADE RECEIVABLES

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Trade receivables	**220,372**	285,796
Impairment	**(31,431)**	(30,939)
	188,941	254,857

Under normal circumstances, the Group does not grant any credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the contract date and net of provision, is as follows:

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Within one year	**188,619**	252,580
One to two years	**322**	2,076
Two to three years	**–**	201
	188,941	254,857

11. PLEDGE OF ASSETS

As at the end of reporting period, Bank loans amounting to HK$3,139,063,000 (31 December 2012: HK$3,762,403,000) were secured by:

(i) certain of the Group's land and buildings in Mainland China with a net book value of approximately HK$1,137,574,000 (31 December 2012: HK$1,205,866,000);

(ii) certain of the Group's properties under development with a net book value of approximately HK$3,574,547,000 (31 December 2012: HK$1,498,849,000);

(iii) certain of the Group's investment properties with a net book value of approximately HK$2,356,534,000 (31 December 2012: HK$4,614,496,000); and

(iv) certain of the Group's bank deposits with a net book value of HK$431,899,000 (31 December 2012: HK$267,228,000).

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Within one year	**806,380**	649,910
One to two years	**34,218**	12,099
Two to three years	**1,415**	1,197
Over three years	**40,941**	40,280
	882,954	703,486

The trade payables are non-interest-bearing.

13. BUSINESS COMBINATION

On 17 January 2013, the Group entered into an acquisition agreement with Shum Yip Holdings to acquire the 100% equity interests in Shenzhen Silicon Valley (the "Acquisition Agreement"). Shenzhen Silicon Valley is an investment holding company, which together with its subsidiaries, Shenzhen Shum Yip Technology Development Limited（深圳市深業科技開發有限公司）, Shenzhen Jizhaoxin Investment Limited（深圳市吉兆鑫投資有限公司）and Shenzhen Kezhigu Investment Limited ("Kezhigu")（深圳市科之谷投資有限公司）(collectively referred to as the "Shenzhen Silicon Valley Group") are engaged in property development and property investment in Shenzhen, the PRC. Further details of the transaction are set out in the circular of the Company dated 28 March 2013. The acquisition was made as part of the Group's strategy to increase the Group's land bank in Shenzhen. The purchase consideration for the acquisition was satisfied by the Company through the allotment and issue of 1,410,117,262 new shares of the Company. In addition, Kezhigu was required to pay additional land premium to 深圳市規劃和國土資源委員會 (the Bureau of the Urban Planning and Land Resources Commission of Shenzhen) (the "Land Bureau") in respect of the sale of apartments, hotels and commercial service facilities under construction on a parcel of land. Pursuant to the Acquisition Agreement, the Group has agreed to pay Shum Yip Holdings an amount by which the actual additional land premium payable to the Land Bureau by Kezhigu in respect of the sale of apartments is less than RMB2,000,000,000. The actual land premium was RMB1,597,798,000 according to a notice issued by the Land Bureau dated 9 May 2013. Accordingly, an amount of RMB402,202,000 (equivalent to HK$508,907,000) was liable to Shum Yip Holdings by the Group.

The acquisition was completed on 31 May 2013. The Group recognised a gain on a bargain purchase of approximately HK$637,945,000 in relation to this business combination, which mainly represented a discount to the fair value of the assets obtained given by Shum Yip Holdings.

The fair values of the identifiable assets and liabilities of the Shenzhen Silicon Valley Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition (Unaudited) *HK$'000*
Property, plant and equipment	**348,240**
Investment properties	**4,684,201**
Deferred tax assets	**125,379**
Cash and cash equivalents	**355,159**
Restricted cash	**26,697**
Prepayments, deposits and other receivables	**1,923**
Properties under development	**10,952,542**
Interest-bearing bank loans and other borrowings	**(632,650)**
Other payables and accruals	**(2,267,397)**
Due to the immediate holding company	**(15,618)**
Due to the ultimate holding company	**(4,530,078)**
Deferred tax liability	**(3,262,260)**
Total identifiable net assets at fair value	**5,786,138**
Gain on a bargain purchase recognised in other income and gains in the interim condensed consolidated income statement	**637,945**
Satisfied by:	
Consideration payable related an additional land premium of a parcel of land held by Kezhigu	**508,907**
Fair value of shares issued	**4,639,286**
	5,148,193

