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**深圳投資有限公司**  
**SHENZHEN INVESTMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00604)**

## **2009 INTERIM RESULTS ANNOUNCEMENT**

### **FINANCIAL HIGHLIGHTS**

- In the first half of 2009, revenue from continuing operations amounted to HK\$1,973.4 million, an increase of 124% over last year; revenue from property sales amounted to HK\$1,127.4 million, an increase of 783% over last year;
- In the first half of 2009, net profit attributable to shareholders from continuing operations amounted to HK\$521.6 million, an increase of 78% over last year;
- Contracted but not booked property sales in the first eight months of 2009 amounted to HK\$2,113.0 million;
- While net gearing stood at 60.2% as of 30 June 2009, cash balance (including pledged deposits) was very high at HK\$6,034.3 million. Net gearing will decline in the second half of 2009 on the back of property sales and recent new share placement in August 2009.

### **INTERIM RESULTS**

The board of directors (the “Directors”) 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 2009 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company’s audit committee and the auditors, Ernst & Young.

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

|   |  | For the six months<br>ended 30 June |                  |
|---|--|-------------------------------------|------------------|
|   |  | 2009                                | 2008             |
|   |  | (Unaudited)                         | (Unaudited)      |
| Notes   |  | HK\$'000                            | HK\$'000         |
| <b>CONTINUING OPERATIONS</b>  |  |                                     |                  |
| <b>REVENUE</b>  |  | <b>1,973,401</b>                    | 879,757          |
| Cost of sales   |  | <u>(1,254,923)</u>                  | <u>(597,080)</u> |
| Gross profit  |  | <b>718,478</b>                      | 282,677          |
| Other income and gains  |  | 4 <b>99,253</b>                     | 136,552          |
| Increase in fair value of investment properties   |  | <b>132,696</b>                      | 447,917          |
| Fair value gains/(losses) of financial assets and<br>financial liabilities at fair value through<br>profit or loss, net |  | <b>52,275</b>                       | (221,922)        |
| Selling and distribution costs  |  | <b>(80,591)</b>                     | (63,044)         |
| Administrative expenses   |  | <b>(216,546)</b>                    | (233,905)        |
| Other expenses  |  | <b>(11,121)</b>                     | (53,807)         |
| Finance costs   |  | 5 <b>(143,911)</b>                  | (97,407)         |
| Share of profits and losses of associates   |  | <u><b>208,994</b></u>               | <u>281,346</u>   |
| <b>PROFIT BEFORE TAX</b>  |  | 6 <b>759,527</b>                    | 478,407          |
| Tax   |  | 7 <u><b>(147,138)</b></u>           | <u>(114,659)</u> |
| PROFIT FOR THE PERIOD FROM<br>CONTINUING OPERATIONS   |  | <b>612,389</b>                      | 363,748          |
| <b>DISCONTINUED OPERATIONS</b>  |  |                                     |                  |
| Loss for the period from discontinued operations  |  | 8 <u>—</u>                          | <u>(25,673)</u>  |
| <b>PROFIT FOR THE PERIOD</b>  |  | <u><b>612,389</b></u>               | <u>338,075</u>   |
| <b>ATTRIBUTABLE TO:</b>   |  |                                     |                  |
| Equity holders of the parent  |  | <b>521,604</b>                      | 293,155          |
| Minority interests  |  | <u><b>90,785</b></u>                | <u>44,920</u>    |
|   |  | <u><b>612,389</b></u>               | <u>338,075</u>   |

|   |             | <b>For the six months<br/>ended 30 June</b> |                     |
|---|-------------|---|---------------------|
|   |             | <b>2009</b>                                 | 2008                |
|   |             | <b>(Unaudited)</b>                          | (Unaudited)         |
|   | <i>Note</i> |   |                     |
| <b>EARNINGS PER SHARE ATTRIBUTABLE<br/>TO ORDINARY EQUITY HOLDERS OF<br/>THE PARENT</b> |             |   |                     |
|   | <i>9</i>    |   |                     |
| <b>Basic</b>  |             |   |                     |
| – For profit for the period   |             | <b><u>HK16.23 cents</u></b>                 | <u>HK9.14 cents</u> |
| – For profit from continuing operations   |             | <b><u>HK16.23 cents</u></b>                 | <u>HK9.16 cents</u> |
| <b>Diluted</b>  |             |   |                     |
| – For profit for the period   |             | <b><u>HK16.22 cents</u></b>                 | <u>HK9.06 cents</u> |
| – For profit from continuing operations   |             | <b><u>HK16.22 cents</u></b>                 | <u>HK9.08 cents</u> |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2009*

|  | <b>For the six months</b> |                    |
|--|---------------------------|--------------------|
|  | <b>ended 30 June</b>      |                    |
|  | <b>2009</b>               | <b>2008</b>        |
|  | <b>(Unaudited)</b>        | <b>(Unaudited)</b> |
|  | <b>HK\$'000</b>           | <b>HK\$'000</b>    |
| <b>Profit for the period</b>                                     | <u><b>612,389</b></u>     | <u>338,075</u>     |
| Exchange differences on translation of<br>foreign operations     | <b>(10,788)</b>           | 721,346            |
| Net gain/(loss) on an available-for-sale investment              | <b>27,457</b>             | (4,097)            |
| Income tax   | <u><b>(6,864)</b></u>     | <u>–</u>           |
|  | <b>20,593</b>             | (4,097)            |
| Share of other comprehensive income of associates                | <u><b>11,067</b></u>      | <u>149,489</u>     |
| <b>Other comprehensive income for the period,<br/>net of tax</b> | <u><b>20,872</b></u>      | <u>866,738</u>     |
| <b>Total comprehensive income for the period,<br/>net of tax</b> | <u><b>633,261</b></u>     | <u>1,204,813</u>   |
| <b>Attributable to:</b>  |                           |                    |
| Equity holders of the parent                                     | <b>542,967</b>            | 1,096,317          |
| Minority interests   | <u><b>90,294</b></u>      | <u>108,496</u>     |
|  | <u><b>633,261</b></u>     | <u>1,204,813</u>   |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

