深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

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

2016 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 2016 together with the comparative figures for the corresponding period in 2015. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, KPMG.

FINANCIAL HIGHLIGHTS

– Contracted sales up significantly by 83.3% to RMB14.04 billion, completing 76.0% of its full-year target contracted sales;

– Revenue up by 1.6% over the same period of last year to HK$6,382.7 million; gross profit margin was 33.8%, which remained more or less the same as that of the same period of last year;

– Profit attributable to shareholders up significantly by 68.0% to HK$1,654.7 million. If excluding the net effect of the changes in fair value of investment properties attributable to the Group and one-off gain on a bargain purchase of a subsidiary during the period, profit attributable to shareholders was HK$588.6 million, representing an increase of 34.6% over the same period of last year. Basic earnings per share for the interim period were HK22.41 cents, representing an increase of 53.5% over the same period of last year.

– Net gearing ratio (including all the liabilities carrying interest) remained at a lower level of 37.9%;

– The Board has declared an interim dividend of HK7.00 cents per share, representing a substantial increase of 133.3% over the same period of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016 – Unaudited

	Note	Six months ended 30 June 2016 HK$'000	2015 HK$'000
Revenue	4	**6,382,666**	6,279,078
Cost of sales		**(4,225,765)**	(4,147,060)
Gross profit		**2,156,901**	2,132,018
Other income and gains	4	**616,766**	268,333
Increase in fair value of investment properties		**741,479**	753,971
Fair value gain on equity investments at fair value through profit or loss, net		**72**	1,933
Selling and distribution costs		**(156,241)**	(161,366)
Administrative expenses		**(407,426)**	(383,896)
Other expenses		**(116,362)**	(109,618)
Finance costs	5	**(313,566)**	(418,103)
Share of profits less losses of:			
Joint ventures		**212,601**	168,137
Associates		**79,057**	(35,103)
Profit before tax	6	**2,813,281**	2,216,306
Income tax	7	**(1,120,729)**	(1,184,483)
Profit for the period		**1,692,552**	1,031,823
Attributable to:			
Equity shareholders of the Company		**1,654,741**	984,733
Non-controlling interests		**37,811**	47,090
		1,692,552	1,031,823
Earnings per share	8		
Basic		**HK22.41 cents**	HK14.60 cents
Diluted		**HK22.40 cents**	HK14.57 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – Unaudited

	Six months ended 30 June 2016 HK$'000	2015 HK$'000
Profit for the period	**1,692,552**	1,031,823
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Available-for-sale investments:		
Change in fair value	**(4,255)**	9,581
Income tax effect	**1,064**	(2,395)
	(3,191)	7,186
– Exchange differences on translation of foreign operations	**(973,170)**	5,092
– Share of other comprehensive income of associates	**(65,375)**	(10,859)
Net other comprehensive income that may be reclassified subsequently to profit or loss	**(1,041,736)**	1,419
Item that will not be reclassified to profit or loss:		
– Share of other comprehensive income of associates	**–**	(72)
Net other comprehensive income will not be reclassified to profit or loss	**–**	(72)
Other comprehensive income for the period	**(1,041,736)**	1,347
Total comprehensive income for the period	**650,816**	1,033,170
Attributable to:		
Equity shareholders of the Company	**664,643**	987,201
Non-controlling interests	**(13,827)**	45,969
Total comprehensive income for the period	**650,816**	1,033,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 – Unaudited

	Note	**30 June 2016** *HK$'000*	31 December 2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**4,049,919**	4,144,176
Prepaid land lease payments		**39,777**	40,355
Goodwill		**322,449**	322,542
Investment properties		**21,672,747**	20,908,173
Interests in associates		**3,794,378**	3,838,027
Interests in joint ventures		**3,125,602**	3,037,310
Available-for-sale investments		**117,115**	123,684
Other long term assets		**2,955,053**	1,778,889
Deferred tax assets		**1,429,425**	1,386,915
Breeding biological assets		**6,922**	7,075
		37,513,387	35,587,146
Current assets			
Inventories		**88,064**	98,803
Completed properties held for sale		**7,103,241**	9,031,517
Properties under development		**41,446,537**	30,311,525
Trading biological assets		**9,000**	9,576
Trade receivables	*10*	**429,426**	528,154
Prepayments, deposits and other receivables		**1,880,608**	1,696,026
Equity investments at fair value through profit or loss		**3,769**	3,696
Restricted cash		**4,125,111**	4,110,729
Cash and cash equivalents		**10,258,993**	9,708,046
		65,344,749	55,498,072

	Note	**30 June 2016** *HK$'000*	31 December 2015 *HK$'000*
Current liabilities			
Interest-bearing bank loans and other borrowings		**4,377,053**	5,274,153
Trade payables	*12*	**811,531**	1,013,126
Other payables and accruals		**23,174,892**	13,920,890
Due to the immediate holding company		**1,463,932**	158,301
Due to the ultimate holding company		**4,478,299**	3,816,007
Tax payable		**5,479,877**	6,494,559
		39,785,584	30,677,036
Net current assets		**25,559,165**	24,821,036
Total assets less current liabilities		**63,072,552**	60,408,182
Non-current liabilities			
Interest-bearing bank loans and other borrowings		**17,903,502**	16,100,940
Due to the immediate holding company		**342,800**	348,894
Due to the ultimate holding company		**–**	965,897
Deferred income		**25,126**	32,088
Deferred tax liabilities		**9,387,322**	7,391,297
		27,658,750	24,839,116
Net assets		**35,413,802**	35,569,066
CAPITAL AND RESERVES			
Share capital		**17,478,481**	17,478,481
Reserves		**15,563,003**	15,847,384
Total equity attributable to equity shareholders of the Company		**33,041,484**	33,325,865
Non-controlling interests		**2,372,318**	2,243,201
TOTAL EQUITY		**35,413,802**	35,569,066

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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 Company 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 financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting,* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial information relating to the financial year ended 31 December 2015 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

The interim financial report was approved for issue by the Board of Directors on 29 August 2016.

