



SHIMAO PROPERTY HOLDINGS LIMITED

世茂房地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 813



2007
Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Hui Wing Mau (*Chairman*)
Hui Sai Tan, Jason
Ip Wai Shing
Tang Ping Fai
Yao Li

Independent Non-executive Directors

Kan Lai Kuen, Alice
Lu Hong Bing
Gu Yunchang
Lam Ching Kam

AUDIT COMMITTEE

Kan Lai Kuen, Alice (*Committee Chairman*)
Lu Hong Bing
Gu Yunchang
Lam Ching Kam

REMUNERATION COMMITTEE

Hui Wing Mau (*Committee Chairman*)
Kan Lai Kuen, Alice
Lu Hong Bing
Gu Yunchang
Lam Ching Kam

NOMINATION COMMITTEE

Hui Wing Mau (*Committee Chairman*)
Kan Lai Kuen, Alice
Lu Hong Bing
Gu Yunchang
Lam Ching Kam

CHIEF FINANCIAL OFFICER

Hui Wai Man, Lawrence

COMPANY SECRETARY

Lam Yee Mei, Katherine

QUALIFIED ACCOUNTANT

Ng Yu Yuet

AUDITORS

PricewaterhouseCoopers

COMPLIANCE ADVISOR

Platinum Securities Company Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited
Sumitomo Mitsui Banking Corporation
First Commercial Bank

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 813

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Chairman's Statement

On behalf of the Board of Directors (the "Board") of Shimao Property Holdings Limited ("Shimao Property" or the "Company"), I am pleased to report the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007.

Review

During the period under review, total revenues of the Group was RMB2.42 billion, representing an increase of 10.54% compared with the corresponding period last year. Net profit attributable to shareholders increased by 196.13% to RMB2.08 billion from RMB700 million in 2006. Earnings per share was RMB0.666, a 115.53% rise from RMB0.309 in the same period last year.

To show gratitude to our shareholders for their constant support, the Board has declared the payment of an interim dividend of HK15 cents per share (1H 2006: Nil) for the six months ended 30 June 2007.

In the first half of 2007, the central government unveiled a series of new land and housing policies in a bid to maintain the healthy and steady growth of the property sector. The new policies pose even more challenges to the smaller property developers. As a property developer specialising in large scale projects in China, the Group always adheres to the principle of being an "urban operator". During the period under review, we continued to maintain high growth. In April 2007, the Group was ranked number one on the Top 10 List of the Integrated Strength of Foreign-invested Real Estate Developers in China 2007. The list was compiled by the Corporate Research Institute of the Development and Research Center under the State Council, the Real Estate Research Institute of Tsinghua University and the China Index Institute. The Institutes assessed the candidates' integrated strength taking into account four indicators namely total assets, total market capitalisation, revenues and total profits. Therefore, being named the number one means Shimao Property's strength has been widely recognised.

The Group also strives to strengthen its financial basis and refine its management and capital structures. During the review period, we successfully raised approximately HK\$3.856 billion through issuing new shares in the equity market for financing our daily operation. In June 2007, the Group announced the proposal to inject into Shanghai Shimao Company Limited ("A Share Company"; Shanghai Stock Exchange stock code: 600823) and Shanghai Shimao Enterprises Development Company Limited ("Shimao Enterprise"; not a listed company) commercial projects and cash respectively, in exchange for the controlling stake in A Share Company. Following the transaction, A Share Company will become a subsidiary of the Group, specialising in developing and operating retail and commercial projects while the Group will focus on its residential and hotel properties. The management believes that an independent and professional commercial property company is in a better position to focus on developing commercial property business. Besides, through A Share Company, the Group can directly get involved in the mainland's stock and bond markets so as to raise sufficient funds for the professional and sustainable development of commercial properties. Discussions with A Share Company are continuing. Further announcements will be made to update shareholders and public investors as and when appropriate.

The Group places great emphasis on long term returns. One of its key strategies has always been increasing the proportion of investment and hotel properties. During the review period, Phase 2 of Shimao International Plaza in Shanghai was formally opened. There was also the soft launch of the prestigious Hyatt on the Bund in Shanghai. The two projects, alongside other properties that the Group has invested, have helped to boost the weighting of investment and hotel properties and established a solid foundation for generating ideal and steady returns for the Group. Meanwhile, the Group lowered the market risk through a short-and-long-term dual focused investment strategy.

Chairman's Statement

As a responsible enterprise, the Group strives not only to develop its business but also give back to society and our motherland. During the period under review, the Group spared no efforts in taking part in charity events. In addition, it joined forces with other organisations to host the music laser show – a fireworks display and “A Symphony of Lights”, from 1 to 8 July to celebrate the 10th anniversary of the Hong Kong handover. Hong Kong people and our compatriots in the mainland were able to enjoy the show broadcast live on TV.

Outlook

Looking ahead, we will continue to optimise our corporate and capital structures, with a view to generating higher returns for our shareholders and demonstrating our leadership status in China's property market. Meanwhile, apart from successfully soliciting the award of “Preferred customers” status from China Construction Bank, Industrial Bank of China and Agricultural Bank of China, in order to further enhance the Group's financial strength, we have signed an agreement with a group of banks and secured a syndicated loan of US\$328 million with competitive terms. As a result of the wider access to financial channels, we are even more confident in controlling the Group's funding channel and financial cost.

China's rapid economic growth, coupled with the rising demand for housing, and commercial and tourism services, will generate more business opportunities for the Group. Under the favourable market condition, the Group will enhance its customer services, strengthen its brand identity and create differentiation, so as to enhance our customers' loyalty to “Shimao” as a brand.

In addition, the Group will continue to look for sites with great development potential in the second half of the year, with a view to solidifying its leading position and achieving its objective of becoming a top quality property developer. We will set our eyes on regions including the Bohai Bay area, the second- and third-tier cities in Central and Western China, and other fast growing economic regions.

“Cultivating Lifestyle, Realising Urban Dreams” is the Group's motto. We will adhere to the national brand development strategy and be committed to developing more high quality, large scale residential and commercial projects, in a bid to return favour to our shareholders for their constant support.

On behalf of the Board, I would like to express my sincere gratitude to the Group's employees for their diligence, commitment and contribution. I also thank our clients, business partners and shareholders for their support, without which our remarkable achievements would not have been possible.

Hui Wing Mau
Chairman

Hong Kong, 16 August 2007

Management Discussion and Financial Analysis

Market Overview

China's economy maintained rapid growth in the first half of 2007. According to China National Bureau of Statistics, the gross domestic product of the first half of 2007 reached RMB10,676.8 billion, representing a year-on-year growth of 11.5%. In addition, retail sales of consumer goods in urban area amounted to RMB2,852.5 billion, representing a year-on-year growth of 15.9%, of which the category of housing rose by 15.2%. The income of both urban and rural population in China continued to grow rapidly, with per capita disposable income amounting to RMB7,052, representing a year-on-year growth of 17.6% (real growth of 14.2% after excluding the price factor). Furthermore, real estate development and investment in the first half of 2007 expanded to RMB988.7 billion, representing a year-on-year growth of 28.5%, and a 4.3% and 1.6% increase compared with the corresponding period last year and the first quarter of this year, respectively. Therefore, the disposable income in urban families has shown a positive influence on the real estate market.