|   |              | <b>30 June<br/>2009</b> | 31 December<br>2008 |
|---|--------------|-------------------------|---------------------|
|   |              | <b>(Unaudited)</b>      | (Audited)           |
|   | <i>Notes</i> | <b>HK\$'000</b>         | <b>HK\$'000</b>     |
| <b>NON-CURRENT ASSETS</b>                             |              |                         |                     |
| Property, plant and equipment                         |              | <b>529,305</b>          | 561,495             |
| Intangible assets                                     |              | <b>90,970</b>           | 96,596              |
| Prepaid land lease payment                            |              | <b>4,189</b>            | 4,214               |
| Goodwill  |              | <b>322,595</b>          | 322,600             |
| Investment properties                                 |              | <b>4,044,646</b>        | 3,913,739           |
| Interests in associates                               | <i>11</i>    | <b>5,173,842</b>        | 4,898,720           |
| Held-to-maturity investments                          |              | <b>382,491</b>          | 382,054             |
| Available-for-sale investments                        |              | <b>45,153</b>           | 17,713              |
| Other long term assets                                |              | <b>834,329</b>          | 887,031             |
| Deferred tax assets                                   |              | <b>240,786</b>          | 162,171             |
|   |              | <hr/>                   | <hr/>               |
| Total non-current assets                              |              | <b>11,668,306</b>       | 11,246,333          |
| <b>CURRENT ASSETS</b>                                 |              |                         |                     |
| Inventories   |              | <b>58,008</b>           | 56,298              |
| Completed properties held for sale                    |              | <b>1,716,135</b>        | 862,094             |
| Properties under development                          |              | <b>9,339,112</b>        | 9,908,772           |
| Trade receivables                                     | <i>12</i>    | <b>533,843</b>          | 705,131             |
| Prepayments, deposits and other receivables           |              | <b>585,828</b>          | 352,276             |
| Financial assets at fair value through profit or loss |              | <b>38,183</b>           | 17,308              |
| Pledged bank deposits                                 |              | <b>884,988</b>          | –                   |
| Cash and cash equivalents                             |              | <b>5,149,325</b>        | 4,570,861           |
|   |              | <hr/>                   | <hr/>               |
| Total current assets                                  |              | <b>18,305,422</b>       | 16,472,740          |

|  |             | <b>30 June</b>     | 31 December     |
|--|-------------|--------------------|-----------------|
|  |             | <b>2009</b>        | 2008            |
|  |             | <b>(Unaudited)</b> | (Audited)       |
|  | <i>Note</i> | <b>HK\$'000</b>    | <b>HK\$'000</b> |
| <b>CURRENT LIABILITIES</b>                                       |             |                    |                 |
| Interest-bearing bank loans                                      |             | <b>6,125,914</b>   | 5,377,765       |
| Derivative financial instruments                                 |             | <b>184,259</b>     | 215,656         |
| Trade and notes payables   | <i>13</i>   | <b>422,387</b>     | 87,438          |
| Other payables and accruals                                      |             | <b>3,195,660</b>   | 1,999,976       |
| Amounts due to the ultimate holding company                      |             | <b>116,207</b>     | 110,838         |
| Tax payable  |             | <b>873,481</b>     | 873,102         |
|  |             | <hr/>              | <hr/>           |
| Total current liabilities  |             | <b>10,917,908</b>  | 8,664,775       |
|  |             | <hr/>              | <hr/>           |
| <b>NET CURRENT ASSETS</b>  |             | <b>7,387,514</b>   | 7,807,965       |
|  |             | <hr/>              | <hr/>           |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                     |             | <b>19,055,820</b>  | 19,054,298      |
|  |             | <hr/>              | <hr/>           |
| <b>NON-CURRENT LIABILITIES</b>                                   |             |                    |                 |
| Interest-bearing bank loans                                      |             | <b>6,522,734</b>   | 6,873,560       |
| Deferred tax liabilities   |             | <b>653,104</b>     | 622,127         |
|  |             | <hr/>              | <hr/>           |
| Total non-current liabilities                                    |             | <b>7,175,838</b>   | 7,495,687       |
|  |             | <hr/>              | <hr/>           |
| Net assets   |             | <b>11,879,982</b>  | 11,558,611      |
|  |             | <hr/> <hr/>        | <hr/> <hr/>     |
| <b>EQUITY</b>  |             |                    |                 |
| <b>Total equity attributable to equity holders of the parent</b> |             |                    |                 |
| Issued capital   |             | <b>161,041</b>     | 160,665         |
| Reserves   |             | <b>10,832,867</b>  | 10,531,211      |
|  |             | <hr/>              | <hr/>           |
|  |             | <b>10,993,908</b>  | 10,691,876      |
|  |             | <hr/>              | <hr/>           |
| <b>Minority interests</b>  |             | <b>886,074</b>     | 866,735         |
|  |             | <hr/>              | <hr/>           |
| Total equity   |             | <b>11,879,982</b>  | 11,558,611      |
|  |             | <hr/> <hr/>        | <hr/> <hr/>     |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 1. Basis of Preparation

The unaudited interim condensed consolidated financial statements 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.

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 2008.

## 2. Impact of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and interpretations)

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008, except for the adoption of the new standards and interpretations as noted below.

|  |   |
|--|---|
| HKAS 1 (Revised)                           | <i>Presentation of Financial Statements</i>   |
| HKAS 23 (Revised)                          | <i>Borrowing Costs</i>  |
| HKAS 32 and<br>HKAS 1 Amendments           | <i>Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>              |
| HKFRS 1 and<br>HKAS 27 Amendments          | <i>Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> |
| HKFRS 2 Amendments                         | <i>Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations</i>   |
| HKFRS 7 Amendments                         | <i>Amendments to HKFRS 7 Financial instruments: Disclosure – Improving Disclosures about Financial Instruments</i>  |
| HKFRS 8                                    | <i>Operating Segments</i>   |
| HK(IFRIC) – Int 9 and<br>HKAS39 Amendments | <i>Amendments to HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>                                     |
| HK(IFRIC) – Int 13                         | <i>Customer Loyalty Programmes</i>  |
| HK(IFRIC) – Int 15                         | <i>Agreements for the Construction of Real Estate</i>   |
| HK(IFRIC) – Int 16                         | <i>Hedges of a Net Investment in a Foreign Operation</i>  |

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements except for the impact as described below.