The interim financial report does 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 2015.

2.2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

Annual Improvements to HKFRSs 2012-2014 Cycle

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3. SEGMENT REPORTING

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. 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 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 2016

	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Manufacturing HK$'000	Others HK$'000	Total HK$'000
Segment revenue:						
Sales to customers	4,621,049	386,246	734,394	144,782	496,195	6,382,666
Intersegment sales	–	17,342	17,686	–	39,788	74,816
	4,621,049	403,588	752,080	144,782	535,983	6,457,482
Reconciliation						
Elimination of intersegment sales						(74,816)
Revenue						6,382,666
Segment results before increase in fair value of investment properties	1,834,285	527,625	42,994	7,884	(68,153)	2,344,635
Increase in fair value of investment properties	–	741,479	–	–	–	741,479
Segment results after increase in fair value of investment properties	1,834,285	1,269,104	42,994	7,884	(68,153)	3,086,114
Reconciliation						
Elimination of intersegment results						(2,165)
Finance income						77,267
Dividend income and unallocated gains						–
Fair value losses on financial instruments at fair value through profit or loss, net						72
Corporate and other unallocated expenses						(34,441)
Finance costs						(313,566)
Profit before tax						2,813,281
As at 30 June 2016						
Segment assets	59,430,172	24,080,036	326,713	146,070	3,677,667	87,660,658
Reconciliation						
Corporate and other unallocated assets						15,197,478
Total assets						102,858,136
Segment liabilities	25,160,496	1,625,293	728,603	71,879	626,933	28,213,204
Reconciliation						
Corporate and other unallocated liabilities						39,231,130
Total liabilities						67,444,334

For the six months ended 30 June 2015

	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'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						2,216,306
As at 31 December 2015						
Segment assets	48,747,765	22,729,484	162,570	184,983	3,924,577	75,749,379
Reconciliation						
Corporate and other unallocated assets						15,335,839
Total assets						91,085,218
Segment liabilities	16,624,958	1,057,481	623,955	39,371	499,493	18,845,258
Reconciliation						
Corporate and other unallocated liabilities						36,670,894
Total liabilities						55,516,152

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

	Six months ended 30 June 2016 *HK$'000*	2015 *HK$'000*
Revenue		
Sale of properties	**4,621,049**	4,709,603
Management fee income	**734,394**	667,132
Rental income from investment properties	**386,246**	381,542
Sale of commercial and industrial goods	**144,782**	235,023
Others	**496,195**	285,778
	6,382,666	6,279,078
Other income and gains		
Finance income	**77,267**	171,842
Gain on disposal of investment properties	**1,628**	59,468
Gain on bargain purchase of a subsidiary	**526,249**	–
Others	**11,622**	37,023
	616,766	268,333

5. FINANCE COSTS

	Six months ended 30 June 2016 *HK$'000*	2015 *HK$'000*
Interest on:		
Bank loans	**396,620**	718,760
Other borrowings	**106,670**	14,214
Loans from the ultimate holding company	**143,612**	108,854
Loans from fellow subsidiaries	**–**	6,669
Loans from non-controlling shareholders	**10,062**	2,637
Total interest expense on financial liabilities not at fair value through profit or loss	**656,964**	851,134
Less: Interest capitalised	**(343,398)**	(433,031)
	313,566	418,103

6. PROFIT BEFORE TAX

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

	Six months ended 30 June 2016 HK$'000	2015 HK$'000
Cost of properties and inventories sold	**3,026,341**	3,177,192
Cost of services provided	**1,199,424**	969,868
Depreciation	**94,761**	69,499
Reversal of impairment of other receivables	**–**	(6,233)
(Decrease)/increase in fair value of contingent consideration payable to the immediate holding company	**(6,095)**	19,179
Amortisation of prepaid land lease payments	**452**	580
Gain on disposal of investment properties	**(1,628)**	(59,468)
(Gain)/loss on disposal of items of property, plant and equipment	**(2,329)**	127

7. INCOME TAX

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 2015: 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 amortisation of land use rights, borrowing costs and all property development expenditures.

	Six months ended 30 June 2016 HK$'000	2015 HK$'000
Current:		
Mainland China corporate income tax	**505,749**	585,548
Withholding tax on dividend	**–**	9,173
LAT in Mainland China	**519,293**	693,059
Deferred:		
Mainland China corporate income tax	**116,625**	(48,483)
Withholding tax on dividend	**37,161**	36,880
LAT in Mainland China	**(58,099)**	(91,694)
Total tax charge for the period	**1,120,729**	1,184,483

8. EARNINGS PER SHARE

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

The calculation of the diluted earnings per share is based on the profit for the period attributable to equity shareholders 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 are based on:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity shareholders of the Company, used in the basic and diluted earnings per share calculations	**1,654,741**	984,733

	Six months ended 30 June	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**7,384,016,988**	6,745,807,053
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,212,710**	14,003,321
	7,387,229,698	6,759,810,374

9. DIVIDEND

	Six months ended 30 June **2016** *HK$'000*	2015 *HK$'000*
Dividends recognised as distribution during the period:		
Final dividend declared for 2015 – HK13.00 cents per share (2015: declared for 2014 – HK 13.00 cents per share) (i)		
Scrip shares	**751,256**	4,846
Cash	**208,666**	954,759
	959,922	959,605
Dividend declared in respect of current period:		
Interim dividend of 2016 – HK7.00 cents per share (2015: HK3.00 cents per share) (ii)	**516,881**	221,447

Notes:

(i) The declared final dividend of HK13.00 cents per share for the year ended 31 December 2015 was paid in August 2016. The declared final dividend of HK13.00 cents per share for the year ended 31 December 2014 was paid in August 2015.

