深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 604)

2015 INTERIM RESULTS ANNOUNCEMENT

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 2015 together with the comparative figures for the corresponding period in 2014. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

FINANCIAL HIGHLIGHTS

– In the first half of 2015, the Group achieved a turnover of HK$6,279.1 million, representing a substantial increase of 47.5% over the same period of last year; profit attributable to the owners of the Company amounted to HK$984.7 million, representing an increase of 3.1% over the same period of last year; core profit (excluding the net effect of the changes in fair value of investment properties attributable to the Group and one-time gain on disposal of a subsidiary at the same period of last year) amounted to HK$437.3 million, representing a substantial increase of 184.8% over the same period of last year;

– In the first half of 2015, the gross profit margin of the Group as a whole was 34.0%, representing an increase of 9.8 percentage points over the same period of last year; the gross profit margin of property development and sales was recorded 36.6%, representing an increase of 12.6 percentage points over the same period of last year;

– During the first seven months of 2015, completed RMB11.15 billion contracted sales, representing a year-on-year increase of 195%, and completed its target contracted sales for the full year ahead of schedule;

– As at 30 June 2015, cash on hand (including restricted cash) of HK$15,022 million; net gearing ratio (including all the liabilities carrying interest) at 59.0%, representing a decrease of 20.9 percentage points over the same period of last year; and

– The Board has declared 2015 interim dividend of HK3.00 cents per share to be paid in cash.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	*4*	**6,279,078**	4,257,627
Cost of sales		**(4,147,060)**	(3,225,826)
Gross profit		**2,132,018**	1,031,801
Other income and gains	*4*	**268,333**	594,938
Increase in fair value of investment properties		**753,971**	720,395
Fair value gain/(loss) on equity investments at fair value through profit or loss, net		**1,933**	(2,523)
Selling and distribution costs		**(161,366)**	(130,332)
Administrative expenses		**(383,896)**	(306,025)
Other expenses		**(109,618)**	(105,173)
Finance costs	*5*	**(418,103)**	(373,784)
Share of profits and losses of:			
Joint ventures		**(10,150)**	28,307
Associates		**143,184**	201,350
Profit before tax from continuing operations	*6*	**2,216,306**	1,658,954
Income tax expense	*7*	**(1,184,483)**	(618,951)
Profit for the period from continuing operations		**1,031,823**	1,040,003

	Note	For the six months ended 30 June 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		**–**	1,947
PROFIT FOR THE PERIOD		**1,031,823**	1,041,950
ATTRIBUTABLE TO:			
Owners of the parent		**984,733**	955,338
Non-controlling interests		**47,090**	86,612
		1,031,823	1,041,950
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the period		**HK14.60 cents**	HK17.75 cents
– For profit from continuing operations		**HK14.60 cents**	HK17.71 cents
Diluted			
– For profit for the period		**HK14.57 cents**	HK17.74 cents
– For profit from continuing operations		**HK14.57 cents**	HK17.70 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**1,031,823**	1,041,950
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	**9,581**	230
Income tax effect	**(2,395)**	(57)
	7,186	173
Exchange differences on translation of foreign operations	**5,092**	(503,375)
Exchange fluctuation reserve released upon disposal of a subsidiary and deemed disposal of equity interest in an associate	**–**	(131,230)
Share of other comprehensive loss of associates	**(10,859)**	(3,359)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**1,419**	(637,791)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on revaluation of property, plant and equipment	**–**	101,211
Income tax effect	**–**	(25,303)
	–	75,908
Share of other comprehensive (loss)/income of associates	**(72)**	1,760
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods	**(72)**	77,668
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**1,347**	(560,123)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1,033,170**	481,827
Attributable to:		
Owners of the parent	**987,201**	434,820
Non-controlling interests	**45,969**	47,007
	1,033,170	481,827

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	**30 June 2015 (Unaudited) *HK$'000***	31 December 2014 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,106,437**	3,240,502
Prepaid land lease payments		**43,640**	43,237
Goodwill		**322,768**	322,765
Investment properties		**20,109,695**	20,018,594
Investments in associates		**6,175,585**	6,134,980
Investments in joint ventures		**1,889,515**	1,904,139
Available-for-sale investments		**150,120**	140,471
Other long term assets		**1,838,395**	1,793,370
Deferred tax assets		**1,328,733**	1,213,842
Breeding biological assets		**7,408**	7,200
Total non-current assets		**35,972,296**	34,819,100
CURRENT ASSETS			
Inventories		**213,081**	136,448
Completed properties held for sale		**12,097,789**	14,708,217
Properties under development		**32,569,534**	30,794,948
Trading biological assets		**10,012**	10,188
Trade receivables	*10*	**441,615**	714,764
Prepayments, deposits and other receivables		**1,931,334**	3,660,743
Equity investments at fair value through profit or loss		**5,049**	3,116
Pledged deposits		–	31,228
Restricted cash		**4,168,537**	1,250,679
Cash and cash equivalents		**10,853,102**	8,375,476
Total current assets		**62,290,053**	59,685,807

	Note	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**9,352,276**	12,057,310
Trade payables	*12*	**1,229,790**	4,314,398
Other payables and accruals		**12,444,648**	9,975,943
Due to the immediate holding company		**49,771**	51,171
Due to the ultimate holding company		**4,555,267**	3,054,840
Tax payable		**5,394,699**	5,389,732
Total current liabilities		**33,026,451**	34,843,394
NET CURRENT ASSETS		**29,263,602**	24,842,413
TOTAL ASSETS LESS CURRENT LIABILITIES		**65,235,898**	59,661,513
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**21,345,988**	17,341,508
Due to the immediate holding company		**343,844**	323,208
Due to the ultimate holding company		**–**	1,412,597
Deferred income		**31,800**	28,183
Deferred tax liabilities		**7,785,592**	7,782,382
Total non-current liabilities		**29,507,224**	26,887,878
Net assets		**35,728,674**	32,773,635
EQUITY			
Equity attributable to owners of the parent			
Share capital and other statutory capital reserves		**17,470,082**	14,564,800
Other reserves		**15,934,848**	15,065,773
Proposed final dividend		**–**	865,287
		33,404,930	30,495,860
Non-controlling interests		**2,323,744**	2,277,775
Total equity		**35,728,674**	32,773,635