An analysis of the cash flows in respect of the acquisition of the Shenzhen Silicon Valley Group is as follows:

	(Unaudited)
	HK$'000
Cash paid	–
Cash and cash equivalents acquired	**355,159**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**355,159**

14. CAPITAL COMMITMENTS

	30 June 2013	31 December 2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**5,695,584**	4,262,180
Authorised, but not contracted for	**141,184**	502,724
	5,836,768	4,764,904

15. CONTINGENT LIABILITIES

At 30 June 2013, the Group has given guarantees to a maximum extent of approximately HK$2,952,135,000 (31 December 2012: HK$1,948,307,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the buyer of the Group's properties obtained the individual property ownership certificate.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

16. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	For the six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Shum Yip Group, the ultimate holding company:			
– Interest expense paid	*(i)*	**46,440**	–
Shum Yip Holdings Company Limited, the immediate holding company:			
– Rental expenses paid	*(ii)*	**919**	990
Associates:			
– Sales of products		**48,648**	32,383
– Interest income		**–**	8,881
Fellow subsidiaries:			
– Sales of properties	*(iii)*	**341,484**	–
– Interest expense paid	*(i)*	**6,536**	–
– Management fee received		**–**	6,138
– Estate agency fee received	*(iv)*	**18,804**	–
A jointly-controlled entity:			
– Interest income		**116,791**	56,998
Interest expense paid to non-controlling shareholders		**4,362**	–

Notes:

(i) The interest expenses were calculated for the amounts which the Group had borrowed from Shum Yip Group and certain fellow subsidiaries. The interest rates charged for the balances with the ultimate holding company and fellow subsidiaries from the one-year benchmark lending rate of the People's Bank of China ("PBOC") to 9.9% per annum.

(ii) The rentals were charged at prices based on mutual agreement between the parties.

(iii) The sales to a fellow subsidiary were made according to the published prices and conditions offered to the major customers of the Group.

(iv) The estate agency fee received from a fellow subsidiary was charged at prices based on mutual agreement between the parties.

(b) Other transaction with a related party

On 31 May 2013, the Group acquired a 100% equity interest in Shenzhen Silicon Valley from Shum Yip Holdings at a consideration satisfied by the Company through the allotment and issue of 1,410,117,262 new shares of the Company and a consideration payable of HK$508,907,000. Further details of the transaction are included in note 13.

17. EVENTS AFTER THE REPORTING PERIOD

On 22 August 2013, the Company, Shenzhen International Holdings Limited ("SIHL") and Shum Yip Group entered into a framework agreement (the "Framework Agreement"). SIHL is an independent third party of the Company. Pursuant to the Framework Agreement, the Company and SIHL intended to cooperate strategically in relation to certain projects in the PRC, including, in particular, the intended strategic cooperation in respect of the Western Logistic Park project which is owned by SIHL and located at the Qianhai region in Shenzhen with a site area of approximately 400,000 square meters. The land is currently used for warehousing and logistics purpose. It is intended for commercial and residential development in the future. The change of land usage and land premium payment are subject to the government's approval. Further details of the Framework Agreement are set out in the announcement of the Company dated 22 August 2013.

CHAIRMAN STATEMENT

Business review

In the first half year of 2013, the central government implemented the austerity control policy of "State Council's Five Measures" to continue curbing the investment and speculative demand to facilitate the healthy development of the real estate market. Under the background of relatively loosened monetary policies and strong rigid housing demand, the real estate market in China was picking up continuously, in particular, in the first and second-tier cities, the real estate transactions were active with a strong recovery. The Group timely grasped the market opportunity, actively promoted its property sales, implemented its strategic layout, maintained healthy financial position and had achieved satisfactory operating results.