The government continued to implement a number of measures during the period under review, with an objective of maintaining the healthy development of the real estate market. These measures include raising the benchmark rate for bank loans, imposition of value-added tax for capital gain from disposal of properties and restrictions of properties purchase by foreign buyers. Under a better-regulated market landscape, the real estate

sector will gradually fortify and proceed to integrate various industry players, allowing greater room for more competitive and reputable property developers to seek further development.

The robust growth of domestic demand was coupled with rapid expansion of the tourism sector. According to the information from China National Tourism Association, foreign visitor arrivals increased to approximately 19.33 million for the four months ended 30 April 2007, representing a year-on-year growth of 19.3%, of which tourists received by Shanghai stood at approximately 1.57 million, representing a year-on-year growth of 10.9%. In addition, as China will host more international conferences, exhibitions and trade shows in the future, the number of business travelers and tourists entering China is expected to increase continually, creating greater demand for high quality hotel accommodation.

Business Overview

For the six months ended 30 June 2007, the business development of the Group primarily consisted of three categories: residential properties, hotel properties and commercial properties. During the period under review, construction of the projects proceeded smoothly, with the total GFA of completed projects reaching 332,976 sq.m., representing an increase of 215% as compared with the corresponding period last year.

Projects completed during the first half of 2007 are as follows:

Projects	Location	Total Saleable/ Leasable GFA (sq.m.)	Group's Interest in Project
Residential			
(1) Beijing Shimao Olive Garden	Beijing	50,595	100%
(2) Wuhan Shimao Splendid River*	Wuhan	94,265	70%
(3) Nanjing Shimao Riviera New City — Phase 1	Nanjing	54,724	50%
Sub total		199,584	
Hotel			
(4) Hyatt on the Bund	Shanghai	100,972	100%
Retail			
(5) Shanghai Shimao International Plaza — Phase 2	Shanghai	32,420	100%
Total		332,976	

* 29.99% of Wuhan Project has been sold to Morgan Stanley Real Estate. The deal was completed in June 2007

Management Discussion and Financial Analysis

Residential properties

During the period under review, revenue from property sales (including attributable revenue of RMB211 million contributed by associated companies) amounted to RMB2.40 billion (1H 2006: RMB2.16 billion), rising by 11% as compared with the corresponding period last year. Total booked saleable area (including the attributable booked saleable area of 22,772 sq.m. contributed by associated companies) reached 220,219 sq.m. (1H 2006: 116,522 sq.m.), rising by 89% from the corresponding period last year.

With the steady rise in housing demand, the Group has accelerated the construction progress to cater to

the public's needs. The Group completed a total of 3 residential projects in Beijing, Wuhan and Nanjing, while completed saleable GFA reached 199,584 sq.m., compared with 105,559 sq.m. of the same period last year.

To establish a close strategic relationship, Morgan Stanley Real Estate signed an agreement to invest in Wuhan Shimao Splendid River of the Group in April 2007 and began holding a 29.99% interest of the project in June 2007. It is expected to provide synergies, leading to greater success of the project development. The sale of such interest by the Group generated a profit of RMB752 million for the period.

Sales of residential projects for the six months ended 30 June 2007 include:

Projects	Saleable GFA	Revenues (RMB' million)	Group's Interest in Project
	Booked (sq.m.)		
(1) Shanghai Shimao Riviera Garden*	8,456	294	100%
(2) Shanghai Shimao Sheshan Villas	2,704	98	100%
(3) Kunshan Shimao Butterfly Bay	19,873	173	100%
(4) Changshu Shimao The Center	13,743	167	100%
(5) Harbin Shimao Riviera New City — Phase 1	33,558	140	100%
(6) Beijing Shimao Olive Garden	45,583	746	100%
(7) Wuhan Shimao Splendid River**	73,530	570	70%
Sub total	197,447	2,188	
(8) Fuzhou Shimao Bund Garden***	2,138	47	50%
(9) Nanjing Shimao Riviera New City — Phase 1***	43,406	375	50%
Sub total	45,544	422	
Total	242,991	2,610	

* Include a RMB93 million revenue from sale of clubhouse

** 29.99% of Wuhan Project has been sold to Morgan Stanley Real Estate. The deal was completed in June 2007

*** Results of associated companies are accounted for by the Group using equity method. Therefore the sales revenue from Fuzhou Shimao Bund Garden and Nanjing Shimao Riviera New City, associated companies, has not been included in the revenues of the Group

Management Discussion and Financial Analysis

The Group expects 7 projects to be completed during the second half of 2007, with a total GFA amounting to approximately 564,000 sq.m.. As of 30 June 2007, total GFA of the saleable inventory of the Group's completed projects was about 585,000 sq.m.. Therefore, the Group's

total saleable GFA will climb to 1,149,000 sq.m. in the second half of the year.

Saleable projects for the second half of 2007 are analysed as follows:

Projects to be completed in the second half of 2007	Saleable GFA Available for Sales (‘000 sq.m.)	Group's Interest in Project
(1) Shanghai Shimao Sheshan Villas	25	100%
(2) Changshu Shimao The Center	101	100%
(3) Wuhan Shimao Splendid River	56	70%
(4) Beijing Shimao Olive Garden	121	100%
(5) Shaoxing Shimao Dear Town	150	100%
(6) Kunshan Shimao Butterfly Bay	40	100%
(7) Nanjing Shimao Riviera New City	71	50%
Sub total	564	
Inventory of projects completed before 30 June 2007	585	
Total	1,149	

Hotel properties

With a continuous increase of business travelers and tourists entering China, the Group actively expanded investment in hotel business to diversify the property portfolio and attain a stable income base in a long run for the Group.

During the period under review, revenue generated from hotel properties amounted to RMB214 million (1H 2006: RMB32 million), rising 5.7 times as compared with last year. This is mainly because Shanghai Le Méridien Sheshan contributed steady revenue during the period and Le Royal Méridien Shanghai was opened and started making contribution in the second half of 2006. The Group places great emphasis on the management quality of hotels, and has therefore commissioned two reputable hotel management groups, Starwood Group and Hyatt International Corporation, to operate the hotels. With the soft opening of Hyatt on the Bund at the end of June 2007, the number of the Group's hotel rooms as of 30 June 2007 reached 1,728, occupying the largest market share of the international premium hotels in Shanghai.

(1) *Hyatt on the Bund*

Located at the western part of the Huangpu River and at the northern end of the Bund in Shanghai, Hyatt on the Bund had a soft opening at the end of June 2007. The hotel is a twin tower structure 120 metres in height with a total GFA of approximately 100,000 sq.m.. All rooms enjoy the natural scenery of Huangpu River, urban landscape of Lujiazui Finance & Trade Zone in Pudong or glamorous view of the Bund in Puxi. It has 631 luxury rooms in different styles, of which 52 are suites. The hotel is operated and managed by the world-renowned Hyatt International Corporation. Hyatt on the Bund (“外灘茂悅”) is a member of the Grand Hyatt family and the name of the project signifies the unique premium location of the hotel and the mutually beneficial alliance between the Group and Hyatt.

(2) *Le Royal Méridien Shanghai*

Located at a premium site in Nanjing Road Pedestrian Street, Shanghai, Le Royal Méridien Shanghai contributed a revenue of RMB159 million to the Group, with an average room rate of US\$207 per

Management Discussion and Financial Analysis

night during the period. Comprised of 770 luxury rooms and supported by high quality management and delicate service, the hotel aims to provide each guest with the best accommodation experience. In May 2007, the hotel was selected in the 2007 Hot List, Hot Spas 2007 and Hot Tables 2007 by Condé Nast Traveler magazine, and it was the only Shanghai five-star hotel among the awardees. This has proved the Group's capability in developing and operating high quality hotels.