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2015

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 2015 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 2014.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

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 consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015 noted below.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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 five 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 manufacturing segment engages in the manufacture and sale of industrial and commercial products; and

(e) the "others" segment comprises, principally, the hotel operation, manufacture and sale of aluminum alloy products and agricultural products, design and construction of gardens 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 from continuing operations. The adjusted profit before tax from continuing operations 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 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 2015	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:						
Sales to customers	4,709,603	381,542	667,132	235,023	285,778	6,279,078
Intersegment sales	–	5,336	11,895	–	36,129	53,360
	4,709,603	386,878	679,027	235,023	321,907	6,332,438
Reconciliation						
Elimination of intersegment sales						(53,360)
Revenue						6,279,078
Segment results before increase in fair value of investment properties	1,333,949	434,200	37,157	1,021	(37,833)	1,768,494
Increase in fair value of investment properties	–	753,971	–	–	–	753,971
Segment results after increase in fair value of investment properties	1,333,949	1,188,171	37,157	1,021	(37,833)	2,522,465
Reconciliation						
Elimination of intersegment results						(28,565)
Finance income						171,842
Dividend income and unallocated gains						13,409
Fair value losses on financial instruments at fair value through profit or loss, net						1,933
Corporate and other unallocated expenses						(46,675)
Finance costs						(418,103)
Profit before tax from continuing operations						2,216,306
As at 30 June 2015						
Segment assets	55,056,000	21,859,770	157,539	207,553	4,350,770	81,631,632
Reconciliation						
Corporate and other unallocated assets						16,630,717
Total assets						98,262,349
Segment liabilities	13,247,255	1,675,322	941,234	67,690	1,200,604	17,132,105
Reconciliation						
Corporate and other unallocated liabilities						45,401,570
Total liabilities						62,533,675

For the six months ended 30 June 2014	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:						
Sales to customers	2,949,477	303,583	576,396	179,455	248,716	4,257,627
Intersegment sales	–	5,473	2,079	–	18,898	26,450
	2,949,477	309,056	578,475	179,455	267,614	4,284,077
Reconciliation						
Elimination of intersegment sales						(26,450)
Revenue						4,257,627
Segment results before increase in fair value of investment properties	595,851	291,979	19,726	1,103	(58,476)	850,183
Increase in fair value of investment properties	–	720,395	–	–	–	720,395
Segment results after increase in fair value of investment properties	595,851	1,012,374	19,726	1,103	(58,476)	1,570,578
Reconciliation						
Elimination of intersegment results						(4,270)
Finance income						245,775
Dividend income and unallocated gains						28,666
Gain on disposal of a subsidiary						297,424
Loss on deemed disposal of equity interest in an associate						(59,225)
Fair value losses on financial instruments at fair value through profit or loss, net						(2,523)
Corporate and other unallocated expenses						(43,687)
Finance costs						(373,784)
Profit before tax from continuing operations						1,658,954
As at 31 December 2014						
Segment assets	56,089,928	22,736,199	160,784	172,823	4,331,038	83,490,772
Reconciliation						
Corporate and other unallocated assets						11,014,135
Total assets						94,504,907
Segment liabilities	15,395,207	1,850,390	486,945	39,575	944,574	18,716,691
Reconciliation						
Corporate and other unallocated liabilities						43,014,581
Total liabilities						61,731,272

As the Group generates substantially all of its revenues from customers domiciled in the Mainland China, 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**4,709,603**	2,949,477
Gross management fee income	**667,132**	576,396
Gross rental income from investment properties	**381,542**	303,583
Sale of commercial and industrial goods	**235,023**	179,455
Others	**285,778**	248,716
	6,279,078	4,257,627
Other income and gains		
Finance income	**171,842**	245,775
Gain on disposal of a subsidiary	**–**	297,424
Gains on disposal of investment properties	**59,468**	–
Others	**37,023**	51,739
	268,333	594,938

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**718,760**	654,512
Other borrowings	**14,214**	46,306
Loans from the ultimate holding company	**108,854**	182,451
Loans from fellow subsidiaries	**6,669**	9,132
Loans from non-controlling shareholders	**2,637**	4,324
Total interest expense on financial liabilities not at fair value through profit or loss	**851,134**	896,725
Less: Interest capitalised	**(433,031)**	(522,941)
	418,103	373,784

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of properties and inventories sold	**3,177,192**	2,379,816
Cost of services provided	**969,868**	846,010
Depreciation	**69,499**	69,573
Reversal of impairment of other receivables	**(6,233)**	–
Changes in fair value of contingent consideration payable to the immediate holding company	**19,179**	–
Amortisation of prepaid land lease payments	**580**	795
Gains on disposal of investment properties	**(59,468)**	–
Loss/(gains) on disposal of items of property, plant and equipment, net	**127**	(9,289)
Gain on disposal of a subsidiary	**–**	(297,424)
Loss on deemed disposal of equity interest in an associate	**–**	59,225

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 2014: 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 sale of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
Mainland China corporate income tax	**585,548**	268,396
Withholding tax on dividend	**9,173**	21,585
LAT in Mainland China	**693,059**	156,731
Deferred:		
Mainland China corporate income tax	**(48,483)**	184,694
Withholding tax on dividend	**36,880**	(144)
LAT in Mainland China	**(91,694)**	(12,311)
Total tax charge for the period	**1,184,483**	618,951

The share of taxes attributable to associates amounting to HK$156,285,000 (six months ended 30 June 2014: HK$192,991,000) is included in "Share of profits and losses of associates" on the face of the interim condensed consolidated statement of profit or loss.