Interim results and payment of dividends

During the period, the Group achieved a turnover of HK$5,038.3 million, representing an increase of 68.2% over the same period of last year. Profit for the period attributable to the shareholders was HK$1,750.2 million, representing an increase of 87.1% over the same period of last year. Basic earnings per share were HK44.14 cents, representing an increase of 71.2% over the same period of last year. The Board resolved the distribution of an interim dividend of HK7.00 cents per share for 2013.

Initiating asset injection and implementing the strategy of intensifying the development in Shenzhen

During the period, the Group initiated the quality asset injection from its parent company. The initially injected Kezhigu（科之谷）project is located at Futian District, Shenzhen City, which is adjacent to Futian CBD and is surrounded by three main municipal parks with unique geographical location and natural sceneries and convenient comprehensive transportation supporting facilities. The gross floor area of the project is 788,910 square meters, which includes premier commercial apartments, office buildings, hotel and shopping centers. The project positions itself to be the base of high-end innovative headquarters, recreational and leisure and shopping centers, and will become the new landmark of Shenzhen.

Such asset injection was a significant move for the Group to implement the strategy of intensifying the development in Shenzhen, through the quality asset injection, its structure of land reserves is optimized, decreasing its net gearing ratio to lay a solid foundation for its sustainable development in future.

Promoting real estate sales actively

The Group grasped the market opportunities to actively facilitate the sales of its projects. The projects of the Group, including Shenzhen Terra Building（深圳泰然大廈）, Shenzhen Noble Times（深圳東晟時代）, Guangzhou Jiangyue Bay（廣州江悅灣）, Huizhou Wanlin Lake（惠州萬林湖）, Wuhan Nanhu Rose Bay（武漢南湖玫瑰灣）, had recorded good sales results. It achieved contracted sales from January to June of approximately RMB4.313 billion, representing an increase of 126% over the same period of last year, and reached 48% of its annual target.

Disposal of inefficient assets, improving operational efficiency

During the period, the Group analyzed and sorted out its projects in the third and fourth-tier cities, and formulated the mobilization implementation plan to accelerate the development and disposition and achieved positive results. The Group continued to enhance cost management and capacity building, and strived to accelerate its assets turnover ratio to further improve the operational efficiency.

Business outlook

Industry prospect

The economic situation of China is sophisticated and complicated. Under the fundamental direction of "stabilizing growth, adjusting structure and facilitating reform", the central government has indicated that massive economic stimulating policies will not be launched; and under the principle of "mobilizing stock, rationalizing volume increment", the credit policies will be further cautious in the second half year. The situation of loosened liquidity happened early this year may be difficult to continue. Despite in the process of facilitating reform, transforming and upgrading, the economy will face various challenges. However, we believe that the China economy will develop within an overall stable range, and still has a huge growth potential in long run. After a series of austerity control on China's real estate market over the years, the market structure has become relatively reasonable. At present, the rigid housing demand and improved housing demand in the first and second-tier cities have remained strong, and with the continuous picking up in sales in the first half year, the level of housing stock in the market is also decreasing gradually, the real estate market will show a steady development trend in future. We believe that in long run, the real estate market will more rely on the market-based measures, and the administrative control policies will gradually become weaker. However, the curb of investment and spectacular demand has still become the concern of the central government. The Group will highly monitor the macroeconomic development condition and real estate sector development; cope with the market changes on a timely basis; and adopt flexible strategies to develop progressively and steadily.