(ii) On 29 August 2016, the board of directors has declared an interim dividend of HK7.00 cents per share for the six months ended 30 June 2016 (six months ended 30 June 2015: HK3.00 cents per share). The interim dividend will be paid in cash but shareholders will be given the option of receiving such dividend wholly in new fully paid share(s) of the Company in lieu of cash, or partly in cash and partly in the form of scrip shares.

10. TRADE RECEIVABLES

	At 30 June 2016 *HK$'000*	At 31 December 2015 *HK$'000*
Trade receivables	**518,860**	562,412
Impairment	**(89,434)**	(34,258)
	429,426	528,154

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 aging 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:

	At 30 June 2016 HK$'000	At 31 December 2015 HK$'000
Within one year	**316,382**	513,645
One to two years	**113,044**	14,509
	429,426	528,154

11. PLEDGE OF ASSETS

Bank loans mounting to HK$1,172,417,000 (31 December 2015: HK$1,917,604,000) were secured by:

(i) certain of the Group's land and buildings in Mainland China with a carrying amount value of approximately HK$723,147,000 (31 December 2015: HK$728,180,000);

(ii) certain of the Group's completed properties held for sale with a net carrying amount of approximately HK$ Nil (31 December 2015: HK$66,738,000);

(iii) certain of the Group's properties under development with a net carrying amount of approximately HK$363,320,000 (31 December 2015: HK$615,389,000);

(iv) certain of the Group's investment properties with a net carrying amount of approximately HK$1,519,378,000 (31 December 2015: HK$1,884,717,000);

In addition, Shum Yip Group, the ultimate holding company, has guaranteed certain of the Group's bank loans of HK$5,583,825,000 as at 30 June 2016 (31 December 2015: HK$4,534,160,000).

12. TRADE PAYABLES

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

	At 30 June 2016 HK$'000	At 31 December 2015 HK$'000
Within one year	**313,305**	518,661
One to two years	**183,911**	315,539
Two to three years	**225,960**	140,049
Over three years	**88,355**	38,877
	811,531	1,013,126

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

13. CAPITAL COMMITMENTS

	At 30 June 2016 HK$'000	At 31 December 2015 HK$'000
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**7,972,884**	7,786,034

14. CONTINGENT LIABILITIES

(i) As at 30 June 2016, the Group has given guarantees to a maximum extent of approximately HK$6,549,332,000 (31 December 2015: HK$8,857,658,000) 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 borne by Shum Yip Terra. The People's Procuratorate has frozen 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 2016, the balance of the frozen bank accounts of Wuhan Terra amounted to RMB540,000,000.

At the date of approval of this interim financial report, 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

		Note	Six months ended 30 June **2016** *HK$'000*	2015 *HK$'000*
(1)	Shum Yip Group, the ultimate holding company:			
	– Interest expenses	*(i)*	**143,612**	108,854
	– Management fee income	*(ii)*	**1,604**	1,683
	– Rental income	*(iii)*	**3,566**	3,763
(2)	Shum Yip Holdings, the immediate holding company:			
	– Rental expenses	*(iii)*	**5,140**	6,174
	– Management fee expenses	*(iv)*	**213**	180
	– Acquisition of a subsidiary	*16*	**2,264,233**	–
(3)	Associates:			
	– Sales of products	*(v)*	**29,367**	24,301
	– Interest income	*(vi)*	**174**	114
(4)	Fellow subsidiaries:			
	– Interest expenses	*(i)*	**–**	6,669
	– Property management income	*(vii)*	**–**	613
	– Rental expenses	*(iii)*	**246**	258
(5)	Joint ventures:			
	– Interest income	*(i)*	**–**	93,116

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 changed for the balances ranged from the one-year benchmark lending rate to 5.5% 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 mentioned in above of HK$1,010,000 and HK$594,000 (2015: HK$1,060,000 and HK$623,000), respectively, was charged to Shum Yip Group for the period from 1 January 2016 to 30 June 2016.

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

(iv) The management fee expenses to the immediate holding company were 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 the 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 directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with the Chapter 14A of the Listing Rules.

(b) Other transaction with related parties

At 30 June 2016, the Group's interest-bearing bank loans and other borrowings amounting to HK$5,583,825,000 (31 December 2015: HK$4,534,160,000) were guaranteed by Shum Yip Group.

(c) Commitments with a related party

The Group entered into certain operating lease arrangements with Shum Yip Holdings. The amount of lease expenses for the period is included in note 15(a) to the interim financial report. The Group expects the total lease expenses in the second half year of 2016, the year of 2017, the year of 2018 and 2019 to be approximately HK$5,215,056, HK$ 10,430,112, HK$ 3,240,864 and HK$1,080,288 respectively.

16. BUSINESS COMBINATION

On 21 December 2015, the Group entered into a sale and purchase contract with Shum Yip Holdings to acquire the 95% equity interest in Fairwind Power Limited. Fairwind Power Limited is an investment holding company. The Fairwind Power Limited is engaged in property development and property investment.

The purchase consideration for the acquisition shall be satisfied by: (a) a cash consideration of HK$1,132,116,645; (b) a promissory note consideration of HK$1,132,116,645. The acquisition was completed on 15 March 2016.

The fair values of the identifiable assets and liabilities of Fairwind Power Limited and its subsidiaries (the "Fairwind Power") as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	1,711
Properties under development	10,824,880
Prepayments, deposits and other receivables	509,769
Cash and cash equivalents	105,569
Trade payables	(1,337)
Other payables and accruals	(5,133,855)
Interest-bearing bank loans and other borrowings	(1,393,300)
Deferred tax liabilities	(1,976,087)
Total identifiable net assets at fair value	2,937,350
Percentage of acquisition of Fairwind Power Limited	95%
Gain of a bargain purchase recognized in other income and gains in the interim consolidated statement of profit or loss	(526,249)
Satisfied by:	
Cash consideration	(2,264,233)

An analysis of the cash flows in respect of the acquisition of the Fairwind Power Limited is as follows:

	HK$'000
Cash paid	(2,264,233)
Cash and cash equivalents acquired	105,569
Net outflow of cash equivalents included in cash flows from investing activities	(2,158,664)
Transaction costs of the acquisition included in cash flows from operating activities	(1,637)

Had the combination taken place at the beginning of the period, the revenue and profit of the Group for the period would have been HK$6,382,666,000 and HK$1,692,552,000 respectively.