No share of taxes attributable to joint ventures (six months ended 30 June 2014: HK$10,694,000) is included in "Share of profits and losses of joint ventures" on the face of the interim condensed consolidated statement of profit or loss.

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 period 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	
	2015	2014
	(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		
From continuing operations	**984,733**	953,246
From a discontinued operation	**–**	2,092
	984,733	955,338

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**6,745,807,053**	5,381,151,566
Effect of dilution – weighted average number of ordinary shares:		
Share options	**14,003,321**	4,818,246
	6,759,810,374	5,385,969,812

9. DIVIDEND

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends recognised as distribution during the period:		
Final dividend declared for 2014 – HK13.00 cents per share (2014: declared for 2013 – HK12.00 cents per share) (i)		
Scrip shares	**4,846**	521,507
Cash	**954,759**	124,396
	959,605	645,903
Dividend declared in respect of current period:		
Interim dividend declared for 2015 – HK3.00 cents per share (2014: HK3.00 cents per share) (ii)	**221,447**	199,682

Notes:

(i) The declared final dividend of HK13.00 cents per share for the year ended 31 December 2014 was paid in August 2015. The declared final dividend of HK12.00 cents per share for the year ended 31 December 2013 was paid in August 2014.

(ii) On 27 August 2015, the board of directors declared an interim dividend of HK3.00 cents per share for the six months ended 30 June 2015 (six months ended 30 June 2014: HK3.00 cents per share).

10. TRADE RECEIVABLES

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**476,147**	749,058
Impairment	**(34,532)**	(34,294)
	441,615	714,764

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 2015	31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**399,201**	699,534
One to two years	**42,063**	15,230
Two to three years	**351**	–
	441,615	714,764

11. PLEDGE OF ASSETS

As the end of reporting period, bank loans and other borrowings amounting to HK$3,788,466,000 (31 December 2014: HK$4,359,851,000) were secured by:

(i) certain of the Group's land and buildings in Mainland China with a net book value of approximately HK$1,079,925,000 (31 December 2014: HK$1,104,045,000);

(ii) certain of the Group's completed properties held for sale with a net book value of approximately HK$40,862,000 (31 December 2014: HK$16,419,000);

(iii) certain of the Group's properties under development with a net book value of approximately HK$2,054,469,000 (31 December 2014: HK$1,962,590,000);

(iv) certain of the Group's investment properties with a net book value of approximately HK$3,102,299,000 (31 December 2014: HK$5,758,608,000).

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 2015 (Unaudited) *HK$'000*	31 December 2014 (Audited) *HK$'000*
Within one year	**705,482**	3,786,075
One to two years	**372,643**	481,171
Two to three years	**129,107**	8,183
Over three years	**22,558**	38,969
	1,229,790	4,314,398

The total amounts of the trade payables are non-interest-bearing.

13. CAPITAL COMMITMENTS

	30 June 2015 (Unaudited) *HK$'000*	31 December 2014 (Audited) *HK$'000*
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**10,688,814**	7,347,594
Authorised, but not contracted for	**–**	28,545
	10,688,814	7,376,139

14. CONTINGENT LIABILITIES

(i) As at 30 June 2015, the Group has given guarantees to a maximum extent of approximately HK$3,988,017,000 (31 December 2014: HK$2,359,519,000) 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.

(ii) On 12 September 2014, Shum Yip Terra, a 75.05% owned subsidiary of the Company, and its wholly-owned subsidiary, Wuhan Shum Yip Terra Property Development Company Limited ("Wuhan Terra"), received a notification for the appointment of defender/application for legal aid during the prosecution review phase from The People's Procuratorate of Jianli County of Hubei Province (the "People's Procuratorate"), informing Shum Yip Terra and Wuhan Terra that materials in respect of the suspected corporate offence of bribery on both of them have been transferred to the Public Prosecution Bureau of the Procuratorate for prosecution review.

The People's Procuratorate considers that there were violations of the relevant regulations in the procedures in respect of a land transaction involved by Wuhan Terra which has caused a loss of state-owned land income, and the loss in the amount of approximately RMB316 million should be recovered from Shum Yip Terra. The People's Procuratorate has seized certain bank accounts of Wuhan Terra and Shum Yip Terra. Further details of the matter are set out in the announcement of the Company dated 18 September 2014.

As at 30 June 2015, the balance of the seized bank accounts of Wuhan Terra and Shum Yip Terra amounted to RMB224,424,951 and RMB122,558,764, respectively. At the date of approval of these financial statements, Shum Yip Terra and Wuhan Terra have not yet received any notification from the People's Court regarding the prosecution filed by the People's Procuratorate.

15. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

		Notes	**For the six months ended 30 June** **2015** **(Unaudited)** ***HK$'000***	2014 (Unaudited) *HK$'000*
(1)	Shum Yip Group, the ultimate holding company:			
	– Interest expense	*(i)*	**108,854**	182,451
	– Management fee income	*(ii)*	**1,683**	–
	– Rental income	*(iii)*	**3,763**	–
(2)	Shum Yip Holdings, the immediate holding company:			
	– Rental expenses	*(iii)*	**6,174**	5,544
	– Management fee expenses	*(iv)*	**180**	163
(3)	Associates:			
	– Sales of products	*(v)*	**24,301**	70,835
	– Interest income	*(vi)*	**114**	–
(4)	Fellow subsidiaries:			
	– Interest expense	*(i)*	**6,669**	9,132
	– Estate agency fee income		**–**	4,131
	– Property management income	*(vii)*	**613**	1,312
	– Rental expenses	*(iii)*	**258**	–
(5)	Joint ventures:			
	– Interest income	*(viii)*	**93,116**	211,777
(6)	Non-controlling shareholders			
	– Interest expense	*(i)*	**2,980**	4,324

Notes:

(i) Interest expenses were calculated for the amounts which the Group had borrowed from Shum Yip Group, a fellow subsidiary and certain non-controlling shareholders. The interest rates charged for the balances ranged from the one-year benchmark lending rate of the People's Bank of China to 7.5% per annum.

(ii) Pursuant to the relevant agreements entered into between Shenzhen Nongke Group Limited ("Nongke") and Shum Yip Group on 27 January 2014, Shum Yip Group appointed Nongke to provide management services on its behalf in respect of (a) certain agricultural lands and related assets, and (b) the implementation plan of a property development project. Further details are set out in the circular of the Company dated 12 May 2014. Management fee income in respect of the management services as abovementioned of HK$1,060,000 and HK$623,000, respectively, was charged to Shum Yip Group for the period from 1 January 2015 to 30 June 2015

(iii) The rentals were recognised at prices based on mutual agreement between the parties.

(iv) The management fee expense to the immediate holding company was charged at prices based on mutual agreement between the parties.

(v) The sales to the associates were made according to the published prices and conditions offered to the major customers of the Group.

(vi) The interest income from an associate was charged at prices based on the interest at one-year benchmark lending rate of the PBOC. The loan to the associate has been settled during the period.

(vii) The property management income from a fellow subsidiary was charged at prices based on mutual agreement between the parties.

(viii) The interest income was calculated for the amounts which the Group had lent to joint ventures, and the interest rate charged for the balance ranged from one-year benchmark lending rate of the PBOC to 12% per annum.

(ix) In the opinion of the directors, the above related party transactions were conducted on normal commercial terms and in the ordinary course of the Group's business.

(b) Other transaction with related parties

At 30 June 2015, the Group's bank loans and other borrowings amounting to HK$7,498,200,000 (31 December 2014: HK$3,747,300,000) were guaranteed by Shum Yip Group.

16. EVENT AFTER THE REPORTING PERIOD

On 27 July 2015, 7,846,000 share options were offered to be granted to Mr. Huang Wei, an executive director and president of the Company, and certain other eligible persons (the "Grantees") to subscribe for a total of 7,846,000 ordinary shares of the Company under the share option scheme approved and adopted by the Company on 22 June 2012 subject to acceptance by the Grantees within 28 days from 27 July 2015, the date of offer. Among the 7,846,000 share options offered to the Grantees, 3,196,000 share options were offered to be granted to Mr. Huang Wei to subscribe for 3,196,000 ordinary shares of the Company. Further details of the share options are set out in the announcement of the Company dated 27 July 2015.

CHAIRMAN'S STATEMENT

2015 Interim Results

In the first half of 2015, driven by picking-up of housing demand and capital markets, the real estate market recovery is strong in China's major cities. Both the trading volumes and prices have increased significantly. The Group promptly grasped this market opportunity to firmly implement the strategy of "intensifying the development in Shenzhen" and achieved desired sales results, realizing accelerated development.

During the period, the Group realized a turnover of HK$6,279.1 million, representing an increase of 47.5% over the same period of last year; and achieved HK$984.7 million of profit attributable to shareholders, representing an increase of 3.1% over the same period of last year. The interim basic earnings per share was HK14.60 cents, representing a decrease of 17.7% over the same period of last year. The Board has resolved to distribute 2015 interim dividend of HK3.00 cents per share in cash.

Satisfactory Sales Results

In the first half of 2015, driven by housing demand, Shenzhen real estate market showed a strong recovery. The Group timely grasped this opportunity to actively promote sales and achieved substantial growth in contracted sales. During the first half of this year, the Group completed RMB7.66 billion of contracted sales, representing a substantial year-on-year increase of 142%, of which, the contribution from Shenzhen projects with higher gross profit margin reached 65%. UpperHills, the Group's high-end project located in Futian District, Shenzhen, completed RMB3.33 billion of contracted sales in the first half of this year, representing a substantial increase of 495% over the same period of last year. In May, Tang Lang City project, a project co-developed by the Group and Shenzhen Metro Group and located in Nanshan District of Shenzhen, became a hot selling after launching and realized RMB1.3 billion of contracted sales during the first half of this year. In July, Guanlan Rose Garden, the residential project developed by the Group and located in Longhua New District of Shenzhen was sold out immediately after launching and completed RMB1.04 billion of contracted sales in July. In addition, the sales of the Group's projects in Eastern China also rose significantly. The sales performance of Anhui Maanshan Shumyip Huafu project and Jiangsu Changzhou Shumyip Huafu project were very good. As of the end of July 2015, the Group completed its target of RMB11 billion of contracted sales for the full year ahead of schedule, meaning that the contracted sales achieved only in the first seven months have grown approximately 50% compared to 2014 annual sales.

Promotion of Strategic Cooperation

During the period, the Group continued to deepen its strategic cooperation with Shenzhen Metro Group, Shenzhen International and other companies. Tang Lang City project, a project co-developed by the Group and Shenzhen Metro Group, achieved satisfactory sales and the both sides are discussing the opportunities for further cooperation. Under the guidance of the new municipal government, the cooperation between the Group and Shenzhen International in Qianhai Free Trade Zone project has been promoted acceleratedly. At the same time, the Group is actively looking for more development opportunities in Shenzhen municipal state-owned enterprises and in the projects in which it cooperates with the governments. In the process of cooperation with strategic partners, the Group's professional ability and spirit of cooperation have been highly evaluated. Also, the Company's brand image has been further enhanced.