Shenzhen

In Shenzhen, the transaction volume of new residential housing in the first half year of 2013 was approximately 2.35 million square meters, representing an increase of 49% over the same period of last year with an average price of RMB24,128 per square meters, representing an increase of 27%. The products for the rigid housing demand in suburban districts and the high-end products in the core locations of urban districts were attractive to housing buyers. In the second half year, with the gradual launching of new housings in the market, the pressure of housing supply and demand in Shenzhen will be mitigated, and the transaction volume will be sustained. As one of the first-tier cities in the PRC, Shenzhen has huge economic development potential. Shenzhen has a permanent population of over 10 million, and average age of its resident is young, with strong housing demand and purchasing power. The development of Qianhai（前海）in Shenzhen will also bring about a new round of momentum for its economic development, especially for the development of financial industry, logistics industry and information industry. The Group is fully confident about the long-term development of real estate market in Shenzhen and will continue its strategic focus in Shenzhen.

Sales of real estate

The annual sales target of the Group in 2013 is about RMB9.0 billion, representing an increase of 48% as compared with the actual contracted sales last year. The annual saleable property area is approximately 1.58 million square meters with saleable property value of approximately RMB23.3 billion. In the first half year, the Group achieved contracted sales of RMB4.313 billion, representing 48% of the annual target. It is expected that the saleable property area of the Group in the second half year will be approximately 1.18 million square meters with abundant saleable property value. The months of September and October are the peak period of the Group to launch its property in the market. With the launching of Kezhigu (Shumyip Shangcheng（深業上城）) and Qingshuihe Auto Logistic Park（清水河汽車物流園）, and the additional launching of Terra Building（泰然大廈）, Noble Times（東晟時代）, Shum Yip City（深業城）and Rui Cheng（睿城）, it is expected that the sales in the second half year will further increase, and the Group is in full confidence to reach its sales target. At the same time, the Group will grasp the development rhythm, and ensure sufficient saleable property area in this and next years to maintain a sustainable development.

Land reserves

The Group will optimize its land reserve structure while continuing to maintain its land reserves existing scale. On one hand, the Group will continue to focus on its development in Shenzhen, complement its quality land resources and control its cost in land acquisition. On the other hand, it will strive to implement the disposal of certain inefficient projects.

The Group has 6 urban re-development projects in Shenzhen, including the Kezhigu（科之谷）project, which are locating at Lian Hua Shan in Futian（福田蓮花山）, Sungang, Qingshuihe, Shangbu, Chegongmiao and Guanlan respectively, with expected total planned gross floor area of over 2 million square meters. Such projects are important resources of the Group in focusing on the development in Shenzhen. In addition, Shum Yip Group, the parent company of the Group, has a quality land reserve with gross floor area of over 2 million square meters in Shenzhen. The Group will continue to increase its project reserves in Shenzhen through asset injection, accelerating re-development approval, and cooperation with stated-owned enterprises in Shenzhen and other means.

Furthermore, the Group will speed up the implementation of disposing of certain projects in the third and fourth–tier cities. The Group had actively promoted the re-negotiation with local governments which our projects are operating, and sought potential partners to rationalize the structure of its land reserves and the efficiency of its asset allocation.

Financial strategy

The Group will adhere to the consistent principle of maintaining healthy financial position, endeavour to reduce financing costs, and improve capital turnover efficiency to provide concrete protection of financial resources for its business development.

Corporate prospect

Looking forward, the Group is very confident for the continuous growth of the Company's performance in future. The Group will continue to implement its strategy of intensifying the development in Shenzhen, increase quality land reserves in Shenzhen, prudentially consider opportunities in other first and second tier cities, continuously optimize the structure of its land reserves, focus on both holding and development, improve cost control and operation standard, accelerate the asset turnover, improve the assets and liabilities and cash flow management. It is committed to maximize the value for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall results

During the period, the Group achieved a turnover of HK$5,038.3 million, representing an increase of 68.2% over the same period of last year. Gross profit margin was 39.6%, representing an increase of 9.6 percentage points over the same period of last year. Profit attributable to shareholders was HK$1,750.2 million, representing an increase of 87.1% over the same period of last year. If excluding the net effect of the changes in fair value of investment properties of the Group and the gain on bargain purchase, profit attributable to shareholders increased by 16.6% over the same period of last year. Basic earnings per share were HK44.14 cents, representing an increase of 71.2% over the same period of last year.