CHAIRMAN STATEMENT

In March 2016, real estate macro-control policies were successively rolled out in Shanghai, Shenzhen and other first-tier cities in a bid to curb property speculation and promote a more steady development of the market. In the light of this, Shenzhen's real estate market saw a decrease in trading volume in the first half of the year and prices were relatively stable with market sentiment switching from overheating to rational, despite that the real demand for housing remained robust. On the other hand, benefiting from the State's policy for overall destocking, there was a pickup in the real estate market in some third- and fourth-tier cities, including Huizhou, Changzhou and Taizhou, which represented a good opportunity for the Group to disinvest in third and fourth-tier cities. During the period, the Group intensified the development in Shenzhen and promoted sales in all aspects, hence maintaining a good operating performance.

2016 Interim Results

During the period, the Group achieved a turnover of HK$6,382.7 million, representing an increase of 1.6% over the same period of last year. Profit attributable to shareholders was HK$1,654.7 million, representing an increase of 68.0% 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 as well as one off gain on a bargain purchase of a subsidiary during the period, profit attributable to shareholders was HK$588.6 million, representing an increase of 34.6% over the same period of last year. Basic earnings per share were HK22.41 cents, representing an increase of 53.5% over the same period of last year. The Board has decided to distribute an interim dividend of HK7.00 cents per share for 2016 in cash (with a scrip dividend alternative).

Satisfactory Sales Results

Although Shenzhen's real estate market was affected by the policies in the first half of the year, the Group continued to capitalize on a diverse product mix and superior product quality to achieve a substantial increase in contracted sales through bulk sale of office buildings and multi-level marketing management close to the market. In light of the introduction of institutional clients, including Bank of Shanghai, Futian District's public institutions, China Pacific Property Insurance and China Pacific Life Insurance, to the UpperHills project, the one-off bulk sales of the office building of the Shumyip Zhongcheng project to Shenzhen International Holdings Limited, and the well-received launch of the Shumyip Dongling project, a residential project catering to rigid demand, all these projects achieved satisfactory sales results. In the first half of this year, the Group completed RMB14.04 billion of contracted sales, completing 76.0% of its full-year target contracted sales of RMB18.5 billion, representing a substantial year-on-year increase of 83.3%, of which, the contribution from Shenzhen projects of the Group with higher gross profit margin accounted for approximately 82%.

Further Intensification of the Development in Shenzhen and Expansion of Future Resources through Strategic Cooperation

During the period, the Group actively explored opportunities to further intensify the development in Shenzhen and strived to expand high quality projects. The Group made effective progress in the development of potential projects in Guangming New District, Qianhai, Pingshan and Shenzhen-Shantou Cooperation Zone. In addition, Shum Yip Group, the parent company, signed a strategic cooperation agreement with Shenzhen Media Group (SZMG) and reached an understanding on the joint development of potential projects in regions such as Futian District, Nanshan District, Luohu District and Longhua District. For projects that are intended for cooperation, the parent company would cooperate with SZMG to carry out preliminary work and develop relevant planning indicators. Upon the completion of land formalities, priority would be given to the Group for joint development. This strategic cooperation has established a new channel for the Group to acquire quality land in Shenzhen going forward.

Official Launch of the Youth Apartment Scheme

During the period, the Group, together with relevant government departments, commenced the "Youth Apartment Scheme" with a view to solving the accommodation problems of fresh university graduates who are newcomers to Shenzhen. The Youth Apartment Scheme is an important way for the Group to take part in affordable housing projects as well as a key initiative for the Group to transform to long leasing apartment business by way of asset-light operations. The Group and Shum Yip Group, the parent company, are responsible for joint implementation of the scheme. By industrialized, modularized and standardized methods, idle properties or inefficient old quarters and factories provided by the government will be upgraded and redeveloped into youth apartments integrating "lifestyle, home, leisure, convergence and entrepreneurship" and they will be provided to young people in the form of lease.

Official Establishment of the Chinese "CES" in Upper Hills

"Shenzhen International Consumer Electronics Exhibition and Trade Center" (the Chinese "CES") led by the Shenzhen government was officially established in UpperHills during the period. The center is positioned as an exhibition and trading platform for high-end international consumer electronic products at LOFT-D area and part of the commercial area in UpperHills spanning a total of 50,000 square meters of industrial space as its core, featuring the three major elements of technology, innovation and trend and gradually introducing big domestic and foreign high-end consumer electronic brands to enrich the business form and category of UpperHills. The establishment of the Chinese "CES" is expected to enhance the appeal of UpperHills to consumers of high-end electronic products and innovative enterprises. Being a large-scale high-end urban complex, UpperHills will be benefited accordingly in terms of commercial investment, office leasing and sales as well as hotel operation and management.

Sound Financial Position Maintained

The Group continued to maintain a good sales proceeds collection and strengthened fund integrated planning and management. As of 30 June 2016, net gearing ratio (including all interest-bearing liabilities) of the Group was 37.9%.

We will continue to seek for high-quality assets, improve the Group's operational efficiency and promote the transformation of earnings model to create a sustained and steady return for shareholders.