Substantial Improvement in Financial Position

The Group seized this sales picking up opportunity to strengthen the sales collection and fund management, achieving a significant effect. As of 30 June 2015, net gearing ratio including all liabilities carrying interest of the Group fell 20.9 percentage points to 59.0% as compared with that as of the end of 2014.

In June 2015, the Company grasped a capital market opportunity to successfully make a placing of 670 million new shares to the capital market at a placing price of HK$4.13 per share and raised approximately HK$2.7 billion, effectively making a supplement to the funds needed for the Group's future development and optimizing the structure of the Group's assets and liabilities. The proceeds from placing will be mainly used to increase quality land reserves in Shenzhen to provide high-quality resources for the sustainable development of the Group. This placing has received great support from shareholders and investors and, I, on behalf of the Company, hereby would like to thank our new and old shareholders. We are committed to continuing to enhance the Group's operation efficiency and promote the transformation of profit model so as to create a better return for shareholders.

Outlook

In recent years, the differentiation of the real estate industry has been accelerating. Region and product differentiation is increasingly evident. The value of the assets in the core location of the first-tier cities is gradually becoming prominent. Shenzhen's economic activity is active. It is the capital of innovation of China. There are a large number of leading enterprises in internet, finance, innovation and technology, biopharmaceutical and logistics and many other industries. Shenzhen's entrepreneurial atmosphere is strong and very attractive to the foreign population. In a few consecutive years, it maintains a net inflow of population. At present, it has a population of close to 20 million, with an average age of 30 years, and a higher real estate demand and spending ability than other cities in China. The Group is firmly optimistic about the long-term development prospect of the real estate market in Shenzhen.

Under the influence of supply and demand and other factors such as capital market volatility, we are of the view that Shenzhen's real estate market in the second half of the year will tend to be stabilized; and that the housing purchase sentiments will also return to be rational. The Group will work tirelessly and actively promote the sales of Shenzhen projects, meanwhile, arranging for next year's project sales work to promote the future contracted sales to grow continuously and steadily.

Both China's economy and real estate industry are coming through an important transformation. Facing the external adjustment, the Group will focus on developing its main business, meanwhile, make a good preparation for the transformation. In the future, we will continue to firmly implement the Company's strategy of "intensifying the development in Shenzhen", to continue to expand the land reserves in Shenzhen by the asset injection from the parent company, Shenzhen's urban renewal project and the cooperation with state-owned companies, such as Shenzhen Metro Group. At present, the Group has over 2 million square meters of GFA in high quality land reserves in Shenzhen. These projects are in prime location, with good quality products, which can bring satisfactory investment income for the Group's development. During the year, the Group will further implement this strategy and accelerate the optimization of the structure of land reserves to improve the level of return on assets.

We realize that the development model with high turnover of the real estate industry is facing a great challenge. The Group has formulated the strategy of transformation from the development model focusing on the development and sales to the development model of development, sales, holding and operation. We will maintain a steady growth in the scale of the development and sales, meanwhile, increase quality investment properties, implement "intensive and meticulous cultivation" and operate efficiently, to strive to achieve property appreciation and steady increase in the rental contribution.

Having many years of practice, the Group has laid a solid foundation in the development of asset-light business with operation and service as the core, and has had broad resources. In the operation of industrial park, the Group has rich industrial park enterprise customer resources in Chegongmiao and Tianan Cyber Park, and has over 20 years of operation experience. In the commercial operation, the Group has an international commercial operation team. In the property management, the Group holds six property management companies with first class property management qualifications in mainland China, covering 40 million square meters of property management area. In the future, the Group will integrate resources, exploit its advantages and actively build its three major operation service centers, i.e., wisdom industrial park operating platform, residential property service platform, and commercial management and operation platform. Through building a unified product and service platform and applying internet tools, the Group will focus on providing customers with value-added services, such as government affairs, business, E-business and community finance service, to improve the operation level and operation income, and promote the development of the asset-light business with operation and service as the core. In addition, the Group's parent company owns hospital business, which provides a condition for the Group to explore services for elderly rehabilitation with the relevant properties it holds.

I believe that through unremitting efforts, the Group will be able to continue to make considerable progress in scale expansion, value enhancement, transformation and upgrading, and constantly consolidate its leading position in Shenzhen's real estate market to create continuously greater value and provide better return for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

For the six months ended 30 June 2015, the Group achieved a turnover from continued operations of HK$6,279.1 million, representing an increase of 47.5% over the same period of last year. Gross profit margin was 34%, representing an increase of 9.8 percentage points. Profit attributable to shareholders was HK$984.7 million, representing an increase of 3.1% over the same period of last year. If excluding the net effect of the changes in fair value of investment properties attributable to the Group and one-off gain on disposal of a subsidiary in the same period of last year, profit attributable to shareholders was HK$437.3 million, representing an increase of 184.8% over the same period of last year. Basic earnings per share was HK14.60 cents, representing a decrease of 17.7% over the same period of last year.

Property Development Business

Benefiting from the strong housing demand and rising housing purchase sentiments in Shenzhen, coupled with the wealth effect of the booming capital markets and the impact of the "330" new policies which lower the down payment ratio for the purchase of second housing unit, the trading volumes and prices have increased significantly in Shenzhen's real estate market during the period. The Group has promptly seized this picking-up market opportunity to actively promote the sales of several major projects in Shenzhen and achieved satisfactory results.