Property development and sales

During the period, the sales in real estate market picked up, sales of the major properties of the Group were satisfied. The Group achieved the net sales revenue of HK$3,638.3 million in property development, which was mainly generated from property sales and land sales. During the period, the Group recorded 256,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associates), representing an increase of 39.9% over the same period of last year and achieved a net revenue in property sales of RMB2,770.9 million (equivalent to HK$3,473.6 million) (net of business tax), representing an increase of 94.8% over the same period of last year. Gross profit margin of property sales was 43.7%, representing an increase of 15 percentage points over the same period of last year. During the period, the Group completed all procedures for the transfer of a land parcel in Changsha, for which a net revenue in land sales of RMB131.4 million (equivalent to HK$164.7 million) and gross profit of HK$108.6 million were recorded.

Table of Property Sales Booked

Property Name	**Sales area** *(square meters)*	**Type**	**Net sales** *(RMB million)*	**Average price** *(RMB/sqm)*
Wanlin Lake	9,768	Residential/Shop	76	7,731
Noah Mountain Forest	1,045	Residential/Shop	5	4,722
Rui Cheng Phase 1.1	10,037	Residential	51	5,103
Garden Hill	14,598	Residential	71	4,884
Jinxiu Jiangcheng Phase I	10,833	Residential/Shop	48	4,437
Euro-view Garden	14,567	Residential	92	6,284
Terra Building	29,072	Office building	999	34,358
Nanhu Rose Bay	22,685	Residential	187	8,248
Yihu Rose Court Phase 1.1	7,188	Residential/Shop	40	5,550
Purple Kylin Hill	6,300	Residential	97	15,469
Royal Garden	12,335	Residential	84	6,847
Noble Times	58,465	Residential/Shop	580	9,928
Royal Spring Garden	350	Residential, Car park	2	6,226
Shum Yip City	10,144	Residential, Shop, Car park	53	5,211
Yundonghai Phase I Land 2-Villa	7,706	Residential	85	11,038
Saina Bay Phase I	11,337	Residential	103	9,044
Shum Yip Hua Fu Phase I Group One-4, 5, 6	29,304	Residential	198	6,738
Subtotal	255,734		2,771	10,835

During the period, the Group achieved 398,000 square meters in contracted sales area and contracted sales income of approximately RMB4,313 million, representing an increase of 126% over the same period of last year.

Contracted Sales Table from January to June 2013

Project	City	Nature of land use	Accumulated sales area for the period *(square meters)*	Accumulated sales for the period *(RMB million)*	Pre-sale unit price *(RMB/sqm)*
Shum Yip City Phase I	Changzhou	Residential	2,789	27	9,727
Shum Yip City Phase I Group One	Maanshan	Residential	18,580	131	7,057
Noble Times	Shenzhen	Residential	38,303	486	12,690
Jiangyue Bay (Jinshazhou Project)	Guangzhou	Residential	52,787	795	15,058
Saina Bay	Heyuan	Residential	7,004	79	11,252
Shum Yip City	Shunde, Foshan	Residential	35,441	252	7,102
Shum Yip Royal Garden	Shenzhen	Residential	20,514	159	7,746
Yundonghai Phase I South Area (Land 2 low-rise housing)	Sanshui	Residential	4,888	50	10,171
Purple Kylin Hill	Shenzhen	Residential	3,840	67	17,409
Garden Hill	Huizhou	Residential	5,059	37	7,393
Jinxiu Jiangcheng	Taizhou	Residential	27,223	130	4,772
Euro-view Garden	Dongguan	Residential	36,444	241	6,621
Noah Mountain Forest Last phase	Changsha	Residential	256	1	3,906
Rui Cheng	Changsha	Residential	39,159	195	4,991
Wanlin Lake	Huizhou	Residential	39,726	265	6,683
Chengdu Yihu Rose Court	Chengdu	Residential	7,670	32	4,201
Terra Building	Shenzhen	Industrial (including technology park, warehouse)	30,500	1,118	36,648
Wuhan Nanhu Rose Bay	Wuhan	Residential	27,355	248	9,062
Total			397,538	4,313	10,849

Project development

During the period, the Group had 10 newly constructed projects with new construction area of approximately 1,620,000 square meters.