Outlook

At the beginning of the year, the real estate market in first-tier cities continued to maintain a rapid upward trend with asset prices hovering at record-high levels. Coupled with the rise in home prices, this has aroused discussion on Shenzhen in terms of talent attraction, business cost, urban competitiveness and other aspects. With the successive introduction of macro-control policies in regions such as Shanghai and Shenzhen in March, speculation has been effectively suppressed and trading volume has fallen, leading to relatively stable prices. We believe that the real estate market in China's first-tier cities will be healthier and promising upon reasonable regulation and control. Take Shenzhen as an example, having immense rigid demand and the housing upgrade demand, Shenzhen enjoys a rational industrial structure and continuous inflow of working population, yet land is extremely scarce. All these fundamentals will remain unchanged over a relatively long period and will be supportive of Shenzhen's real estate market developments in the long run. On the other hand, Shenzhen's urban competitiveness has been built upon its marketization, entrepreneurial atmosphere, sense of innovation and service-oriented government and provides the fertile ground for attracting talents, stimulating creativity and breeding great enterprises which is expected to continuously boost the urban developments and economic growth in Shenzhen.

In the next five years, with the vision of "Leader in Value Creation for City Spaces", the Group will continue to firmly intensify the development in Shenzhen to continue to vigorously expand the land reserves in Shenzhen through asset injection from the parent company, speeding up the development in urban renewal projects, stronger cooperation with the government and state-owned enterprises and other methods; while maintaining a steady growth in the size of developments and sales, the Group will increase and efficiently operate quality investment properties located in core regions to constantly enhance the quality and value of assets. Meanwhile, in the course of cultivating new industries and sources of profit growth, the Group will actively build an operation and service platform with core competitiveness to strengthen the construction in operational capability and brand, and to enhance the value of city spaces of industry, commercial and residential by leveraging the strategic cooperation platform established with outstanding innovative enterprises, such as Shenzhen Kuang-Chi, Tencent and Huawei, as well as the "City Dream Plant" platform established on the initiative of the parent company.

The Group has saleable properties amounting to approximately RMB29 billion through 2016, of those in Shenzhen account for more than 80%. In the first half of the year, the Group achieved contracted sales of RMB14.04 billion, representing a year-on-year increase of 83.3% and accomplishing 76% of the full-year plan. In the second half of the year, the Group will strengthen market tracking and keep abreast of market trends with "eliminating inventories and growing profits" as its goal, actively and flexibly promoting the growth in sales to ensure that the contracted sales targets for the year can be completed.

The Group will continue to implement the cooperation with state-owned enterprises, such as SZMG, Shenzhen International and Shenzhen Metro, make great efforts to increase resources for new urban renewal projects and actively participate in the project development in Longgang, Pingshan and other key regions in Shenzhen. The Group will also ride on the national destocking policy to promote product sales and disinvestments in third- and fourth-tier cities so as to accelerate the optimization of the structure of land reserves.

In affordable housing construction projects, the Group will take the Youth Apartment Scheme as the starting point and exert our professional ability and brand advantages, to explore business opportunities, and build up the Group's product, service and brand in the field of long leasing apartment. The Group will make contribution to the healthy development of Shenzhen's real estate market and the transformation of Shenzhen into a more livable, dynamic and competitive city.

On the service and operation front, the Group will perfect and implement the optimization program in integrating the strength of wisdom park operation, residential property services, commercial management and operation and elderly care services within the parent company and the Group to improve the operational level and operating income and to promote the development of asset-light business that focuses on operations and services.

In financial management, the Group will strengthen the overall fund management and make full use of our edge in credit as granted by banks to the headquarters of the Group to reduce continuously financial cost. We will lower the percentage of foreign currency loans through a variety of ways for a better loan structure.

I believe that, through unremitting efforts, the Group will be able to achieve a balance between scale expansion and value enhancement in the next five years and a constant optimization of the structure of land reserves and assets. At the same time, we will spur with long accumulation on a well-grounded strategy for transformation and upgrading in branding to achieve a sound and sustainable development of the Company and create better benefits and return for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

In March 2016, real estate macro-control measures were introduced in Shenzhen. Under the influence of regulation and control, Shenzhen's real estate trading volume decreased as compared with the same period of last year and prices were maintained at relatively high levels with market sentiments returning to rational, though the housing demand was still sufficient. In addition, benefiting from the destocking policy, destocking in third and fourth-tier cities was quickened and some cities saw a pickup both in terms of trading prices and volumes. The Group closely followed market trends and made concerted efforts to continuously maintain sales growth and achieve a good performance on top of the high base last year.

For the six months ended 30 June 2016, the Group achieved a turnover from continuing operations of HK$6,382.7 million, representing an increase of 1.6% over the same period of last year. Gross profit margin was 33.8%, which remained more or less the same as that of the same period of last year. Profit attributable to shareholders was HK$1,654.7 million, representing an increase of 68.0% 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 a bargain purchase of a subsidiary during the period, profit attributable to shareholders was HK$588.6 million, representing an increase of 34.6% over the same period of last year. Basic earnings per share were HK22.41 cents, representing an increase of 53.5% over the same period of last year.

Property Development Business

Despite the impact of macro-control measures on Shenzhen which has led to a decrease in trading volume, Shenzhen's housing demand was still sufficient; coupled with the recovery of the real estate market in third and fourth-tier cities, the Group achieved very satisfactory contracted sales during the period. As several Shenzhen projects which have been sold during the period will be completed in the second half of the year or next year, therefore they could not be booked during the period. The sales revenue booked and gross profit margin during the period remained more or less the same as that of the same period of last year. As part of the projects sold will be successively completed in the second half of the year, the Group believes that the situation will be significantly improved throughout the year.

Sales Revenue Booked: During the period, the Group recorded 382,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associates), representing an increase of 87.3% over the same period of last year, and achieved a net revenue in property sales of approximately RMB3,887.2 million (equivalent to HK$4,621.0 million) (net of business tax), representing a decrease of 1.9% over the same period of last year. The gross profit margin of property development and sales was 36.5%, remained more or less at the same level as that of the same period of last year. As the major Shenzhen projects including T2 Industrial Research and Development Building of UpperHills, office building of Shumyip Zhongcheng and Guanlan Rose Garden that have been sold by the Group during the period will be completed in the second half of the year, they could not be booked during the period and thus the percentage of Shenzhen projects with high gross profit in total was only 45.4% which was lower than 72.2% for the same period of last year. During the period, the average gross profit margin for Shenzhen projects of the Group was approximately 56.2%, whereas the average gross profit margin in other first-tier cities was approximately 32.1%, the average gross profit margin in second-tier cities was approximately 20.5% and third-tier cities was approximately 16.0%.