*HKFRS 8* requires disclosure of the information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under the HKAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 3, including revised comparative information.

*HKAS 1 (Revised)* separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

### **3. Segment Information**

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

- (a) the property development segment engages in the development of residential, industrial and commercial properties;
- (b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;
- (c) the property management segment engages in the management of both Group developed properties and non-Group developed properties;
- (d) the transportation services segment consists of the provision of passenger and freight transportation services, automobile maintenance, cargo services and other related services;
- (e) the manufacturing segment engages in the manufacture and sale of industrial and commercial products; and
- (f) the "others" segment comprises, principally, the manufacture and sale of aluminum alloys and other businesses.

In 2008, there was also a reportable operating segment named the infrastructure investment segment which engaged in the investments in infrastructure projects of toll roads and it was disposal of in 2008.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to the operating segments.

Transfer prices between operating segments are determined on an arm's length basis which is similar to the price determination for transactions with third parties.

| For the six months ended<br>30 June 2009 (Unaudited)                      | Property<br>development<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Property<br>management<br><i>HK\$'000</i> | Transportation<br>services<br><i>HK\$'000</i> | Manufacturing<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Adjustments<br>and<br>Eliminations<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|--|---|---|---|----------------------------------|---------------------------|---|--------------------------|
| <b>Segment revenue:</b>   |  |   |   |   |                                  |                           |   |                          |
| Sales to customers  | 1,127,353                                  | 181,615                                   | 327,073                                   | 115,451                                       | 92,945                           | 128,964                   | -   | 1,973,401                |
| Inter segment sales   | -  | -   | 2,392                                     | -   | -                                | 4,362                     | (6,754)*  | -                        |
|   | <u>1,127,353</u>                           | <u>181,615</u>                            | <u>329,465</u>                            | <u>115,451</u>                                | <u>92,945</u>                    | <u>133,326</u>            | <u>(6,754)</u>  | <u>1,973,401</u>         |
| Segment results before increase in<br>fair value of investment properties | 302,719                                    | 174,771                                   | 13,285                                    | 28,934  | 1,786                            | 55,811                    | -   | 577,306                  |
| Increase in fair value of<br>investment properties                        | -  | 132,696                                   | -   | -   | -                                | -                         | -   | 132,696                  |
| Segment results after increase in<br>fair value of investment properties  | <u>302,719</u>                             | <u>307,467</u>                            | <u>13,285</u>                             | <u>28,934</u>                                 | <u>1,786</u>                     | <u>55,811</u>             | <u>-</u>  | <u>710,002</u>           |
| Profit before tax   | 302,719                                    | 307,467                                   | 13,285                                    | 28,934  | 1,786                            | 55,811                    | 49,525**  | 759,527                  |
| Tax   |  |   |   |   |                                  |                           |   | (147,138)                |
| Profit for the period   |  |   |   |   |                                  |                           |   | <u>612,389</u>           |

\* *Inter segment sales revenues are eliminated on consolidation.*

\*\* *The profit of each operating segment does not include interest income (HK\$63,223,000), gain on acquisition of an associate (HK\$13,745,000), fair value gains of finance instruments (HK\$52,275,000) and other various gains (HK\$16,050,000), share options exercised expense (HK\$4,900,000) and corporate headquarter's expense (HK\$16,801,000), finance costs (HK\$143,911,000), shares of profit of associates (HK\$69,844,000).*

| For the six months ended 30 June 2008                                  | Continuing operations            |                                 |                                 |   |                           |                    | Discontinued operations                  |                   |  |                                       |  | Total           | Consolidated   |
|--|----------------------------------|---------------------------------|---------------------------------|---|---------------------------|--------------------|--|-------------------|--|---------------------------------------|--|-----------------|----------------|
|  | Property development<br>HK\$'000 | Property investment<br>HK\$'000 | Property management<br>HK\$'000 | Transportation services (taxi and passenger business)<br>HK\$'000 | Manufacturing<br>HK\$'000 | Others<br>HK\$'000 | Adjustments and Eliminations<br>HK\$'000 | Total<br>HK\$'000 | Transportation services (cargo business)<br>HK\$'000 | Infrastructure investment<br>HK\$'000 | Adjustments and Eliminations<br>HK\$'000 |                 |                |
| <b>Segment revenue:</b>  |                                  |                                 |                                 |   |                           |                    |  |                   |  |                                       |  |                 |                |
| Sales to customers   | 127,716                          | 158,144                         | 285,104                         | 84,739  | 148,984                   | 75,070             |  | 879,757           | 6,837  | 28,685                                |  | 35,522          | 915,279        |
| Segment results before increase in fair value of investment properties | (30,975)                         | 112,970                         | 22,327                          | 15,643  | 6,635                     | 6,159              |  | 132,759           | 367  | 11,431                                |  | 11,798          | 144,557        |
| Increase in fair value of investment properties                        | -                                | 447,917                         | -                               | -   | -                         | -                  |  | 447,917           | -  | -                                     |  | -               | 447,917        |
| Segment results after increase in fair value of investment properties  | <u>(30,975)</u>                  | <u>560,887</u>                  | <u>22,327</u>                   | <u>15,643</u>   | <u>6,635</u>              | <u>6,159</u>       |  | <u>580,676</u>    | <u>367</u>   | <u>11,431</u>                         |  | <u>11,798</u>   | <u>592,474</u> |
| Profit before tax  | (30,975)                         | 560,887                         | 22,327                          | 15,643  | 6,635                     | 6,159              | (102,269)*                               | 478,407           | 367  | 11,431                                | (37,385)**                               | (25,587)        | 452,820        |
| Tax  |                                  |                                 |                                 |   |                           |                    |  | (114,659)         |  |                                       |  | (86)            | (114,745)      |
| Profit for the period  |                                  |                                 |                                 |   |                           |                    |  | <u>363,748</u>    |  |                                       |  | <u>(25,673)</u> | <u>338,075</u> |

\* The profit of each operating segment does not include interest income (HK\$68,795,000), dividend income (HK\$6,000,000) and other various gains (HK\$35,794,000), fair value loss of the finance instruments (HK\$214,128,000), share options exercised expense (HK\$29,212,000), corporate headquarter's expense (HK\$42,685,000) and other various expense (HK\$11,822,000), finance costs (HK\$97,407,000), shares of profit of associates (HK\$182,396,000).