Sales Revenue Booked: During the period, the Group recorded 204,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associates), representing a decrease of 38.0% over the same period of last year, and achieved a net revenue in property sales of RMB3,778.3 million (equivalent to HK$4,709.6 million) (net of business tax), representing a sharp increase of 59.7% over the same period of last year. The gross profit margin of property development and sales was recorded 36.6%, representing an increase of 12.6 percentage points over the same period of last year. The increase of the gross profit margin was mainly due to the market in Shenzhen was rapidly picking up and the contribution from Shenzhen projects of the Group with higher gross profit margin to the sales revenue booked increased to 72.2% from 22.7% for the same period of last year. During the period, the average gross profit margin for Shenzhen projects of the Group was approximately 44.7%, whereas the average gross profit margin in the tier-two cities was approximately 27.0%, and the tier-three cities was approximately 10.8%.

Property Sales Booked in the First Half of 2015

Property Name	Type	Sales Area *(sq.m.)*	Unit Price Before Tax *(RMB/sq.m.)*	Net Sales *(RMB'million)*
Terra Building	Industrial/ Commercial	1,599	36,423	55
Boxing Building	Warehouse/ Commercial	2,332	27,943	62
Bolong Building	Warehouse/ Commercial	823	31,112	24
Tianyuxiangshan Garden	Residential	5,651	43,739	233
Purple Kylin	Residential	1,629	25,837	40
Royal Garden	Residential	1,448	8,759	12
Noble Times	Residential	5,564	14,848	78
Jiangyue Bay	Residential	13,972	17,950	237
Ruicheng	Residential	32,244	4,915	150
Nanhu Rose Bay	Residential	4,937	10,303	48
Yihu Rose Bay	Residential	14,204	3,632	49
Wanlin Lake	Residential	11,488	6,385	68
Splendid City	Residential	1,950	4,593	8
Garden Hill	Residential	2,107	9,926	19
European-view Garden	Residential	10,696	8,388	84
Shumyip City	Residential	12,618	6,946	82
Yundonghai	Residential	12,870	8,373	102
Saina Bay	Residential	4,262	10,373	42
Maanshan Shumyip Huafu	Residential	24,350	5,669	128
Changzhou Shumyip Huafu	Residential	4,083	8,389	32
UpperHills	Complex	35,142	67,079	2,225
Total				**3,778**

Contracted sales: During the period, Shenzhen's real estate market was rapidly picking up, and the Group seized the opportunity to actively promote sales, which resulted a satisfactory sales performance. During the period, the Group achieved 483,000 square meters in contracted sales area and contracted sales income of RMB7.66 billion, representing a sharp increase of 142% over the same period of last year.

Contracted Sales in the First Half of 2015

Projects	City	Type	Sales Area *(sq.m.)*	Sales *(RMB'million)*	Unit Price *(RMB/sq.m.)*
UpperHills	Shenzhen	Complex	48,800	3,379	69,238
Tanglang City*	Shenzhen	Complex	33,897	1,321	38,962
Jinshazhou	Guangzhou	Residential	44,600	751	16,836
Shumyip City	Shunde	Residential	70,540	447	6,331
Wanlin Lake	Huizhou	Residential	52,947	297	5,606
Maanshan Shumyip Huafu	Maanshan	Residential	53,125	280	5,274
Ruicheng	Changsha	Residential	42,892	193	4,511
Garden Hill	Huizhou	Residential	23,992	117	4,868
Terra Jingu	Shenzhen	Industrial/ Commercial	3,081	103	33,366
Bolong Building	Shenzhen	Warehouse/ Commercial	3,463	95	27,317
Changzhou Shumyip Huafu	Changzhou	Residential	13,609	91	6,694
Nanhu Rose Bay	Wuhan	Residential	8,631	89	10,277
Boxing Building	Shenzhen	Warehouse/ Commercial	3,044	84	27,760
Yundonghai	Sanshui	Residential	10,413	74	7,145
Shanglin Garden	Taizhou	Residential	15,495	72	4,634
Saina Bay	Heyuan	Residential	17,463	69	3,963
Splendid City	Jiangyan	Residential	16,441	61	3,722
Yihu Rose Bay	Chengdu	Residential	14,697	57	3,912
Noble Times	Shenzhen	Residential	1,311	30	23,036
Royal Spring Garden	Chaohu	Residential	1,862	18	9,506
European-view Garden	Dongguan	Residential	1,665	18	10,631
Purple Kylin	Shenzhen	Residential	578	12	20,415
Total			**482,546**	**7,658**	

* This project was co-developed with Shenzhen Metro Group, with 50% equity attributable to our Group, and it is calculated based on equity method.

Project development: During the period, the Group had a new construction area of approximately 688,000 square meters, and a completed construction area of approximately 314,000 square meters.

New Construction Projects in the First Half of 2015

Project Name	City	Type	Total GFA *(sq.m.)*
Shumyip Zhongcheng (Land plot 05-03)	Shenzhen	Complex	24,660
Taifu Square Phase 1	Shenzhen	Commercial	304,329
Gaobangshan Garden Phase 1	Huizhou	Residential	135,893
Shumyip City Phase 3.2	Shunde	Residential	105,478
Ruicheng Phase 2.2	Changsha	Residential	73,757
Qingshuihe Auto Park Phase 3	Shenzhen	Complex	33,930
Chaohu Royal Spring North Phase 1.2	Chaohu	Residential	9,882
Total			**687,929**

Completed Construction Projects in the First Half of 2015

Project Name	City	Type	Total GFA *(sq.m.)*
Maanshan Shumyip Huafu Phase 1.2	Maanshan	Residential	223,959
Wuhan Nanhu Rose Bay Phase 2(8-9#)	Wuhan	Residential	29,945
Shenyang Wuai Bus Station Project	Shenyang	Complex	59,889
Total			**313,793**

Land Reserves

As of the end of June 2015, the Group had a total of 11.57 million square meters of planned gross floor area (GFA) in land reserves (of which the Group had rights and interests in 10.38 million square meters), and 9.06 million square meters of capacity building area (of which the Group had rights and interests in 8.10 million square meters), of which, the projects under construction had a total of 3.85 million square meters of planned GFA (of which the Group had rights and interests in 3.44 million square meters) and 2.88 million square meters of capacity building area (of which the Group had rights and interests in 2.58 million square meters).