	Property Name and Phase	City	Nature of land use	Planned GFA *(square meters)*	Saleable area *(square meters)*
1	Shum Yip Hua Fu Phase I Group Two	Maanshan	Residential	85,000	65,000
2	Shum Yip Hua Fu Phase II	Changzhou	Residential	129,063	98,846
3	Jinshazhou Project Phase II	Guangzhou	Residential	155,266	122,005
4	Jinshazhou Project Phase I Public construction	Guangzhou	Residential	6,392	–
5	Shum Yip City Phase III (District I Section I)	Shunde	Residential	165,671	113,509
6.	Shum Yip City Phase III (District I Section II)	Shunde	Residential	115,383	73,071
7	Wanlin Lake Phase 8.3	Huizhou	Residential	124,227	61,488
8	Wanlin Lake Phase 8.4	Huizhou	Residential	62,951	62,095
9	Shum Yip Rui Cheng Phase 2.1	Changsha	Residential	130,651	92,072
10	Kezhigu South Area	Shenzhen	Commercial/ Office building	650,190	244,000
	Total			**1,624,794**	**932,086**

Asset injection and gain on bargain purchase

During the period, the Group entered into an agreement with Shum Yip Holdings, the parent company of the Group, to acquire the 100% of interest in Kezhigu project, located at Futian District, from its parent company at the consideration to be satisfied by way of allotment and issue of 1,410,117,262 consideration shares to Shum Yip Holdings. The issue price of the consideration share is HK$3.667, which represented a premium of 9.1% to the closing price on the date preceding the announcement of the transaction. The closing price of the Company's ordinary share was HK$3.29 on the completion date of the transaction, the fair value of the consideration shares was determined to be HK$4,639,286,000 accordingly. (For details, please refer to the circular dated 28 March 2013 and note 13).

The Kezhigu（科之谷）project is located at Futian District, with beautiful sceneries, surrounded by three main parks, namely Lian Hua Shan Park, Bijiashan Park and Central Park. It is only five minutes' drive to the CBD of Futian District with perfect surrounding transportation networks and comprehensive transportation facilities. The Kezhigu（科之谷）project occupies an area of 121,225 square meters, with a gross floor area of 788,910 square meters. It is planned to construct as an urban complex comprising premier apartments, office buildings, hotel and shopping centers.

The transaction was a connected transaction which was approved at the extraordinary general meeting on 18 April 2013 and completed on 31 May 2013.

The Group recorded a gain of HK$637.9 million on bargain purchase of the transaction and was recorded as profit for the period.

Continuing connected transactions

During the period, Nongke Property, a wholly-owned subsidiary of Shum Yip Holdings, the parent company of the Group, appointed Shum Yip Land, a wholly-owned subsidiary of the Group as its agent to sell residential units located in Shenzhen City, the PRC. Both parties entered into an estate agency agreement. The transaction was a continuing connected transaction. (For details, please refer to the announcement dated 8 April 2013)

Land reserves

As of the end of June 2013, the Group had a total gross land reserve of 11.48 million square meters (in gross floor area) with an attributable gross floor area of 10.70 million square meters (excluding the interests attributable to the Group in its three principal associates). Of which, the Group had 22 property projects under construction with a total gross floor area of approximately 2.86 million square meters and an attributable gross floor area of 2.77 million square meters.