(3) *Shanghai Le Méridien Sheshan*

During the period, Shanghai Le Méridien Sheshan, another hotel the Group takes pride in, performed satisfactorily and contributed a revenue of RMB55

million, with an average room rate of US\$116 per night. In April 2007, the hotel obtained the Fourth Golden Pillow Award of China Hotels from 21st Century Business Herald to become 2007 China Best New Opening Hotel and China Best Incentive Tour Destination Hotel which honours the hotel as the best conference and award presentation venue. These awards have proved that the hotel is widely recognised.

To reflect the true value of its hotel properties, the Group appointed DTZ Debenham Tie Leung Limited to carry out an independent valuation as at 30 June 2007. A comparison of the valuation report with the net book value is as follows:

	Appraised value (RMB'million)	Net book value (RMB'million)	Difference (%)	Depreciation/ amortization provided during the period (RMB'million)
Completed hotels				
Shanghai Le Méridien Sheshan	1,200	687	75%	17.4
Le Royal Méridien Shanghai	5,430	2,895	87%	56.2
Hyatt on the Bund	5,320	1,380	286%	—
Total	11,950	4,962	141%	73.6

More information on the increase from carrying value to fair market value of the three completed hotels and their impact on the Group's net assets value and total assets value are set out in financial analysis.

Commercial properties

The development of commercial properties is also one of the key business strategies of the Group. The Group is striving to sign long term tenancy agreements with reputable tenants and draw global retail brands as tenants. With the completion of Phase 2 of Shanghai Shimao International Plaza in May 2007, the Group holds a leasable area under operation of approximately 71,000 sq.m.. For the six months ended 30 June 2007, revenue from commercial properties amounted to RMB20.3 million (1H 2006: RMB15.7 million), representing an increase of

29.30% compared with the corresponding period last year. In addition, the completion of Phase 2 of the plaza enabled the Group to recognise a RMB764 million revaluation gain net of goodwill impairment and after deferred income tax.

Phase 2 of Shanghai Shimao International Plaza stands at Nanjing Road East, China's no. 1 commercial street, in Shanghai. It is managed by Shanghai Bailian Group, housing over 120 brands. Phases 1 and 2 have combined to become a landmark shopping centre in Shanghai.

In Beijing, interior decoration of Shimao Tower (formerly known as Beijing Huaping International Plaza) is underway. The office building is currently open for lease and is scheduled to be opened in the second half of this year.

Management Discussion and Financial Analysis

The portfolio and the valuation of the Group's completed commercial properties are as follows:

	Appraised value (RMB'million)	Net book value (RMB'million)
Completed commercial properties		
Shanghai Shimao International Plaza — Phase 1	2,550	2,550
Shanghai Shimao International Plaza — Phase 2	1,757	1,757
Shimao Tower	1,450	1,450
Total	5,757	5,757

Land bank reserves

The Group has secured huge land bank reserves to cope with the needs of rapid development. During the period under review, the Group acquired six land parcels in Beijing, Suzhou, Xuzhou, Hangzhou, Fuzhou and Xianyang,

with a total GFA of 4.26 million sq.m.. This, together with the Group's land bank reserves, has an aggregate GFA of approximately 20.63 million sq.m.

The development status of the Group's land bank as of 30 June 2007 is analysed as follows:

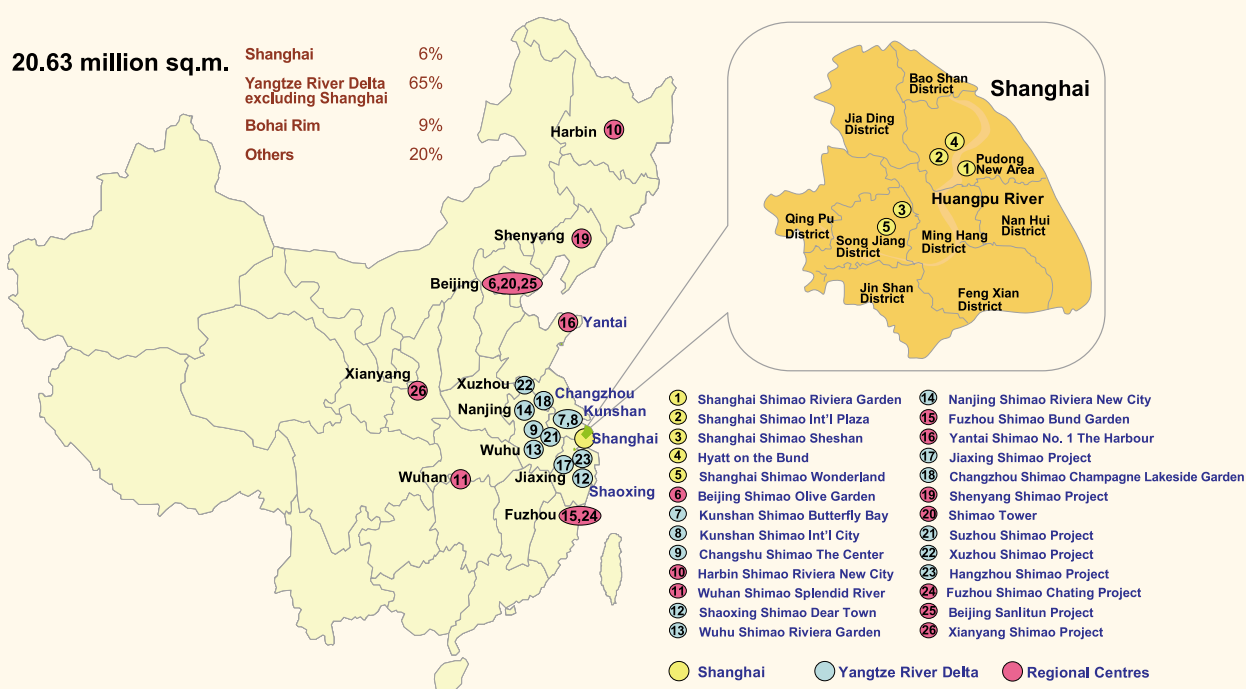
No.	Project	Location	Completed & Held for Investment/ (sq.m.)	Under Development (sq.m.)	Held for Future Development (sq.m.)	Pending Land Use Rights		Total Planned GFA (sq.m.)	Group's Interest in Project
						Planned GFA (sq.m.)	GFA for which Premium unpaid* (sq.m.)		
1	Shanghai Shimao Riviera Garden	Shanghai	6,447	166,274	43,000	39,800	39,800	255,521	100%
2	Shanghai Shimao International Plaza	Shanghai	170,935	—	—	—	—	170,935	100%
3	Shanghai Shimao Sheshan	Shanghai	84,555	43,495	—	—	—	128,050	100%
4	Hyatt on the Bund	Shanghai	100,972	—	—	—	—	100,972	100%
5	Shanghai Shimao Wonderland	Shanghai	—	—	551,000	—	—	551,000	100%
6	Beijing Shimao Olive Garden	Beijing	9,506	155,948	—	—	—	165,454	100%
7	Kunshan Shimao Butterfly Bay	Kunshan	136,284	286,882	657,960	—	—	1,081,126	100%
8	Kunshan Shimao International City	Kunshan	—	—	312,880	1,016,304	369,381	1,329,184	100%
9	Changshu Shimao The Center	Changshu	6,116	321,616	204,019	1,288,009	457,969	1,819,760	100%
10	Harbin Shimao Riviera New City	Harbin	356,516	108,651	—	949,238	876,724	1,414,405	100%
11	Wuhan Shimao Splendid River	Wuhan	20,734	81,878	—	1,639,858	1,435,453	1,742,470	70%
12	Shaoxing Shimao Dear Town	Shaoxing	—	558,540	534,270	206,890	75,195	1,299,700	100%
13	Wuhu Shimao Riviera Garden	Wuhu	—	—	298,045	310,955	78,320	609,000	100%
14	Yantai Shimao No. 1 The Harbour	Yantai	—	—	—	280,000	—	280,000	100%
15	Jiaxing Shimao Project	Jiaxing	—	—	—	1,050,000	—	1,050,000	100%
16	Changzhou Shimao Champagne Lakeside Garden	Changzhou	—	420,000	324,800	755,200	403,943	1,500,000	100%