Property Sales Booked in the First Half of 2016

Property Name	**Type**	**Sales Area** *(sq.m.)*	**Net Sales** *(RMB million)*	**After Tax Unit Price** *(RMB/sq.m.)*
Wanlin Lake	Residential, shop, parking space	20,719	108.5	5,237
Rui Cheng	Residential	47,506	202.0	4,253
Noah Mountain Forest	Residential	622	3.1	4,994
Splendid City	Residential	54,768	195.2	3,564
Garden Hill	Residential	731	7.7	10,478
Euro-view Garden	Residential, shop	1,226	12.9	10,498
Shanglin Garden	Residential	30,257	128.3	4,240
Nanhu Rose Bay	Residential, shop, parking space	7,497	86.1	11,482
Yihu Rose Bay	Residential, shop	12,965	47.8	3,685
Purple Kylin Hill Garden	Residential	423	7.2	16,934
Noble Times	Residential, shop	383	9.8	25,518
Shumyip City	Residential, parking space	76,127	502.9	6,606
Yundonghai	Residential	5,434	40.5	7,443
Saina Bay	Residential, shop	24,361	87.8	3,606
Jiangyue Bay	Residential, shop	25,914	458.3	17,685
Boxing Building	Office building	4,098	117.4	28,658
Bolong Building	Office building	8,848	235.6	26,626
Royal Spring	Residential	1,260	11.0	8,719
UpperHills	Residential	18,537	1,337.2	72,136
Maanshan Shumyip Huafu	Residential	28,015	137.7	4,917
Changzhou Shumyip Huafu	Residential	8,568	63.7	7,437
Others	Residential, parking space	4,144	86.5	20,880
Total		**382,403**	**3,887.2**	**10,165**

Contracted sales: During the period, the Group achieved approximately 591,600 square meters in contracted sales area and contracted sales income of approximately RMB14 billion, representing a significant increase of 83.3% over the same period of last year.

Contracted Sales in the First Half of 2016

Project Name	**City**	**Type**	**Sales Area** *(sq.m.)*	**Sales** *(RMB million)*	**Unit Price** *(RMB/sq.m.)*
UpperHills	Shenzhen	Complex	116,919	6,702	57,324
Shumyip Dongling	Shenzhen	Complex	48,468	2,958	61,029
Guanlan Rose Garden	Shenzhen	Complex	19,191	532	27,702
Shumyip City	Shunde	Residential	48,838	388	7,947
Jinshazhou	Guangzhou	Residential	15,979	323	20,233
Garden Hill	Huizhou	Residential	53,816	322	5,983
Maanshan Shumyip Huafu	Maanshan	Residential	62,706	309	4,931
Rui Cheng	Changsha	Residential	56,999	263	4,623
Changzhou Shumyip Huafu	Changzhou	Residential	35,631	245	6,862
Shanglin Garden	Taizhou	Residential	20,547	107	5,220
Tanglang City*	Shenzhen	Complex	2,612	101	38,828
Splendid City	Jiangyan	Residential	24,419	90	3,674
Nanhu Rose Bay	Wuhan	Residential	7,388	89	12,067
Wanlin Lake	Huizhou	Residential	13,630	89	6,541
Royal Spring	Chaohu	Residential	8,375	85	10,165
Qingshuihe Auto Park	Shenzhen	Warehouse/Commercial	2,476	79	31,737
Yihu Rose Bay	Chengdu	Residential	11,608	48	4,107
European Garden	Dongguan	Residential	3,969	44	10,978
Saina Bay	Heyuan	Residential	12,195	42	3,466
Yundonghai	Sanshui	Residential	5,125	35	6,761
Noble Times	Shenzhen	Residential	348	14	39,684
Terra Building	Shenzhen	Industrial/Commercial	170	6	36,000
Shumyip Zhongcheng	Shenzhen	Complex	20,154	1,168	57,954
Total			**591,563**	**14,039**	**23,732**

* *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 95,000 square meters, and a completed construction area of approximately 494,000 square meters.

New Construction Projects in the First Half of 2016

Project Name	City	Type	Total GFA *(sq.m)*	Saleable area *(sq.m)*
Yihu Rose Bay Phase 1.1 Building No.5/6	Chengdu	Residential	17,946	14,108
Huangbeiling Land Plot 04-01	Shenzhen	Commercial (including hotel and office)	76,733	57,200
Total			**94,679**	**71,308**

Completed Projects in the First Half of 2016

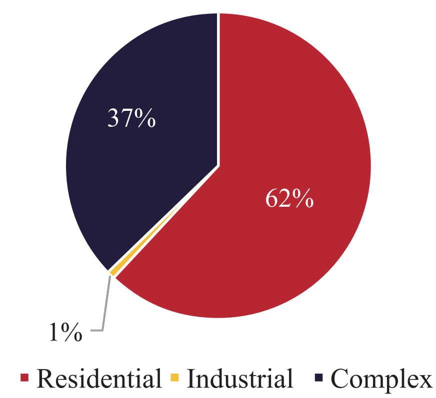
Project Name	City	Type	Total GFA *(sq.m)*	Saleable area *(sq.m)*
Rui Cheng Phase 2.1	Changsha	Residential	123,778	87,115
Splendid City Phase 2.2	Jiangyan	Residential	100,807	96,325
Shumyip City Phase 3.1B	Shunde	Residential	116,008	73,452
Shanglin Garden Phase 1.1	Taizhou	Residential	153,801	91,693
Total			**494,394**	**348,585**