Table of land reserves by city distribution (as at 30 June 2013)

Province	**City**	**Total GFA** *(square meters)*	**Attr. GFA** *(square meters)*	*%*
Guangdong	Shenzhen	1,564,840	1,564,840	15%
	Huizhou	1,651,148	1,539,525	14%
	Foshan	1,722,967	1,722,967	16%
	Dongguan	66,453	66,453	1%
	Heyuan	879,916	879,916	8%
	Guangzhou	340,170	340,170	3%
Hubei	Wuhan	924,155	489,802	5%
Hunan	Changsha	675,244	675,244	6%
Anhui	Maanshan	1,226,236	1,226,236	11%
	Chaohu	151,426	121,141	1%
Jiangsu	Taizhou	1,460,962	1,460,962	14%
	Changzhou	171,377	171,377	2%
Sichuan	Chengdu	430,891	228,372	2%
Others		215,952	215,952	2%
		11,481,737	10,702,957	100.00%

Property Investment

During the period, the Group's property investment business continued to maintain a steady growth. The total area of our investment properties was over 800,000 square meters, with an achieved rental income of HK$272.0 million for the period, representing an increase of approximately 10.4% over the same period of last year. During the period, as a result of the increase in total rental area, the optimization of investment property portfolio and the increase in rental income, the Group recorded a revaluation gain of HK$542.1 million in its investment property portfolio in which it had already been recorded as profit for the period.

Performance by jointly-controlled entities and associates

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a net profit contribution of HK$190.6 million to the Group, representing an increase of 357.7% over the same period of last year. The principal activity of this company is to provide relevant services to local governments in primary land development arrangement, at the end of last year, one land parcel had been granted by the local government through a public listing, gain from the company attributable to the Group was recorded as the profit for the period.

During the period, the performance of associates invested by the Group was within expectation. Of which, Shenzhen Tianan Cyber Park (Group) Co. Ltd., made a net profit contribution of HK$114.9 million to the Group, representing a decrease of 56.2% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$69.6 million to the Group, representing an increase of 11.9% over the same period of last year. Coastal Greenland Limited, a listed company in Hong Kong, made a loss of HK$32.8 million to the Group, as compared to the profit of HK$57.2 million in the same period of last year.

Financial position

During the period, the Group actively negotiated with various commercial banks to prepare the financial resources for its future development. In June 2013, the Group successfully secured a loan amounting to HK$300,000,000 for a term of three years with a bank in Hong Kong. The loan bears a very preferential interest rate of less than 3%.

As at 30 June 2013, the Group's total bank loans and other borrowings amounted to HK$21,824.6 million, of which HK$20,236.1 million were floating-rate loans, and the balance were fixed rate loans. Long-term loans amounted to HK$9,905.5 million, representing approximately 45.4% of total borrowings, and short-term loans were HK$11,919.1 million, representing approximately 54.6% of total borrowings.

As of 30 June 2013, the Group's cash balance (including pledged deposits and restricted cash) was HK$8,209.0 million, of which approximately 84.6% and 15.4% were denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively. As the Group's main operating cash inflow is in Renminbi, and the assets held and debts committed are mainly stated in Renminbi and US$, therefore the Renminbi exchange rate fluctuations will have positive financial impact to the Group in short run.

As at 30 June 2013, the Group had net assets (excluding non-controlling equity interests) of HK$23,768.3 million, having a net gearing ratio (debts only included bank and other loans) of 57.3%, representing a decrease of 27.6 percentage points over the end of 2012. The net gearing ratio, including shareholders' loan from the parent company and all other interesting-bearing debts, was 84.3%.

Table of financial position

HK$million	**30 June 2013**	31 December 2012
Bank loans and other borrowings	**21,824.6**	22,210.4
Long-term debts	**9,905.5**	13,236.2
Short-term debts	**11,919.1**	8,974.2
Floating-rate debts	**20,236.1**	18,578.2
Cash (including pledged deposits and restricted cash)	**8,209.0**	7,305.8
Net gearing ratio (debts only included bank and other loans)	**57.3%**	84.9%
Net gearing ratio (debts included all interest-bearing debts)	**84.3%**	86.4%

Pledge of assets and contingent liabilities position

As at 30 June 2013, the Group had total loans of HK$3,139.1 million that were pledged with assets. (For details, please refer to note 11).