Distribution of Land Reserves by City (As at 30 June 2015)

Province	City	Planned GFA* *(sq.m.)*	Capacity Building Area** *(sq.m.)*	Percentage
Guangdong	Shenzhen	2,526,068	1,806,612	22%
	Heyuan	1,753,629	1,472,941	15%
	Huizhou	1,668,532	1,238,677	15%
	Shunde	394,782	295,395	3%
	Guangzhou	124,810	122,005	1%
	Sanshui	651,831	464,553	6%
Jiangsu	Changzhou	125,939	100,439	1%
	Taizhou	789,379	620,004	7%
	Jiangyan	477,768	411,294	4%
Anhui	Chaohu	113,275	101,571	1%
	Maanshan	974,072	760,647	8%
Hubei	Wuhan	948,203	806,362	8%
Hunan	Changsha	441,370	348,599	4%
Sichuan	Chengdu	383,000	313,000	3%
Xinjiang	Kashi	200,097	200,097	2%
	Total	**11,572,755**	**9,062,196**	**100%**

Notes:

* The sum of the gross floor area of all the floors above and under the ground of the single building or buildings within the scope of the land for construction.

** The sum of the gross floor area which is used in the calculation of the plot ratio within the land for construction.

Distribution of Land Reserves by Product Type (As of 30 June 2015)

Residential	74%
Industrial	15%
Complex	11%

Property Investment

As at 30 June 2015, the total area of the Group's investment properties was approximately one million square meters, mainly located in Shenzhen. As at the end of June 2015, the occupancy rate of its rental property was approximately 95%. During the period, as the Group continued to promote the optimization of its property portfolio and improved the management, the Group's property investment business continued to maintain a steady growth. During the period, the Group achieved a rental income of HK$381.5 million, representing an increase of approximately 25.7% over the same period of last year, while the gross profit margin of its property investment was approximately 89.9%, representing an increase of 3.7 percentage points over the same period of last year. During the period, as a result of the increase in rental and property value, the Group recorded a revaluation gain in its investment property portfolio of HK$754.0 million. With the completion of the projects including UpperHills and Taifu Square, the Group's income from, and the scale in, investment properties, will increase significantly.

Property Management

The Group holds six property management companies with first class property management qualifications at national level. The property management team is committed to improve services, support the development of real estate business, and give assistance to promote the corporate brand. As of the end of the period, the total area of properties under the Group's management is approximately 40 million square meters, including a variety of property types such as government offices, office buildings, residential estates, villas, and science and technology parks, which are mainly located in Pearl River and Yangtze River deltas as well as the central region. During the period, the property management business contributed an income of HK$667.1 million to the Group, representing an increase of 15.7% over the same period of last year.

Hotel Business

The Group has three hotels in operation and three under construction. Those in operation are Suzhou Marriott Hotel (with 293 guest rooms), Chaohu Shumyip-Bantang Hot Spring Hotel (with 20 spring villas) and Holiday Inn Resort Chaohu Hot Spring (with 203 rooms). Those under construction are Mandarin Oriental Shenzhen (with 190 guestrooms planned), Shumyip UpperHills Boutique Hotel (with 90 guestrooms planned) and Tanglang City Project Hotel co-developed with Shenzhen Metro Group (with 200 guestrooms planned).

During the period, the three hotels in operation achieved a turnover (under other operating segment) of HK$84.2 million, representing an increase of 10.8% over the same period of last year. Chaohu Shumyip-Bantang Hot Spring Hotel achieved an occupancy rate of 39%, representing an increase of 9.6% over last year; Holiday Inn Resort Chaohu Hot Spring achieved an occupancy rate of 42%, representing an increase of 9% over last year; and Suzhou Marriott Hotel achieved an occupancy rate of 68.9%, representing an increase of 3.4% over last year.

Jointly-Controlled Entities

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a loss contribution of HK$1.3 million to the Group, whereas it made a net profit contribution of HK$29.6 million for the same period of last year. The principal activity of this company is to provide relevant services to local governments in primary land development and the local government had not launched any such land during the period.

Performance of Associates

During the period, the performance of the associates invested by the Group was within expectation, of which, Shenzhen Tianan Cyber Park (Group) Co. Ltd. made a net profit contribution of HK136.6 million to the Group, representing an increase of 19.7% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$62.4 million to the Group, representing an increase of 14.3% over the same period of last year. Coastal Greenland Limited, a listed company in Hong Kong, made a loss contribution of HK$61.5 million to the Group, whereas it made a profit contribution of HK$28.1 million for the same period of last year.

Financing and Financial Position

During the period, the Group actively explored financial resources and attached great importance to cash flow management to provide funding for its business development.

In June 2015, the Company made a placing of 670 million new shares to the capital market at a placing price of HK$4.13 and raised HK$2.7 billion, providing funds for the Group's future sustainable development. The proceeds will be used for general corporate purposes, including potential acquisition of the land or property projects located in Shenzhen.

In May 2015, the Company entered into an agreement with a bank in Hong Kong for a loan of HK$200 million for a term of 5 years.