Land Reserves

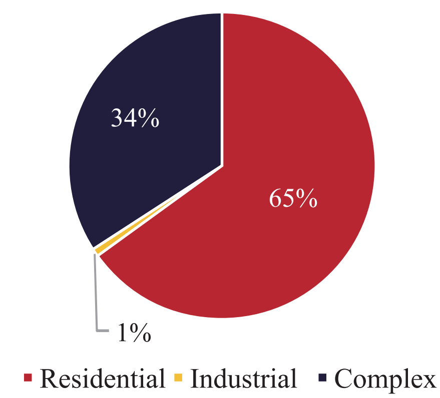
As of the end of June 2016, the Group had a total planned gross floor area (GFA) of approximately 9.013 million square meters in land reserves (of which the Group had rights and interests in 7.856 million square meters), and a capacity building area of 6.948 million square meters (of which the Group had rights and interests in 5.989 million square meters), of which, the projects under construction had a total planned GFA of approximately 4.322 million square meters (of which the Group had rights and interests in 3.744 million square meters) and a capacity building area of 3.206 million square meters (of which the Group had rights and interests in 2.732 million square meters).

Distribution of Land Reserves (As at 30 June 2016)

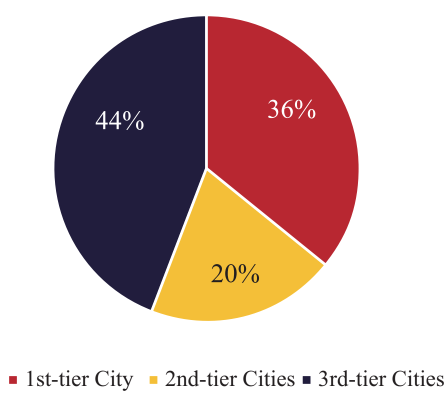
By Type – Planned GFA[Notes 1,3] **(sq.m.)**



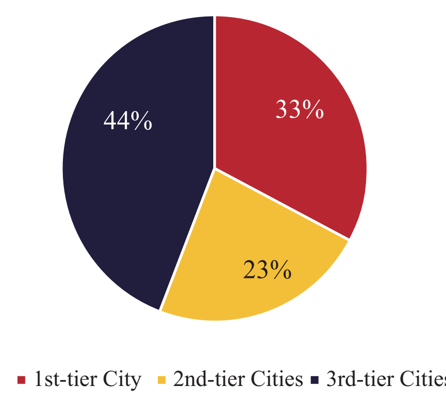
By Type – Capacity Building Area[Notes 2,3] **(sq.m.)**



By City – Planned GFA[Notes 1,3] **(sq.m.)**



By City – Capacity Building Area[Notes 2,3] **(sq.m.)**



Notes:

1. Planned GFA: 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.

2. Capacity building area: the sum of the gross floor area which is used in the calculation of the plot ratio within the land for construction.

3. Excluded the land in Heyuan project and Jiangyan project which have been returned to the local government.

Optimization of the Structure of Land Reserves:

Asset injection: On 11 March 2016, the transaction in respect of the acquisition of approximately 95% equity interests in Fairwind Power Limited from Shum Yip Holdings Company Limited, the parent company, was passed at the extraordinary general meeting of the Company. Fairwind Power Limited holds the Shenzhen Dongling project located in Luohu District, Shenzhen. The transaction was completed on 15 March 2016. The transaction generated a gain on bargain purchase of HK$526.2 million, which was included in the profit or loss for the period.

Disposal of inefficient land projects: During the period, the Group made attempt on various measures with focus on promoting the disposal of projects in third- and fourth-tier cities. In January 2016, the Group and relevant department of the Heyuan government reached an agreement under which the local government would resume approximately 620,000 square meters of undeveloped land and would return the land price to the Company after the land is sold through public listing-for-sale. In June 2016, the Group entered into an agreement with Jiangyan Land Development and Reserve Centre of Taizhou (泰州市姜堰土地開發儲備中心) to return a piece of undeveloped commercial land with a site area of approximately 91,000 square meters at a return price of RMB116 million. The Group intends to continue to push ahead the project disposal work in locations such as Taizhou, Sanshui, and Maanshan.

Property Investment

As at 30 June 2016, the Group has a total area of approximately 1,000,000 square meters in investment properties, which are mainly located in Shenzhen. During the period, the Group achieved a rental income of HK$386.2 million, representing an increase of approximately 1.2% over the same period of last year, while the gross profit margin of its property investment was approximately 87.2%, representing a decrease of 2.7 percentage points over the same period of last year. As a result of the increase in property value, the Group recorded a revaluation gain in its investment property portfolio of HK$741.5 million for the period. 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 the national level. The property management team is committed to improve services, support the development of real estate business, and help to enhance the corporate brand. As of the end of the period, the total area of properties under the Group's management was 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 the Pearl River and Yangtze River deltas as well as the central region. During the year, the property management business contributed a turnover of approximately HK$734.4 million to the Group, representing an increase of approximately 10.1% over the same period of last year.

Hotel Operations

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 guestrooms). Those under construction are Mandarin Oriental Shenzhen (with 190 guestrooms planned), Shumyip UpperHills Boutique Hotel (with 90 guestrooms planned) and Tanglang City project hotel, which is 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 approximately HK$84.5 million, representing an increase of 0.4% over the same period of last year.

Manufacturing Business

The Group's manufacturing business mainly represents the LCD manufacturing and metal materials processing and other business which has been engaged in by the companies under the Group over the years. During the period, the manufacturing business achieved a turnover of approximately HK$144.8 million, representing a decrease of 38.4% over the same period of last year.

Joint Ventures

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) performed more or less the same as the same period of last year, during which it made a loss contribution of HK$1.3 million to the Group. The principal activity of this company is to assist local governments in primary land development and the local government did not have any arrangement to launch such lands during the period. In addition, Shenzhen Langtong Real Estate Development Co., Ltd. (a 50% owned company of the Group) made a net profit contribution of HK$142.8 million to the Group for the period. This company is a project company which co-developed Shenzhen's Tanglang City Project with Shenzhen Metro Group. Shenzhen Tianan Cyber Park (Group) Co. Ltd., made a net profit contribution of HK$64.6 million to the Group, representing a decrease of 52.7% over the same period of last year.