Management Discussion and Financial Analysis

No.	Project	Location	Completed & Held for		Pending Land Use Rights		Total Planned GFA (sq.m.)	Group's Interest in Project
			Investment/ for Sales (sq.m.)	Under Development (sq.m.)	Held for Future Development (sq.m.)	Planned GFA (sq.m.)		
17	Shenyang Shimao Project	Shenyang	—	—	—	1,500,000	1,500,000	100%
18	Shimao Tower (formerly Beijing Huaping International Plaza)	Beijing	70,175	—	—	—	70,175	100%
19	Suzhou Shimao Project	Suzhou	—	—	—	1,500,000	900,000	100%
20	Xuzhou Shimao Project	Xuzhou	—	—	—	1,300,000	868,482	100%
21	Hangzhou Shimao Project	Hangzhou	—	—	—	718,840	503,188	100%
22	Fuzhou Shimao Chating Project	Fuzhou	—	—	—	400,000	226,087	100%
23	Beijing Sanlitun Project	Beijing	—	—	210,000	—	210,000	100%
24	Xianyang Shimao Project	Xianyang	—	—	—	134,841	22,850	60%
25	Nanjing Shimao Riviera New City	Nanjing	33,588	253,287	115,005	892,213	832,835	50%
26	Fuzhou Shimao Bund Garden	Fuzhou	8,014	—	—	—	8,014	50%
Total			1,003,842	2,396,571	3,250,979	13,982,148	7,090,227	20,633,540

* Updated as of 31 July 2007

Existing land bank is diversified in different regions and is sufficient for development in the coming five to six years. The distribution of the Group's land bank reserves as of 30 June 2007 is as follows:



Management Discussion and Financial Analysis

Market Outlook

In the wake of remarkable economic growth in the first half of 2007, the Group expects the momentum of development to remain substantial in the second half of the year. As one of the largest integrated real estate developers in China, the Group believes that the real estate sector would grow steadily while stable economic growth would stimulate the demand for high end commercial and residential properties thus creating huge market capacity.

Although the government will roll out various macroeconomic measures to regulate the development of the real estate sector, the Group is of the view that the implementation of such measures would enable a healthier development of the sector. In respect of this macroeconomic environment, the Group has formulated development strategies in order to fend off competition. Such strategies include increasing the proportion of investment properties and assisting the government in developing large scale integrated projects.

Economic activities in China are increasingly robust. Various large scale events would take place in the future such as the Beijing Olympics in 2008, the 60th anniversary of the National Day of China in 2009 and the World Expo in 2010. These are expected to sustain the boom of the tourism industry and benefit the mainland's hotel business.

Business Outlook

Residential properties

With the rapid economic development in China, the Group will accelerate expansion in different regions and focus on the development of large scale integrated projects. In addition to the acquisition of large land parcels in second- and third-tier cities and the identification of other development opportunities, the Group will speed up the development in the Yangtze River Delta region and the Bohai Bay area. Further, the Group plans to venture into Central and Western China and other fast growing regions which offer tremendous economic potential, while

exploring possible opportunities presented in the markets of inner cities which are largely untapped. The Group aims to achieve an average annual growth rate of over 70% in contracted sales in the coming four years.

Hotel properties

The Group realises the huge potential of hotel properties and therefore will allocate more resources for the development of hotel properties. The Group expects to own 13 hotels and 5,734 hotel rooms in 2010, and to generate substantial profits contribution through business co-operation with internationally renowned hotel operators. The Group will study the feasibility of spinning off hotel properties for listing when conditions are appropriate to refine its management structure and hasten the pace of development.

Commercial properties

While commercial properties require huge capital investment and a longer return period, they offer stable income streams in a long run and help maintain the leading market position for the Group. Therefore, the Group has adopted a progressive investment strategy in the commercial properties. It seeks to enter the A share market and broaden its funding channels through its restructuring plan. The Group aims to have a total leasable area of over 1.1 million sq.m. in commercial properties in 2010.

Conclusion

The Group aspires to become a leading national mega-scale property developer and investor. With a diversified property portfolio, huge land bank reserves, a professional management and execution team as well as good relations with international business partners and financial investors, the Group would experience rapid development in the operation of residential, hotel and commercial businesses. The Group is confident that its total net profit would maintain an average mid-double digit growth per annum in the coming four years.

Management Discussion and Financial Analysis

Subsequent Events

(a) Acquisition of Beijing Sanlitun project company

The Group continues its efforts to complete the acquisition of the 100% equity interest of Beijing Sanlitun project company at a consideration of approximately RMB1.4 billion, which is subject to downward adjustment depending on whether certain conditions as stipulated in the sales and purchase agreement dated 23 May 2007 can be

fulfilled. RMB1.3 billion has been prepaid for this transaction as at 30 June 2007. The transaction is expected to be completed in August 2007.

(b) Signing of syndicated loan

On 13 August 2007, the Group entered into an agreement with a syndicate of 20 international and local banks. Pursuant to the agreement, the Group obtained a 3-year extendible syndicated loan facility amounting to US\$328 million.

Financial Analysis

Interim Results

	1H 2007 RMB'million	1H 2006 RMB'million
Revenues	2,422.5	2,191.5
Gross profit	1,009.4	788.6
Operating profit	2,480.2	953.4
Profit attributable to shareholders for the period	2,083.7	703.6
Earnings per share — Basic (RMB)	0.666	0.309

For the six months ended 30 June 2007, the Group generated 90.31% of the revenues from the sale of

properties and 9.69% of the revenues from hotel operation and leasing of retail properties. The details of the revenues are set out as follows:

	1H 2007 RMB'million	1H 2006 RMB'million
Sales of properties	2,187.9	2,144.1
Hotel operating income	214.4	31.7
Rental income from investment properties	20.2	15.7
Total	2,422.5	2,191.5

The revenues of the Group was RMB2.423 billion (1H 2006: RMB2.192 billion), representing an increase of 10.54% over the same period of 2006. The Group's revenues were mainly attributed to the completion of Block 3 of Beijing Olive Garden and Blocks 1, 3, 4 and 5 of Wuhan Shimao Splendid River project, which respectively

contributed RMB746 million and RMB570 million in the first half of 2007. Block 2 of Nanjing project was also completed and the project booked RMB375 million as revenue of which we shared a 50% interest for the period. Hotel operating income increased as Le Royal Méridien Shanghai hotel commenced business in late September 2006.