\*\* The profit of each operating segment does not include interest income (HK\$5,083,000), disposal gain of subsidiaries (HK\$20,174,000), finance costs (HK\$62,642,000).

#### 4. Other Income and Gains

|  | For the six months ended 30 June |                                 |
|--|----------------------------------|---------------------------------|
|  | 2009<br>(Unaudited)<br>HK\$'000  | 2008<br>(Unaudited)<br>HK\$'000 |
| Interest income                                    | 63,223                           | 68,795                          |
| Rental income                                      | 346                              | 1,162                           |
| Gain on disposal of available-for-sale investments | -                                | 9,031                           |
| Others   | 35,684                           | 57,564                          |
|  | <u>99,253</u>                    | <u>136,552</u>                  |

## 5. Finance Costs

|   | For the six months<br>ended 30 June |                                |
|---|-------------------------------------|--------------------------------|
|   | 2009                                | 2008                           |
|   | (Unaudited)<br><i>HK\$'000</i>      | (Unaudited)<br><i>HK\$'000</i> |
| Interest on:  |                                     |                                |
| Bank loans  | 230,930                             | 290,372                        |
| Other loans   | 16,757                              | –                              |
| Other finance costs   | 42,679                              | –                              |
| Less: Amounts capitalised under properties development projects | <u>(146,455)</u>                    | <u>(192,965)</u>               |
|   | <u>143,911</u>                      | <u>97,407</u>                  |

## 6. Profit before Tax

Profit before tax was determined after charging/(crediting) the following:

|   | For the six months<br>ended 30 June |                                |
|---|-------------------------------------|--------------------------------|
|   | 2009                                | 2008                           |
|   | (Unaudited)<br><i>HK\$'000</i>      | (Unaudited)<br><i>HK\$'000</i> |
| Depreciation  | 38,346                              | 49,034                         |
| Amortisation of intangible assets   | 2,971                               | 3,606                          |
| Dividend income from financial assets at fair value through<br>profit or loss | –                                   | (9,915)                        |
| Loss on disposal of items of investment properties                            | 250                                 | 6,001                          |
| Gain on disposal of items of property, plant and equipment, net               | (6,140)                             | (331)                          |
| Impairment/(recovery) of trade receivables                                    | <u>(17,053)</u>                     | <u>792</u>                     |

## 7. 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 (2008: Nil). Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Major subsidiaries of the Group operate in Shenzhen, Mainland China, which are subject to the corporate income tax rate of 20% (2008: 18%) for the year 2009, according to the new PRC Enterprise Income Tax Law which became effective on 1 January 2008.

PRC land appreciation tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK\$58,796,000 was charged to the condensed consolidated income statement for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$5,007,000).

|  | <b>For the six months<br/>ended 30 June</b> |             |
|--|---|-------------|
|  | <b>2009</b>                                 | 2008        |
|  | <b>(Unaudited)</b>                          | (Unaudited) |
|  | <b>HK\$'000</b>                             | HK\$'000    |
| Current – Mainland China corporate income tax  | <b>108,065</b>                              | 53,593      |
| Current – Withholding tax on dividend          | <b>34,873</b>                               | –           |
| Current – LAT in Mainland China                | <b>58,796</b>                               | 5,007       |
| Deferred – Mainland China corporate income tax | <b>9,948</b>                                | 56,961      |
| Deferred – Withholding tax on dividend         | <b>(16,936)</b>                             | –           |
| Deferred – LAT in Mainland China               | <b>(47,608)</b>                             | (902)       |
|  | <hr/>                                       | <hr/>       |
| Total tax charge for the period                | <b>147,138</b>                              | 114,659     |
|  | <hr/> <hr/>                                 | <hr/> <hr/> |

The share of tax attributable to associates of approximately HK\$176,008,000 (six months ended 30 June 2008: HK\$124,150,000) is included in “Share of profits and losses of associates” on the face of the interim condensed consolidated income statement.

## 8. Discontinued Operations

In December 2008, the Group drew back its disposal plans of Shum Yip Shumkang (Group) Company Limited and its subsidiaries (“Shum Yip Shumkang”) and Shenzhen PJLD Securities Products Co., Ltd., Shenzhen Shum Yip Steel Centre Ltd. and Shenzhen Jinghua LCD Ltd. (subsidiaries of the Group engaged in manufacturing, collectively referred to as the “Manufacturing Group”). Consequently, the Group ceased to reclassify Shum Yip Shumkang and the Manufacturing Group as disposal groups held for sale at the balance sheet date.

According to HKFRS 5, if an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations in accordance with HKFRS 5 shall be reclassified and included in income from continuing operations for all periods presented. Accordingly, the Group has reclassified the results of operations for prior periods.

On 5 March 2008, the Group entered into a sale and purchase agreement to dispose of its remaining 51% interests in Hubei Shumyip Huayin Traffic Development Co., Ltd. (“Huayin Traffic”) to the ultimate holding company of the Group. Huayin Traffic holds 91% interest in Hubei Jingdong Expressway Construction and Development Company Limited (“Jingdong Company”), which engages in the construction and operation of the Jingdong Expressway in Hubei Province, Mainland China. The disposal of Huayin Traffic was completed in 2008.