Performance of Associates

During the period, the performance of the associates invested by the Group was within expectation. Of which, Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$59.7 million to the Group, representing a decrease of 4.3% over the same period of last year. Coastal Greenland Limited, a listed company in Hong Kong, made a net profit contribution of HK$15.5 million to the Group, whereas it made a loss contribution of HK$61.5 million for the same period of last year.

Financing Position

During the period, the Group focused on integrated financial management to safeguard its business development.

During the period, the Company entered into an agreement with several banks in Hong Kong in respect of a syndicated transferrable term loan facility in the principal amount of as high as US$230,000,000 and HK$1,000,000,000 for a period of five years.

As of 30 June 2016, the Group's total bank loans and other borrowings amounted to HK$22,280.6 million (31 December 2015: HK$21,375.1 million), of which HK$17,681.9 million were floating-rate loans, and the remaining parts were fixed-rate loans. Long-term loans amounted to HK$17,903.5 million, representing approximately 80.4% of total borrowings, and short-term loans were HK$4,377.1 million, representing approximately 19.6% of total borrowings. Borrowings from Hong Kong and overseas amounted to HK$12,902.5 million, representing 57.9% of total borrowings, and the remaining parts were borrowings from mainland China, representing 42.1% of total borrowings. During the period, the Group achieved an annual average consolidated interest rate of approximately 4.6% for bank loans and other borrowings.

As of 30 June 2016, the Group's cash and bank balance (including restricted cash) was HK$14,384.1 million (31 December 2015: HK$13,818.8 million (including restricted cash)), of which approximately 93.0% and 7.0% were denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively.

The Group's assets are mainly denominated in Renminbi. Of the bank loans and other borrowings, 42.1% is the debt denominated in Renminbi, while 57.9% 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, make great efforts to lower the percentage of foreign currency loans through a variety of ways, and consider prudently applying financial instruments to hedge the currency risk at the appropriate time.

As of 30 June 2016, the Group had net assets (excluding non-controlling interests) of HK$33,041.5 million (31 December 2015: HK$33,325.9 million). The net gearing ratio (being the difference of total interest-bearing liabilities and cash and bank balance (including restricted cash) divided by net assets (excluding the equity of non-controlling shareholders)) with the liabilities including bank loans and other borrowings only was 23.9% and the net gearing ratio with the liabilities including shareholders' loan from the parent company and all other interest-bearing liabilities was 37.9%. The gross gearing ratio (the ratio of total liabilities over total assets) was 65.6%.

Financial Position

HK$ million	**As at 30 June 2016**	As at 31 December 2015
Bank loans	**22,280.6**	21,375.1
Long-term debts	**17,903.5**	16,100.9
Short-term debts	**4,377.1**	5,274.2
Floating-rate loans	**17,681.9**	16,672.7
Cash and bank balance (including restricted cash)	**14,384.1**	13,818.8
Net gearing ratio with the liabilities including bank loans and other borrowings only	**23.9%**	22.7%
Net gearing ratio with the liabilities including all interest-bearing liabilities	**37.9%**	36.5%

Pledge of Assets and Contingent Liabilities Position

As at 30 June 2016, the Group had total loans of HK$1,172.4 million (31 December 2015: HK$1,917.6 million) that were pledged with assets (for details, see note 11 to the interim financial statements).

As at 30 June 2016, the Group had provided guarantees to a maximum of HK$6,549.3 million (31 December 2015: HK$8,857.7 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 interim financial statements).

In 2015, the Wuhan 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") was implicated in the corruption case(s) involving the local government officials and thus it was involved in criminal investigation. The People's Procuratorate of Jianli County of Hubei Province has frozen certain bank accounts of Wuhan Terra Company and those of Terra Company. As at 30 June 2016, all of the frozen bank accounts of Terra Company were released while the balance of the frozen bank accounts of Wuhan Terra Company amounted to RMB540 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.

Employees and Remuneration Policy

As at 30 June 2016, the Group employed 17,729 employees (2015: 17,606) of whom 37 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in Mainland China. The total remuneration for the six months ended 30 June 2016 (excluding remuneration of the Directors) amounted to approximately HK$520.7 million (2015: HK$497.8 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 HK7.00 cents per share for the six months ended 30 June 2016 (2015: HK3.00 cents) payable on or about Friday, 18 November 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2016.

The interim dividend will be paid in cash but shareholders will be given an option to receive new fully paid shares of the Company ("scrip shares") in lieu of cash, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. A circular containing the details of the Scrip Dividend Scheme together with relevant election form will be sent to shareholders on or about Tuesday, 18 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 14 September 2016, to Thursday, 15 September 2016 (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 Tuesday, 13 September 2016.

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 ("Listing Rules") throughout the six months ended 30 June 2016, except for code provisions A.6.7 and E.1.2 as disclosed below.

In respect of code provision A.6.7, Dr. WU Jiesi, our non-executive director, was not able to attend the annual general meeting of the Company held on 2 June 2016 ("2016 AGM") as he had other engagements. Dr. WONG Yau Kar, David, our independent non-executive director, was not able to attend the extraordinary general meeting of the Company held on 11 March 2016 as he had other engagements.

In respect of code provision E1.2, our Chairman, Dr. LU Hua was not able to attend the 2016 AGM due to other business commitment. Our President, Mr. HUANG Wei chaired the meeting and, together with the chairman of the audit committee, nomination committee and remuneration committee and other directors, were present to answer the shareholders' questions.

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 2016.

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. On specific enquiries made by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the period from 1 January to 30 June 2016.

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 year.

By Order of the Board
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 29 August 2016

As at the date of this announcement, the Board comprises 9 directors, of which Dr. 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.