Management Discussion and Financial Analysis

Cost of Sales

The cost of sales mainly comprised land costs, construction costs, capitalised borrowing costs, sales taxes and the

direct operating costs of hotels and retail properties. The items can be analysed as:

	1H 2007 RMB'million	1H 2006 RMB'million
Sales taxes	123.2	110.1
Land costs, construction costs and capitalised borrowing costs	1,178.1	1,270.2
Direct operating costs for hotels and retail properties	111.9	22.6
Total	1,413.2	1,402.9

Revaluation Gain on Investment Properties

For the period under review, the Group recorded a revaluation gain of RMB1.073 billion (1H 2006: RMB407 million) contributed by Phase 2 of Shanghai Shimao International Plaza, which was completed and commenced business in May 2007. The net revaluation gain after relevant deferred income tax and goodwill impairment of RMB40 million was RMB764 million.

Other Gains

Other gains of RMB853 million (1H 2006: RMB35 million) included mainly interest income, net foreign exchange gain and RMB752 million gain on disposal of 29.99% equity interest of Wuhan project to Morgan Stanley Real Estate.

Operating Profit

Operating profit amounted to RMB2.480 billion for the period ended 30 June 2007, an increase of 160.13% over the same period of 2006, due to an increase in revaluation gain on investment properties and other gains as explained in respective aforementioned paragraphs.

Share of Results of Associated Companies

Share of results of associated companies amounted to RMB43 million (1H 2006: loss of RMB3 million). The increase was contributed by Block 2 of Nanjing project which was newly completed and sold.

Finance Costs

Finance costs increased to RMB106 million (1H 2006: RMB8 million) mainly due to the interest expense incurred in relation to the US\$600 million Senior Notes issued in November 2006.

Taxation

The Group's provisions amounted to RMB299 million in which land appreciation tax (LAT) was RMB206 million (1H 2006: RMB238 million, in which LAT was RMB30 million) for the period.

LAT had been booked as cost of sales in previous periods. After reassessment of the nature of the taxes, the directors consider that it is more appropriate to treat the LAT as income tax, and therefore reclassified the tax charge from cost of sales to income tax expense.

Profit Attributable to Shareholders

Profit attributable to shareholders for the period grew by 196% from RMB704 million in 2006 to RMB2.084 billion in 2007. Profit attributable to shareholders excluding the net fair value gain on an investment property of RMB764 million (net of deferred income tax and relevant goodwill impairment) was RMB1.32 billion, as compared with RMB431 million in the corresponding period last year.

Management Discussion and Financial Analysis

Liquidity, Financial Resources and Bank Loans

As of 30 June 2007, total assets of the Group were RMB33.747 billion, of which current assets reached RMB14.923 billion. Total liabilities were RMB16.560 billion, whereas non-current liabilities were RMB8.771 billion. Equity attributable to the shareholders of the Company amounted to RMB16.894 billion. Completed hotel properties are stated at cost less accumulated depreciation and provision for impairment loss. In order to provide shareholders of the Company with more information on the increase from carrying value to their fair market value of the three completed hotels, namely Hyatt on the Bund, Le Royal Méridien Shanghai and Shanghai Le Méridien Sheshan, and their impact on the Group's net assets value and total assets value, the Directors have appointed DTZ Debenham Tie Leung, an independent professional qualified valuer, to assess the fair market value of the three completed hotels as at 30 June 2007. If the three completed hotels were stated at fair market value instead, the Group's net assets value attributable to shareholders of the Company and total assets value would increase RMB5,110 million and RMB6,857 million respectively.

During the period under review, we successfully completed a private placement in the capital market and raised a net proceed of HK\$3.86 billion in May 2007. As at the end of June 2007, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB4.559 billion (31 December 2006: RMB6.023 billion), total bank loans amounted to approximately RMB4.936 billion (31 December 2006: RMB3.550 billion) and Senior Notes of approximately RMB4.465 billion (31 December 2006: RMB4.573 billion). Total net debts were RMB4.842 billion (31 December 2006: RMB2.100 billion). Net gearing ratio increased from 18.2% to 28.2%. We completed a syndicated bank loan on 13 August 2007 amounting to US\$328 million at an interest rate of LIBOR plus 110 basis points.

	Net assets value RMB'million	Total assets value RMB'million
Carrying value as at 30 June 2007 per management accounts	17,186	33,747
Excess of fair market value of completed hotels over their carrying value	6,988	6,988
Less: Deferred income tax	(1,747)	—
Less: Goodwill impairment	(131)	(131)
Amount after incorporating the fair market value of completed hotels	22,296	40,604

Management Discussion and Financial Analysis

The maturity of the borrowings of the Group as at 30 June 2007 is set out as follows:

	RMB'million
Bank borrowings:	
Within 1 year	1,795
Between 1 and 2 years	670
Between 2 and 5 years	1,802
Over 5 years	669
Senior notes	
Between 2 and 5 years	1,860
Over 5 years	2,605
	<hr/>
	9,401

The borrowings were denominated in different currencies set out below:

	million
US\$	640
HK\$	329
RMB	4,310

Pledge of Assets

As of 30 June 2007, the Group had pledged property, plant and equipment, land use rights, properties under development, completed properties for sale, investment properties and cash and cash equivalents with a total carrying amount of approximately RMB14.536 billion to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB4.472 billion.

Contingent Liabilities

As of 30 June 2007, the Group had provided guarantees for approximately RMB1.185 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties.

Capital Commitments

As of 30 June 2007, the Group has contracted capital and property development expenditure but not provided for amounted to RMB9.760 billion.

Employees and Remuneration Policy

As of 30 June 2007, the Group employed a total of 3,291 employees. Total remuneration for the period amounted to RMB172 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. Share option schemes were adopted to attract and retain talents to contribute to the Group. In relation to staff training, the Group also provides different types of programmes for its staff to improve their skills and develop their respective expertise.

Corporate Governance and Other Information

DISCLOSURE OF INTERESTS IN SECURITIES

Directors' and chief executive's interests and short positions in the share capital of the Company and the associated corporations

As at 30 June 2007, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long positions in the shares of the Company

Name of director	Capacity	Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Hui Wing Mau	—	(Note)	1,914,115,500	58.08%

Note: These 1,914,115,500 shares represent the interest in the Company held by Gemfair Investments Limited, a company which is directly wholly-owned by Mr. Hui Wing Mau.

(2) Long positions in the underlying shares of the Company

Share options were granted to Mr. Hui Sai Tan, Jason, Mr. Ip Wai Shing, Mr. Tang Ping Fai and Ms. Yao Li pursuant to the pre-IPO share option scheme. Details in relation to the share options were stated in the section under the heading "Information on Share Options".

(3) Long positions in the shares of associated corporation — Shimao International Holdings Limited

Name of director	Capacity	Personal Interests	Corporate Interests	Other Interests	Total number of ordinary shares held
Mr. Hui Wing Mau	—	—	185,185,185 (Note 1)	618,571,397 (Note 2)	803,756,582
Mr. Hui Sai Tan, Jason	—	—	—	618,571,397 (Note 2)	618,571,397
Mr. Ip Wai Shing	Beneficial owner	528,000	—	—	528,000
Mr. Tang Ping Fai	Beneficial owner	30,000	—	—	30,000

Corporate Governance and Other Information

Notes:

- (1) These 185,185,185 shares are shares of Shimao International Holdings Limited (“Shimao International”) issuable to Dynamic Keen Developments Limited (“Dynamic Keen”) upon conversion of all the convertible note issued to Dynamic Keen. Since the entire issued share capital of Dynamic Keen is owned by Mr. Hui Wing Mau, Mr. Hui Wing Mau is taken to be interested in these 185,185,185 shares of Shimao International under the SFO.
- (2) These 618,571,397 shares in Shimao International represent the interest in Shimao International which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of The W.M. Hui Unit Trust, all the units of which are held by Trident Trust Company (B.V.I.) Limited (formerly known as Trident Corporate Services (B.V.I.) Limited) as trustee of The W.M. Hui Family Trust established by Mr. Hui Wing Mau for the benefit of his wife and children. Mr. Hui Sai Tan, Jason is the son of Mr. Hui Wing Mau and accordingly, Mr. Hui Wing Mau and Mr. Hui Sai Tan, Jason are deemed to be interested in the interest by virtue of the SFO.