On 18 December 2007, the Group entered into an agreement with Shum Yip Holdings Co., Ltd. (“Shum Yip Holdings”), the intermediate holding company of the Group, to dispose of the investment in Shum Yip Transportation Co., Ltd. (深業運輸有限公司) (“Shum Yip Transportation”). Shum Yip Transportation mainly engages in leasing operation licences to container truck owners and investment holding. The disposal of Shum Yip Transportation was completed in 2008.

The results of the discontinued operations and net cash flows from the discontinued operations for the period are presented below:

|   | Infrastructure     |                 | Transportation     |                 | Total              |                 |
|---|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
|   | For the six months |                 | For the six months |                 | For the six months |                 |
|   | ended 30 June      |                 | ended 30 June      |                 | ended 30 June      |                 |
|   | 2009               | 2008            | 2009               | 2008            | 2009               | 2008            |
| (Unaudited)   | (Unaudited)        | (Unaudited)     | (Unaudited)        | (Unaudited)     | (Unaudited)        |                 |
| <i>HK\$'000</i>   | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>    |                 |
| Revenue   | -                  | 28,685          | -                  | 6,837           | -                  | 35,522          |
| Cost of sales   | -                  | (13,628)        | -                  | (5,318)         | -                  | (18,946)        |
| Other income and gains                                    | -                  | 41              | -                  | 25,257          | -                  | 25,298          |
| Selling and distribution costs                            | -                  | (224)           | -                  | -               | -                  | (224)           |
| Administrative expenses                                   | -                  | (3,407)         | -                  | (1,153)         | -                  | (4,560)         |
| Other expenses  | -                  | (35)            | -                  | -               | -                  | (35)            |
| Finance costs   | -                  | (62,374)        | -                  | (268)           | -                  | (62,642)        |
| Profit/(loss) before tax from discontinued operations     | -                  | (50,942)        | -                  | 25,355          | -                  | (25,587)        |
| Tax   | -                  | -               | -                  | (86)            | -                  | (86)            |
| Profit/(loss) for the period from discontinued operations | <u>-</u>           | <u>(50,942)</u> | <u>-</u>           | <u>25,269</u>   | <u>-</u>           | <u>(25,673)</u> |
| Operating activities                                      | -                  | 43,617          | -                  | (54,932)        | -                  | (11,315)        |
| Investing activities                                      | -                  | -               | -                  | 49,343          | -                  | 49,343          |
| Financing activities                                      | -                  | (62,374)        | -                  | -               | -                  | (62,374)        |
| Net cash outflow  | <u>-</u>           | <u>(18,757)</u> | <u>-</u>           | <u>(5,589)</u>  | <u>-</u>           | <u>(24,346)</u> |

|   | <b>For the six months<br/>ended 30 June</b> |                       |
|---|---|-----------------------|
|   | <b>2009</b>                                 | 2008                  |
|   | <b>(Unaudited)</b>                          | (Unaudited)           |
| Loss per share:                           |   |                       |
| Basic, from the discontinued operations   | <u>–</u>                                    | <u>HK(0.02) cents</u> |
| Diluted, from the discontinued operations | <u>–</u>                                    | <u>HK(0.02) cents</u> |

The calculations of basic and diluted loss per share amounts from the discontinued operations are based on:

|  | <b>For the six months<br/>ended 30 June</b> |                      |
|--|---|----------------------|
|  | <b>2009</b>                                 | 2008                 |
|  | <b>(Unaudited)</b>                          | (Unaudited)          |
|  | <b>HK\$'000</b>                             | HK\$'000             |
| Loss for the period from discontinued operations   | –   | (25,673)             |
| Results attributable to minority interests   | <u>–</u>                                    | <u>24,944</u>        |
| Loss attributable to ordinary equity holders of<br>the parent from the discontinued operations                               | <u>–</u>                                    | <u>(729)</u>         |
| Number of shares as at the balance sheet date  | <b>3,220,815,090</b>                        | 3,213,295,090        |
| Weighted average number of ordinary shares in issue<br>during the period used in the basic earnings<br>per share calculation | <b>3,214,747,423</b>                        | 3,208,650,751        |
| Weighted average number of ordinary shares<br>used in the diluted loss per share calculation                                 | <u><b>3,216,640,840</b></u>                 | <u>3,235,867,468</u> |

## 9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

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

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. 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 basic and diluted earnings per share amounts are based on:

|  |  | <b>For the six months<br/>ended 30 June</b> |                             |
|--|--|---|-----------------------------|
|  |  | <b>2009</b>                                 | 2008                        |
|  |  | <b>(Unaudited)</b>                          | (Unaudited)                 |
| <i>Note</i>  |  | <b>HK\$'000</b>                             | <b>HK\$'000</b>             |
| <b>Earnings/loss</b>   |  |   |                             |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation  |  |   |                             |
|  | From continuing operations   | <b>521,604</b>                              | 293,884                     |
|  | From discontinued operations   | <u>          –</u>                          | <u>          (729)</u>      |
|  |  | <b><u>521,604</u></b>                       | <b><u>293,155</u></b>       |
| <br>   |  |   |                             |
|  |  | <b>For the six months<br/>ended 30 June</b> |                             |
|  |  | <b>2009</b>                                 | 2008                        |
| <b>Shares</b>  |  |   |                             |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation |  |   |                             |
|  |  | <b>3,214,747,423</b>                        | 3,208,650,751               |
|  | Effect of dilution – weighted average number of ordinary shares: Share options | <u>1,893,417</u>                            | <u>27,216,717</u>           |
|  |  | <b><u>3,216,640,840</u></b>                 | <b><u>3,235,867,468</u></b> |

## 10. Dividend Paid and Proposed

|   | <b>For the six months<br/>ended 30 June</b> |                |
|---|---|----------------|
|   | <b>2009</b>                                 | 2008           |
|   | <b>(Unaudited)</b>                          | (Unaudited)    |
|   | <b>HK\$'000</b>                             | HK\$'000       |
| Dividends on ordinary shares declared and paid during the six-month period:                       |   |                |
| <b>Final dividend for 2008: HK8.00 cents (2007: HK21.00 cents)</b>                                | <b>257,387</b>                              | <b>674,653</b> |
| Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June): |   |                |
| <b>First dividend for 2009: HK5.00 cents (2008: HK3.00 cents)</b>                                 | <b>161,041</b>                              | <b>96,399</b>  |

The 2009 interim dividend was resolved by the board of directors on 9 September 2009.