As of 30 June 2015, the Group's total bank loans and other borrowings amounted to HK$30,698.3 million (31 December 2014: HK$29,398.8 million), of which HK$22,244.4 million were floating-rate loans, and the remaining parts were fixed rate loans. Long-term loans amounted to HK$21,346.0 million, representing approximately 69.5% of total borrowings, and short-term loans were HK$9,352.3 million, representing approximately 30.5% of total borrowings. Borrowings from Hong Kong and overseas amounted to HK$12,309.7 million, representing 40.1% of total borrowings, and the remaining parts were borrowings from mainland China, representing 59.9% of total borrowings. During the period, the Group achieved an annual average consolidated interest rate of approximately 4.9% for bank loans and other borrowings.

As of 30 June 2015, the Group's cash balance (including restricted cash) was HK$15,021.6 million (31 December 2014: HK$9,657.4 million (including pledged deposits and restricted cash)), of which approximately 71.9% and 28.1% were denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively. The substantial increase in cash balance was mainly due to the following reasons: firstly, the properties sales and funds collection were satisfactory during the period; secondly, the Company raised HK$2.7 billion through shares placing during the period.

The Group's asset is mainly denominated in Renminbi. Of the bank debt, 59.9% is the debt denominated in Renminbi, while 40.1% is the debt denominated in HK$ and US$. HK$ is used as the reporting currency in the Group's financial report. The effect of the decrease in RMB exchange rate on the Group's finance will be mainly reflected in the depreciation of the asset and earnings denominated in Renminbi against HK$, the reporting currency. The Group will monitor the exchange rate risk, and consider prudently to increase the percentage of the debt denominated in Renminbi at appropriate time, and apply financial instruments to hedge the currency risk.

As of 30 June 2015, the Group had net assets (excluding non-controlling interests) of HK$33,404.9 million (31 December 2014: HK$30,495.9 million), the net gearing ratio with the liabilities including bank loans and other borrowings only was 46.9% and the net gearing ratio with the liabilities including shareholders' loan from the parent company and all other interest-bearing debts was 59.0%. The gross gearing ratio (the ratio of total liabilities over total assets) was 63.6%.

Financial Position

HK$ million	**As at 30 June 2015**	As at 31 December 2014
Bank loans	**30,698.3**	29,398.8
Long-term debts	**21,346.0**	17,341.5
Short-term debts	**9,352.3**	12,057.3
Floating-rate debts	**22,244.4**	23,794.7
Cash (including pledged deposits and restricted cash)	**15,021.6**	9,657.4
The net gearing ratio with the liabilities including bank loans and other borrowings only	**46.9%**	64.7%
The net gearing ratio with the liabilities including all the other liabilities carrying interest	**59.0%**	79.9%

Pledge of Assets and Contingent Liabilities Position

As of 30 June 2015, the Group had total loans of HK$3,788.5 million (31 December 2014: HK$4,359.9 million) that were pledged with assets (for details, see note 11 to the financial statements).

As of 30 June 2015, the Group had provided guarantees to a maximum of HK$3,988.0 million (31 December 2014: HK$2,359.5 million) to banks for housing loans extended by the banks to the purchasers of the Group's properties (for details, see note 14 to the financial statements).

During the period, the project of Shum Yip Terra (Holdings) Company Limited ("**Terra Company**"), a 75.05%-owned subsidiary of the Company, and its wholly-owned subsidiary, Wuhan Shum Yip Terra Property Development Company Limited ("**Wuhan Terra Company**") is implicated in the corruption case(s) involving the local government officials and thus it is being involved in criminal investigation. The People's Procuratorate of Jianli County of Hubei Province has seized certain bank accounts of Wuhan Terra Company and those of Terra Company (for more information, please see the announcement dated 18 September 2014). As at 30 June 2015, the balance of the seized bank accounts amounted RMB347.0 million. The investigation is still in progress. The Company believes that the matter is an individual incident and will not have material effect on the assets, financials and operations of the Group as a whole.

Share Capital

As of 30 June 2015, the number of the issued shares of the Company was 7,381,579,119 shares (31 December 2014: 6,656,055,289 shares). Shum Yip Holdings Company Limited, the controlling shareholder of the Company, was interested in approximately 60.70% of the Company.

During the period, a total of 55,523,830 share options were exercised. In addition, on 12 June 2015, the Company issued 670,000,000 new shares at a net subscription price of HK$4.07 per share (equal to the subscription price of HK $4.13 per share net of the relevant placing expenses).

Employees and Remuneration Policy

As of 30 June 2015, the Group employed a total of 17,606 employees (2014: 15,338) of which 38 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in Mainland China. During the period, the related employees' costs (excluding remuneration of the Directors) were approximately HK$497.8 million (2014: HK$415.5 million).

Employee benefits and bonuses are based on their individual performance, the Group's profit condition, benefit level of the industry and the current market condition. The remuneration packages are reviewed on an annual basis to ensure internal equity and its competitiveness in the market. In driving performance, we also 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

The Board has declared an interim dividend of HK3.00 cents per share for the six months ended 30 June 2015 (2014: HK3.00 cents) to be paid in cash on or about Friday, 16 October 2015 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 16 September 2015. Based on the number of issued shares of the Company as at the date of this announcement, the interim dividend will amount to an aggregate sum of approximately HK$222 million.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 15 September 2015, to Wednesday, 16 September 2015 (both dates inclusive), during which period no transfers of shares will be registered. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 14 September 2015.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period. And, the terms of reference of the Audit Committee has been updated to reflect the Committee's additional responsibilities arising from The Stock Exchange of Hong Kong Limited's proposal on risk management and internal control under the CG Code.

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 2015.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to 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 throughout the six months ended 30 June 2015.

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

We take this opportunity to express our gratitude to our investors and shareholders for their trust and support and to thank our colleagues on the Board and the staff members of the Group for their hard work, loyal service and contributions during the period.

By Order of the Board
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 27 August 2015

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