Save as disclosed above, no other interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) were recorded in the Register.

INFORMATION ON SHARE OPTIONS

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”) on 9 June 2006.

(1) Pre-IPO Share Option Scheme

- (a) Movement of share options (“Pre-IPO Option”) granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2007 was as follows:

Name	Date of grant	Exercise price per share	As at 1 January 2007	Number of share options			As at 30 June 2007
				Granted	Exercised	Lapsed	
Directors							
Mr. Hui Sai Tan, Jason	9 June 2006	HK\$5.625	2,640,000	—	792,000	—	1,848,000
Mr. Ip Wai Shing	9 June 2006	HK\$5.625	2,560,000	—	480,000	—	2,080,000
Mr. Tang Ping Fai	9 June 2006	HK\$5.625	2,640,000	—	392,000	—	2,248,000
Ms. Yao Li	9 June 2006	HK\$5.625	2,640,000	—	792,000	—	1,848,000
			10,480,000	—	2,456,000	—	8,024,000
Senior Management, Officers and Employees of the Group							
	9 June 2006	HK\$5.625	53,440,000	—	9,768,950	5,152,800	38,518,250
			63,920,000	—	12,224,950	5,152,800	46,542,250

Corporate Governance and Other Information

- (b) The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal stake in the Company and help motivate the participants to optimize their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of the Group.
- (c) Pursuant to the shareholders' resolution passed on 9 June 2006 for approval of the Pre-IPO Share Option Scheme, options for a total of 63,920,000 ordinary shares of the Company have been granted to directors and selected employees.
- (d) Each option has a 6-year exercise period with 30% vesting on 31 March 2007, another 30% vesting on 31 March 2008 and the remaining 40% vesting on 31 March 2009.
- (e) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (f) Performance targets have been imposed as conditions for the grant under the Pre-IPO Share Option Scheme.
- (g) Upon listing of the Company on 5 July 2006, the Pre-IPO Share Option Scheme was terminated but the options granted but not yet exercised shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.
- (h) Save as disclosed above, no options were granted, cancelled or lapsed under the Pre-IPO Share Option Scheme as at 30 June 2007.

Other details of the Pre-IPO Option Scheme are set out in note 15 to the Condensed Consolidated Interim Financial Statement.

(2) Share Option Scheme

- (a) The purpose of the Share Option Scheme is to provide the participants the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.
- (b) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.
- (c) The total number of shares which may be issued upon exercise of all options (the "Share Options") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.
- (d) The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue and any further grant of Share Options which would result in the number of shares of the Company issued as aforesaid exceeding the said 1% limit must be approved by the shareholders of the Company.

Corporate Governance and Other Information

- (e) The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the Share Options expire no later than 10 years from the relevant date of grant.
- (f) The exercise price of the Share Options shall be no less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.
- (g) The amount payable by a grantee on acceptance of a grant of Share Options is HK1.00.
- (h) The Share Option Scheme will expire on 8 June 2016.
- (i) No options were granted, cancelled or lapsed under the Share Option Scheme as at 30 June 2007.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the interests and short positions of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long/short position in the shares of the Company

Name	Nature of interests	Number of ordinary shares held	Appropriate percentage of issued share capital
Long positions			
Gemfair Investments Limited ("Gemfair")	(Note 1)	1,914,115,500	58.08%
Overseas Investment Group International Limited ("Overseas Investment")	(Note 2)	1,914,115,500	58.08%
Morgan Stanley		190,438,461	5.78%
Short positions			
Morgan Stanley		9,881,023	0.30%

Notes:

- (1) The interests disclosed represents the interests in the Company which is held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- (2) The interests disclosed represents the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his associates (directly or indirectly) hold not less than a 30% interest in the Company. Overseas Investments is the trustee of W.M. Hui Unit Trust, all the units of which are held by W.M. Hui Family Trust of which Mr. Hui Wing Mau and his immediate family are discretionary objects.

Save as disclosed above, no other interest or short positions in the shares and underlying shares of the Company were recorded in the Register.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance which it believes is crucial to the development of the Group and safeguard the interests of the shareholders of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the directors of the Company. All directors confirmed they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

Audit Committee

The Company has established an Audit Committee on 9 June 2006 with written terms of reference pursuant to the rules set out in Chapter 3 of the Listing Rules. The Audit Committee consists of four members, namely Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam. All of them are Independent Non-executive Directors. The chairman of the Audit Committee is Ms. Kan Lai Kuen, Alice.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the Directors.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2007 have been reviewed by the Audit Committee and the auditors of the Company.

Remuneration Committee

The Company has established a Remuneration Committee on 9 June 2006 with written terms of reference. The Remuneration Committee consists of five members, comprising Mr. Hui Wing Mau and the Company's four Independent Non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam. The chairman of the Remuneration Committee is Mr. Hui Wing Mau.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of the Directors and senior management and evaluate, make recommendations on the Company's share option schemes, retirement scheme and the performance assessment system and bonus and commission policies.

Nomination Committee

The Company has established a Nomination Committee on 9 June 2006 with written terms of reference. The Nomination Committee consists of five members, comprising Mr. Hui Wing Mau and the Company's four Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Wing Mau.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board.

Corporate Governance and Other Information

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2007 except for the deviation from provision A.2.1., which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Hui Wing Mau is the Chairman of the Company and founder of the Group. With Mr. Hui's extensive experience in property development and investment, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. The Board currently comprises five Executive Directors and four Independent Non-executive Directors and therefore has a strong independence element in its composition.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has today declared an interim dividend for 2007 of HK15 cents per share. The dividend will be payable on 20 September 2007, to shareholders whose names appear in the Company's Register of Members on 12 September 2007.

The Register of Members of the Company will be closed from Monday, 10 September 2007 to Wednesday, 12 September 2007, both days inclusive for the purpose of ascertaining entitlement to the interim dividend. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 7 September 2007.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 16 August 2007

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,347,681	4,609,870
Investment properties	6	5,757,000	4,000,000
Land use rights	6	1,420,979	1,349,192
Intangible assets	6	426,636	475,023
Associated companies	9	196,472	311,247
Jointly controlled entity	10	2,487	487
Deferred income tax assets	18	139,432	123,725
Other non-current assets	7	6,532,502	3,013,981
		18,823,189	13,883,525
Current assets			
Land use rights under development	6	4,758,593	3,007,728
Properties under development	8	2,471,212	2,384,511
Completed properties held for sale	8	1,807,870	1,785,438
Trade and other receivables and prepayments	11	686,863	576,468
Prepaid income taxes		76,318	34,766
Amounts due from related companies	12	58,402	601
Amounts due from minority interests	13	505,456	—
Restricted cash	14	345,385	73,501
Cash and cash equivalents	14	4,213,305	5,949,589
		14,923,404	13,812,602
Total assets		33,746,593	27,696,127
OWNERS' EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	15	340,230	317,521
Reserves	16		
— Declared/proposed dividend		481,661	615,859
— Others		16,072,471	10,594,989
		16,894,362	11,528,369
Minority interests		292,014	—
Total equity		17,186,376	11,528,369