## 11. Interests in Associates

Particulars of the principal associates are as follows:

| Name of associates                                | Business structure | Place of establishment/<br>incorporation<br>and operations | Nominal value of issued and fully paid-up capital/<br>registered capital | Percentage of ownership interest attributable to the Group |           | Principal activities  |
|---|--------------------|--|--|--|-----------|---|
|   |                    |  |  | 2009<br>%  | 2008<br>% |   |
| Road King Infrastructure Limited ("Road King") ** | Corporate          | Bermuda  | HK\$73,893,000   | 27.38  | 27.38     | Investment and management of toll roads and property development          |
| Shenzhen Tianan Cyber Park Co., Ltd.              | Corporate          | PRC  | US\$18,000,000   | 37.53  | 37.53     | Property investment and development                                       |
| Coastal Greenland Limited*                        | Corporate          | Bermuda  | HK\$279,058,000  | 22.62  | 22.62     | Property development and investment                                       |
| ShenYang Wuai Shumkang Company Limited ("Wuai")   | Corporate          | PRC  | RMB400,000,000   | 46.925   | 28.80     | Property development and investment and transportation station management |

- \* *Coastal Greenland is a limited liability company incorporated in Bermuda and the ordinary shares with a nominal value of HK\$0.10 each are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The principal location of Coastal Greenland's business is Mainland China.*
  
- \*\* *Road King is a limited liability company incorporated in Bermuda and its ordinary shares with a nominal value of HK\$0.10 each are listed on the Main Board of The Stock Exchange of Hong Kong Limited.*

During 2007, Road King, through its 88.46% owned subsidiary, acquired the entire equity interests in two companies established in the People's Republic of China ("PRC") (collectively referred to as the "Investee Companies") at a consideration of RMB563,180,000 (equivalent to HK\$638,526,000).

After completion of the acquisition in July 2007, Road King was not able to obtain effective control over the Investee Companies. Despite the fact that the boards of directors of the Investee Companies were appointed by Road King as the former management of the Investee Companies have not yet allowed the representatives of Road King to access the office of the Investee Companies, and have not yet received the official seals, the books and records as well as other relevant documents of the Investee Companies. Without such access to the official seals and books and records, Road King has not yet effectively obtained control of the Investee Companies.

Road King commenced legal proceedings in the Tianjin Nankai District People's Court in October 2007 to enforce its rights and to assume effective control over the Investee Companies. However, the legal proceedings against the former management of the Investee Companies were temporarily suspended in 2008 on the basis that unspecified facts which related to those proceedings may overlap with unspecified matters under investigation by the Tianjin authorities.

In January 2009, Road King received a notice advising that an investigation on a criminal accusation by the Tianjin authorities was officially dismissed. In addition to the legal proceedings as mentioned above, with the assistance provided by the Tianjin municipal government, Road King is now gradually resolving the legacy problems of the Investee companies in Tianjin with a view to eventually obtain over the Investee companies. On 24 August 2009, Road King has received the official seals of the Investee Companies and was in the process of collecting and examining the books and records of the Investee Companies. In the opinion of the directors of Road King, Road King has not obtained control over the Investee Companies as at 30 June 2009. Road King will continue its best endeavours to obtain effective control over the Investee Companies.

As Road King does not have control, and is not in a position to exercise significant influence, over the operation and financing policies of the Investee Companies, the Investee Companies are not currently considered to be subsidiaries or associates of Road King and therefore they are accounted for as available-for-sale financial assets. Accordingly, the financial statements of the Investee Companies have not been consolidated into the Road King's condensed consolidated financial statements. The investment in the Investee Companies, amounting to HK\$638,526,000 as at 30 June 2009 (31 December 2008: HK\$632,787,000) (the amount attributable to the Group: HK\$174,828,000 (31 December 2008: HK\$173,257,000)), have been recorded at cost less impairment because the investments are unquoted equity shares whose range of reasonable fair value estimates is so significant that the Directors of Road King are of the opinion that the fair value cannot be measured reliably.

During the period ended 30 June 2009, Road King has made various payments on behalf of the Investee Companies including the settlement of the Investee Companies' bank loans of RMB300 million, accrued interest on bank loans, construction costs and other expenses, totaling HK\$446,086,000 (the amount attributable to the Group: HK\$122,139,000). These payments are considered as loans and advances to the Investee Companies and based on the advice from Road King's PRC legal counsel, Road King has the right to recover the amounts due from the Investee Companies.

Based on the impairment review on the investments in, and loans and advances to, the Investment Companies, in the opinion of the Directors of Road King, no impairment on the carrying amounts in relation to the Investee Companies is considered necessary. However, as the timing and the eventual outcome of the court proceedings or the satisfactory resolutions of the legacy problems of the Investee Companies cannot presently be determined with certainty, there exist uncertainties that Road King may be unable to obtain effective control over the Investee Companies or otherwise realise the underlying properties of the Investee Companies, thereby impacting the recoverability of Road King's available-for-sale financial assets amounting to HK\$1,084,612,000 (the amount attributable to the Group: HK\$296,967,000) as at 30 June 2009.