As at 30 June 2013, the Group has provided guarantees of not more than HK$2,952.1 million to banks for the housing loans extended by the banks to the purchasers of the Group's properties. (For details, please refer to note 15)

Capital structure

As at 30 June 2013, Shum Yip Holdings Limited, the parent company of the Group, is interested in approximately 59.6% of the Group.

During the period, a total of 3,911,600 share options were exercised at the exercise price of HK$2.39. During the period, the Group did not repurchase any of its shares.

During the period, the Group issued 1,410,117,262 new shares to Shum Yip Holdings Limited, the major shareholder of the Group, for the settlement of the consideration in the acquisition of Kezhigu project.

As at 30 June 2013, the issued share capital of the Group was 5,143,044,270 shares (31 December 2012: 3,729,015,408 shares).

Staff headcount and remuneration

As at 30 June 2013, the Group had a total staff number of approximately 19,000, of which 33 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

Employee benefits include salaries, allowances, medical insurance and mandatory retirement contributions. We also award bonuses and grant share options under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

INTERIM DIVIDEND

At a meeting of the Board of the Company held on 27 August 2013, the Board resolved to declare an interim dividend of HK7.00 cents per share for the six months ended 30 June 2013 (2012: HK7.00 cents) payable on or about Tuesday, 12 November 2013 to shareholders whose names appear on the Register of Members of the Company on Thursday, 19 September 2013. The Board further resolved that such interim dividend be satisfied wholly in the form of an allotment of new fully paid share(s) of nominal value of HK$0.05 each in the share capital of the Company ("scrip shares") but shareholders will be given the option of receiving such interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The allotment price for such scrip shares will be the average value of the closing prices per share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days commencing from Wednesday, 18 September 2013. A circular containing details thereof, together with the election form, will be sent to shareholders on or about Thursday, 17 October 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 18 September 2013, to Thursday, 19 September 2013 (both dates inclusive), during which period no transfers of shares will be registered, and will reopen on Monday, 23 September 2013. In order to qualify for the interim dividend, all duly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 17 September 2013.

CORPORATE GOVERNANCE

The board of directors and management are committed to maintaining a high standard of corporate governance principles and practices so as to promote corporate transparency and accountability.

Save as disclosed below, the Company has adopted the Corporate Governance Code set out in Appendix 14 of the Listing Rules ("Code") and complied with all code provisions of the Code throughout the period. In respect of code provision A.2.1, Mr. LU Hua performed both duties of acting-chairman and president up to 31 January 2013 due to the resignation of the former chairman last year. Subsequently, Mr. LU Hua has been re-designated as the Chairman of the Board and Mr. GAO Shengyuan has been appointed as the President of the Company since 31 January 2013.

Following Mr. WONG Po Yan's retirement at the Annual General Meeting ("AGM"), Mr. Wong also ceased to be the chairman of Nomination Committee and Remuneration Committee and a member of Audit Committee, the Board resolved to appoint Dr. WONG Yau Kar, David as an independent non-executive director as well as the chairman of Nomination Committee and Remuneration Committee and a member of Audit Committee after the conclusion of the AGM to replace Mr. WONG's vacancy.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar, David. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2013 and the Interim Report 2013.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the period.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to all shareholders, the public and employees of the Group for their unfailing support, assistance, service and dedication.

On behalf of
Shenzhen Investment Limited
LU Hua
Chairman

Hong Kong, 27 August 2013.

As at the date of this announcement, the Board comprises 9 directors, of which Mr. LU Hua, Mr. GAO Shengyuan, Mr. MOU Yong and Mr. LIU Chong are the executive directors of the Company, Dr. WU Jiesi and Mr. HUANG Yige are the non-executive directors of the Company and Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David are the independent non-executive directors of the Company.