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	17	7,606,047	6,470,680
Deferred income tax liabilities	18	1,164,930	1,216,802
		8,770,977	7,687,482
Current liabilities			
Trade and other payables	19	2,885,770	3,800,392
Advanced proceeds received from customers		1,262,243	1,065,310
Amount due to a related company	20	—	249,850
Income tax payable		1,846,368	1,712,415
Borrowings	17	1,794,859	1,652,309
		7,789,240	8,480,276
Total liabilities		16,560,217	16,167,758
Total equity and liabilities		33,746,593	27,696,127
Net current assets		7,134,164	5,332,326
Total assets less current liabilities		25,957,353	19,215,851

Condensed Consolidated Income Statement

For the six months ended 30 June 2007 (Unaudited)

	Note	Six months ended 30 June	
		2007 RMB'000	2006 RMB'000
Revenues	5	2,422,546	2,191,468
Cost of sales	22	(1,413,194)	(1,402,878)
Gross profit		1,009,352	788,590
Fair value gains on investment properties		1,072,658	407,000
Other gains	21	852,993	35,313
Selling and marketing costs	22	(56,502)	(66,544)
Administrative expenses	22	(335,075)	(139,087)
Other operating expenses	22	(63,231)	(71,835)
Operating profit		2,480,195	953,437
Finance costs	23	(106,095)	(8,272)
Share of results of:			
— Associated companies	9	43,175	(3,260)
— Jointly controlled entity	10	—	(12)
Profit before income tax		2,417,275	941,893
Income tax expense	24	(298,836)	(238,281)
Profit for the period		2,118,439	703,612
Attributable to:			
Equity holders of the Company		2,083,661	703,612
Minority interests		34,778	—
		2,118,439	703,612
Dividends	25	481,661	—
Earnings per share for profit attributable to the equity holders of the Company			
— basic (RMB cents)	26	66.6	30.9
— diluted (RMB cents)	26	65.9	30.9

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007 (Unaudited)

	Note	Attributable to the equity holders of the Company		Minority interests RMB'000	Total RMB'000
		Share capital RMB'000	Reserves RMB'000 (Note16)		
Balance at 1 January 2007		317,521	11,210,848	—	11,528,369
Issue of shares for placement	15(vi)	21,506	3,775,339	—	3,796,845
Minority interests arising on disposal of interest in a subsidiary	13(i)	—	—	248,470	248,470
Acquisition of a subsidiary		—	—	8,766	8,766
Employee share option scheme					
— value of employee services		—	23,948	—	23,948
— proceeds from shares issued		1,203	66,491	—	67,694
Profit for the period		—	2,083,661	34,778	2,118,439
2006 final dividend	25	—	(606,155)	—	(606,155)
Balance at 30 June 2007		340,230	16,554,132	292,014	17,186,376
Balance at 1 January 2006					
— Issue of shares for the Reorganisation	15(ii)	185,787	(185,787)	—	—
— Others		—	2,510,218	—	2,510,218
		185,787	2,324,431	—	2,510,218
Issue of shares for settlement of debts	15(iii)	22,093	892,578	—	914,671
Issue of shares to financial investors	15(iv)	39,429	1,592,922	—	1,632,351
Share issuing expenses		—	(4,062)	—	(4,062)
Employee share option scheme					
— value of employee services		—	3,610	—	3,610
Profit for the period		—	703,612	—	703,612
Balance at 30 June 2006		247,309	5,513,091	—	5,760,400
Issue of shares in connection with the listing	15(v)	70,212	4,318,027	—	4,388,239
Share issuing expenses		—	(229,817)	—	(229,817)
Employee share option scheme					
— value of employee services		—	34,409	—	34,409
Profit for the period		—	1,575,138	—	1,575,138
Balance at 31 December 2006		317,521	11,210,848	—	11,528,369

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007 (Unaudited)

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Net cash outflow from operating activities	(1,542,134)	(399,097)
Net cash outflow from investing activities	(4,534,746)	(1,069,548)
Net cash inflow from financing activities	4,408,238	1,971,688
(Decrease)/increase in cash and cash equivalents	(1,668,642)	503,043
Cash and cash equivalents at 1 January	5,949,589	704,680
Effect of foreign exchange rate changes	(67,642)	—
Cash and cash equivalents at 30 June	4,213,305	1,207,723

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

1 General information and basis of preparation

Shimao Property Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 1-1111 Cayman Islands. The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the “Group”) are property development, property investment and hotel operation in the People’s Republic of China (the “PRC”).

The Group had undertaken a reorganisation (the “Reorganisation”) for the purpose of its listing. Pursuant to the Reorganisation, which was completed on 26 January 2006, the Company acquired the entire equity interests in Shimao Property Holdings (BVI) Limited (“SPHL(BVI)”) by issuing shares to their common shareholder, Gemfair Investments Limited (“Gemfair”), and became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 22 June 2006.

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited on 5 July 2006.

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 are prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value, and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2006.

These condensed consolidated interim financial statements were approved by the Company’s Board of Directors on 16 August 2007.

2 Accounting policies

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used for and described in the annual consolidated financial statements for the year ended 31 December 2006.

In 2007, the Group adopted the following new standard, amendment and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”), which are effective for financial year ending 31 December 2007 and are relevant to the Group’s operations.

- HKFRS 7 “Financial Instruments: Disclosures”, and a complementary amendment to HKAS 1 “Presentation of Financial Statements — Capital Disclosures”
- HK (IFRIC) — Int 8 “Scope of HKFRS 2”
- HK (IFRIC) — Int 9 “Reassessment of Embedded Derivatives”
- HK (IFRIC) — Int 10 “Interim Reporting and Impairment”

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

2 Accounting policies (continued)

The Group has assessed the impact of the adoption of the above new standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures relating to sensitivity analysis to market risk and the capital disclosures to be made in the annual consolidated financial statements.

Except for HK (IFRIC) — Int 11 "HKFRS 2 — Group and Treasury Share Transactions" which the Group early adopted in 2006, the Group has not early adopted any other new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but not yet effective for the financial year ending 31 December 2007.

3 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2006.

4 Critical accounting estimates and judgements

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2006.

5 Revenues and segment information

The Group is principally engaged in property development, property investment and hotel operation. The property and hotel projects undertaken by the Group are all located in the PRC. As majority of the Group's consolidated revenues and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, no geographical segment information is presented.