## 12. Trade Receivables

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. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the contract date, is as follows:

|                    | <b>30 June<br/>2009<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2008<br>(Audited)<br>HK\$'000 |
|--------------------|--|--|
| Within one year    | 492,589  | 657,230                                      |
| One to two years   | 37,349   | 46,024                                       |
| Two to three years | <u>3,905</u>   | <u>1,877</u>                                 |
| Total              | <u><b>533,843</b></u>                                | <u><b>705,131</b></u>                        |

## 13. Trade and Notes Payables

An aged analysis of the trade and notes payables as at the balance sheet date, based on the payment due date, is as follows:

|                    | <b>30 June<br/>2009<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2008<br>(Audited)<br>HK\$'000 |
|--------------------|--|--|
| Within one year    | 379,044  | 32,944                                       |
| One to two years   | 1,807  | 12,270                                       |
| Two to three years | 2,669  | 2,923  |
| Over three years   | <u>38,867</u>  | <u>39,301</u>                                |
|                    | <u><b>422,387</b></u>                                | <u><b>87,438</b></u>                         |

Notes payable amounting to HK\$340,380,000 (31 December 2008: Nil) were secured by certain of the Group's bank deposits of HK\$340,380,000 (31 December 2008: Nil).

#### 14. Capital Commitments

|  | <b>30 June<br/>2009<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2008<br>(Audited)<br>HK\$'000 |
|--|--|--|
| Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development: |  |  |
| Contracted, but not provided for   | <u><b>2,142,958</b></u>                              | <u>2,106,919</u>                             |
| Authorised, but not contracted for   | <u><b>292,591</b></u>                                | <u>320,837</u>                               |

#### 15. Contingent Liabilities

At 30 June 2009, the Group has given guarantees to a maximum extent of approximately HK\$1,333,301,000 (31 December 2008: HK\$1,275,481,000) 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 titles of the related properties. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyers have obtained the individual property ownership certificates or up to a maximum of two years after the full repayment of the mortgaged loans by the purchasers of the Group's properties.

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

#### 16. Comparative Amounts

The comparative condensed consolidated income statement has been re-presented as if the operations ceased to be classified as discontinued operations had been classified as continuing operations at the beginning of the comparative period (*note 8*).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

In the first half of 2009, the Group achieved sales revenue of HK\$1,973.4 million in its continuing operations, 124% above the same period of last year. Pre-tax profit amounted to HK\$759.5 million, increase by 59% from the same period of last year. Net profit attributable to shareholders was HK\$521.6 million, up by 78% from a year earlier. Basic earnings per share was HK16.23 cents, increase by 78% from the same period of last year and diluted earnings per share was HK16.22 cents, 79% above the same period of last year.

If excluding the net effect of changes in fair value of financial assets and liabilities, investment properties and its respective deferred taxation, net profit attributable to shareholders from continuing operations for the period was HK\$381.8 million, an increase of 71% from a year earlier.

### Property development

During the period, the Group completed 87,000 square meters in its property development business (excluding the interests attributable to the Group in its three associated companies). 19 projects are planned to be sold for the whole year, of which the move-in and completed schedule of most of the projects are concentrated in the second half year. Hence, in the period concerned, sales income of property amounted to HK\$1,127.4 million (net of business tax) were come from the current period's pre-sale area of our 5 projects and those sold but uncompleted projects in last year under our subsidiaries, an increase of 783% from a year earlier.

At end of August 2009, the Group had 13 projects at their pre-sale stage. Apart from the sales income recognised, contracted but not booked sales amounted to approximately HK\$2,113.0 million, of which most of the pre-sold income will be booked in the second half of 2009.

## **Property under construction and land reserves**

In the period under review, the Group had 14 property projects under construction, with a total gross floor area of approximately 1.3 million square meters. These projects were progressing smoothly. At present, the Group has gross land reserves of 12 million square meters (in gross floor area), with attributable gross floor area of 10.55 million square meters (excluding the interests attributable to the Group in its three associated companies). In the period under review, the Group did not acquire any land reserve. However, we will continue to increase our land reserves through various means. The Group's current land reserves are sufficient to meet its development in the next five to six years.

## **Property investment**

In the period, the Group's investment property continued to maintain steady growth. With a total area in investment property of approximately 600,000 square meters, it had achieved a rental income of HK\$181.6 million, increase by 15% from a year earlier. The Group recorded a revaluation gain of HK\$132.7 million in its investment property portfolio which had already been booked in the profit under the period.

## **Performance by associated companies**

In the period under review, results performance of the Group's investments in associated companies was within our expectation. Of which, Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK\$69.8 million to the Group, a drop of 32% from a year earlier. Coastal Greenland Limited, another listed company in Hong Kong, made a loss of HK\$37.5 million, but a net profit contribution to the Group of HK\$80.3 million from a year earlier. In the meantime, Shenzhen Tianan Cyberpark Co., Ltd. made a net profit contribution of HK\$124.1 million to the Group, an increase of 43% from a year earlier.

## **Financial conditions**

As at 30 June 2009, the Group's cash balance (including pledged deposits) was HK\$6,034.3 million (31 December 2008: HK\$4,570.8 million), of which 93% and 7% was stated in Renminbi and other currencies (mainly in US\$ and HK\$) respectively. While Renminbi is not a freely convertible currency, however, under the Foreign Exchange Control Regulations of the PRC and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, the Group had been authorized to convert Renminbi into other currencies via authorized banks that can conduct foreign exchange businesses.

At 30 June 2009, the Group's total bank loans amounted to HK\$12,648.6 million (31 December 2008: HK\$12,251.3 million), of which HK\$11,775.7 million were floating-rate loans (31 December 2008: HK\$9,508.9 million), and the rest were fixed-rate loans. Of all the loans, long-term loans amounted to HK\$6,522.7 million (31 December 2008: HK\$6,873.6 million) and short-term loans were HK\$6,125.9 million (31 December 2008: HK\$5,377.8 million).

As of 30 June 2009, the Group had net assets (after minority interests) of HK\$10,993.9 million (31 December 2008: HK\$10,691.9 million) and the ratio of net debts to net assets (after minority interests) was 60.2% (31 December 2008: 71.8%).

On 3 August 2009, the Group placed 300,000,000 new shares to global institutional investors at a price of HK\$3.72 per share. The placing was over-subscribed by institutional investors, and had raised HK\$1.1 billion for the Group. The fund is mainly used for the acquisition of land reserves and payment of outstanding land amount.

As the Group's main operating cash flow are in Renminbi, while its assets and debts are mainly stated in Reminbi and US Dollar respectively. In the short run, exchange rate movements have beneficial financial impact to the Group.

### **Shareholding structure**

In the period under review, a total of 7,520,000 share options granted was exercised. Also in the period, the Group did not repurchase any share of the Group from open market.

As of 30 June 2009, the Group had a total number of 3,220,815,090 shares in issue (31 December 2008: 3,213,295,090 shares).

### **Staff headcount and remuneration**

As of 30 June 2009, the Group had a total staff number of 13,394, of which 32 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

The Group's staff remuneration is based on individual performance, professional qualifications, industry experience and labour market trends. The management of the Group reviews regularly its compensation policies and the performance of its employees.

Staff compensation includes salaries, allowances, medical insurance and mandatory retirement benefits. The Group also issues bonuses and grants share options, according to the Share Option Scheme of the Group, to employees based on individual performance as well as the Group's overall performance.

## **Business outlook**

Since the second quarter of 2009, after experiencing the unprecedented financial crisis of the century, the global economy begins to show signs of stability and recovery. Driven by the economic stimulating policies, the macro-economy in China has also shown signs of recovery. However, we believe that the recovery towards full economic growth will still takes time as the foundation of real economic recovery is still unstable.

Driven by the stimulating measures in property sector, amicable monetary policy and the bursting out of the suppressed strong demand, the property sector in China started to rebound in late 2008. Investment demand started to pick up gradually in the second quarter. Property sales in China have shown signs of recovery in volume and pricing, which is particularly significant in the first line cities. With real economic environment still unstable, entwined with sufficient market liquidity and strong expectation in inflation, adjustment of property sector in China remains possible but we do not expect any drastic adverse change in policy in the short-run. With the continuing optimistic outlook of the macro-economy in China, stable increase in resident income, speedy development of urbanization in all provinces, the Group still remains optimistic in the medium and long term development of China property sector.

It is without any doubt that the aforesaid recovery growth is partly the result from the unexpected amicable monetary policy, which has also led to the speedy surge in property price in certain core cities including Shenzhen. Recently, there is a drop in transaction volume in major cities. According to the statistics, the drop in transaction volume is affected by the temporary shortage in supply and was also due the over-increase of property price that deterred the strong demand as well as the policy of tightening up the second housing mortgage that impeded the investment demand. We believe the aforesaid short-term adjustment will be beneficial to the healthy development of the property sector.

The Group expects the transaction volume of the property market in China will become more stable in the second half of 2009 with moderate price increase. With the gradual increase in land supply by the government, property developers will continue to commence and complete the construction of new property projects, whereby the supply and demand of property market shall be balanced in 2010. We hope and believe that the property sector in China will remain stable and maintains a healthy growth in the long run.

The Group plans to endeavor more efforts in property sales in the second half of 2009, these properties are mainly medium to high end residential and office premises, including Red Pine Mansion, Purple Kylin, Royal Spring Villas and Nanhu Rose Bay Phase II. According to the research on potential buyers for the above ready-to-sell projects, the response is very encouraging. The Group has already adjusted our annual sales target from RMB3.8 billion to RMB4.5 billion. The Company is full of confidence in achieving this target.

To maintain our stable development, the Group shall continue to expand its land reserves through various means. At the date of this announcement, the attributable land reserves of the Group (in gross floor area) is 10.55 million square meters, of which no land was being acquired in the first half year. Currently, the financial position of the Group is healthy with sufficient cash flow and our gearing ratio is at reasonable level. The Group will fully leverage our major shareholder's government background in pursuing opportunities aggressively and to increase our land reserves in core cities, particularly in the Pearl River Delta region. We also have plans to restructure our existing land sites in Shenzhen as well as our investment property resources, with the purpose of maintaining our leading market position in Shenzhen and major cities of Pearl River Delta.

Pearl River Delta, particularly Shenzhen, is the only region that has just gone through and experienced the complete adjustment process in property sector. This region is economically prosperous with strong purchasing and spending powers. As a leading regional domestic developer, we have full confidence in the future prospect of the property sector in that region.

The Group will continue to enhance our operation capabilities and to improve product structure using the market-oriented approach. We shall strengthen our cost control measures, focus on brand name establishment, fully leverage on development of the brand value of “Shum Yip Property” for enhancing the overall image of the Group. The Group will continue to co-operate with our major shareholder and will strive to explore the valuable resources within the regions in Shenzhen and Pearl River Delta, thus creating greater value for our shareholders.

## **INTERIM DIVIDEND**

The board of directors of the Company have resolved to declare an interim dividend of HK5.00 cents per share for the six months ended 30 June 2009 (2008: HK3.00 cents). The total amount of the dividend will be HK\$161,040,755 (2008: HK\$96,398,853). The dividend will be payable on Monday, 12 October 2009 to shareholders whose names appear on the Register of Members on Monday, 28 September 2009.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 28 September 2009, to Friday, 2 October 2009 (both dates inclusive), during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all completed transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Friday, 25 September 2009.

## **CORPORATE GOVERNANCE**

The Company has adopted all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (“Code”) as its own code on corporate governance practices. During the six months ended 30 June 2009, the Company has complied with the code provisions set out in the Code and there have been no material deviations from the Code.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael. 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 2009.

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.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

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

## **APPRECIATION**

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

By Order of the Board  
**ZHANG Yijun**  
*Chief Executive Officer*

Hong Kong, 9 September 2009

*As at the date of this announcement, the Board comprises 8 directors, of which Mr. HU Aimin, Mr. ZHANG Yijun, Mr. ZHAO Gesheng and Mr. LIU Weijin are the executive directors of the Company, Dr. WU Jiesi is the non-executive director of the Company and Mr. WONG Po Yan, Mr. LI Wai Keung and Mr. WU Wai Chung, Michael are the independent non-executive directors of the Company.*