(a) Revenues

Turnover of the Group consists of the following revenues recognised during the period:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Sale of properties	2,187,908	2,144,120
Hotel operating income	214,371	31,640
Rental income from investment properties	20,267	15,708
	2,422,546	2,191,468

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

5 Revenues and segment information (continued)

(b) Segment information

Primary reporting format — business segment

The segment results for the six months ended 30 June 2007 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenues	2,187,908	214,371	20,267	—	2,422,546
Segment results	1,513,916	(29,635)	1,045,477	(49,563)	2,480,195
Finance costs	(13,796)	(7,827)	(36,241)	(48,231)	(106,095)
Share of results of — Associated companies	43,175	—	—	—	43,175
Profit/(loss) before income tax	1,543,295	(37,462)	1,009,236	(97,794)	2,417,275
Income tax expense					(298,836)
Profit for the period					2,118,439
Other segment items are as follows:					
Capital and property development expenditure	5,069,404	1,182,233	581,410	—	6,833,047
Depreciation	4,963	58,705	53	1,117	64,838
Amortisation of land use rights as expenses	3,188	14,222	—	—	17,410
Fair value gains on an investment property	—	—	1,072,658	—	1,072,658
Impairment of goodwill	12,912	—	40,149	—	53,061

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

5 Revenues and segment information (continued)

(b) Segment information (continued)

Primary reporting format — business segment (continued)

The segment results for the six months ended 30 June 2006 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenues	2,144,120	31,640	15,708	—	2,191,468
Segment results	592,734	(16,768)	416,550	(39,079)	953,437
Finance costs	(3,788)	(243)	(4)	(4,237)	(8,272)
Share of results of					
— Associated companies	(3,260)	—	—	—	(3,260)
— Jointly controlled entity	—	—	—	(12)	(12)
Profit/(loss) before income tax	585,686	(17,011)	416,546	(43,328)	941,893
Income tax expense					(238,281)
Profit for the period					703,612
Other segment items are as follows:					
Capital and property development expenditure	2,025,086	358,045	47,734	1,790	2,432,655
Depreciation	3,770	14,189	167	675	18,801
Amortisation of land use rights as expenses	692	536	—	—	1,228
Fair value gains on an investment property	—	—	407,000	—	407,000
Impairment of goodwill	62,000	—	—	—	62,000

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

5 Revenues and segment information (continued)

(b) Segment information (continued)

Primary reporting format — business segment (continued)

The segment assets and liabilities as at 30 June 2007 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	17,337,345	6,116,795	6,606,063	3,347,999	33,408,202
Associated companies	196,472	—	—	—	196,472
Jointly controlled entity	—	—	—	2,487	2,487
	17,533,817	6,116,795	6,606,063	3,350,486	33,607,161
Deferred income tax assets					139,432
Total assets					33,746,593
Segment liabilities	7,468,163	1,856,051	865,748	86,604	10,276,566
Corporate borrowings	—	—	—	5,118,721	5,118,721
	7,468,163	1,856,051	865,748	5,205,325	15,395,287
Deferred income tax liabilities					1,164,930
Total liabilities					16,560,217

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

5 Revenues and segment information (continued)

(b) Segment information (continued)

Primary reporting format — business segment (continued)

The segment assets and liabilities as at 31 December 2006 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	12,655,792	5,247,972	4,693,359	4,663,545	27,260,668
Associated companies	311,247	—	—	—	311,247
Jointly controlled entity	—	—	—	487	487
	<u>12,967,039</u>	<u>5,247,972</u>	<u>4,693,359</u>	<u>4,664,032</u>	<u>27,572,402</u>
Deferred income tax assets					<u>123,725</u>
Total assets					<u>27,696,127</u>
Segment liabilities	7,272,014	1,842,531	769,759	83,657	9,967,961
Corporate borrowings	—	—	—	4,982,995	4,982,995
	<u>7,272,014</u>	<u>1,842,531</u>	<u>769,759</u>	<u>5,066,652</u>	<u>14,950,956</u>
Deferred income tax liabilities					<u>1,216,802</u>
Total liabilities					<u>16,167,758</u>

Unallocated costs mainly represent corporate expenses.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries or minority interests relating to respective segments. They exclude deferred income tax assets.

Segment liabilities comprise operating liabilities. They exclude corporate borrowings and deferred income tax liabilities.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

6 Capital expenditure

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2007	4,609,870	4,356,920	4,000,000	475,023	13,441,813
Acquisition of a subsidiary	190	—	—	4,674	4,864
Additions	485,642	2,093,748	—	—	2,579,390
Land use rights amortisation capitalised to property, plant and equipment	1,648	(1,648)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(35,359)	—	—	(35,359)
Transfer to investment properties	(684,342)	—	684,342	—	—
Transfer to cost of sales	—	(216,679)	—	—	(216,679)
Fair value gains	—	—	1,072,658	—	1,072,658
Impairment	—	—	—	(53,061)	(53,061)
Depreciation/amortisation charged to the income statement	(64,838)	(17,410)	—	—	(82,248)
Disposals	(489)	—	—	—	(489)
Closing net book amount as at 30 June 2007	4,347,681	6,179,572	5,757,000	426,636	16,710,889
Representing:					
Non-current		1,420,979			
Current		4,758,593			
		<u>6,179,572</u>			

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

6 Capital expenditure (continued)

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2006	3,254,452	3,996,532	1,883,000	607,291	9,741,275
Additions	688,885	538,889	—	—	1,227,774
Land use rights amortisation capitalised to property, plant and equipment	18,517	(18,517)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(20,313)	—	—	(20,313)
Transfer to cost of sales	—	(340,504)	—	—	(340,504)
Fair value gains	—	—	407,000	—	407,000
Impairment	—	—	—	(62,000)	(62,000)
Depreciation/amortisation charged to the income statement	(18,801)	(1,228)	—	—	(20,029)
Closing net book amount as at 30 June 2006	3,943,053	4,154,859	2,290,000	545,291	10,933,203
Additions	742,449	591,724	1,116,169	—	2,450,342
Land use rights amortisation capitalised to property, plant and equipment	6,460	(6,460)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(28,531)	—	—	(28,531)
Transfer to cost of sales	—	(341,562)	—	—	(341,562)
Fair value gains	—	—	593,831	—	593,831
Impairment	—	—	—	(70,268)	(70,268)
Depreciation/amortisation charged to the income statement	(53,326)	(8,176)	—	—	(61,502)
Disposals	(28,766)	(4,934)	—	—	(33,700)
Closing net book amount as at 31 December 2006	4,609,870	4,356,920	4,000,000	475,023	13,441,813
Representing:					
Non-current		1,349,192			
Current		3,007,728			
		<u>4,356,920</u>			

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

6 Capital expenditure (continued)

Except for investment properties which are carried at fair value, all the above are stated at historical cost less depreciation/amortisation and impairment losses. The investment properties were revalued on an open market value and existing use basis as at 30 June 2007 and 31 December 2006 by DTZ Debenham Tie Leung Limited, an independent professional qualified valuer.

As at 30 June 2007, the property, plant and equipment amounting to RMB3,729,234,000 (2006: RMB3,986,899,000), land use rights amounting to RMB2,832,282,000 (2006: RMB2,699,341,000) and the investment properties amounting to RMB5,757,000,000 (2006: RMB2,550,000,000) have been pledged as collateral for the Group's borrowings (Note 17).

Intangible assets comprise goodwill arising from acquisitions.

7 Other non-current assets

	30 June 2007 RMB'000	31 December 2006 RMB'000
Prepayments for land use rights (note (i))	5,175,750	3,013,981
Prepayments for acquisition of a subsidiary (note (ii))	1,300,000	—
Others	56,752	—
	6,532,502	3,013,981

Notes:

- (i) The ownership certificates of these land use rights have not been obtained.
- (ii) On 25 May 2007, the Group entered into a sales and purchase agreement with a third party to acquire 100% interest of a company established in the PRC at a consideration of RMB1,400,000,000. Up to 30 June 2007, RMB1,300,000,000 has been paid by the Group and included in other non-current assets. The principal asset of the subsidiary is a parcel of land located in Beijing.

8 Properties under development/completed properties held for sale

	30 June 2007 RMB'000	31 December 2006 RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	2,234,228	2,312,188
Interest capitalised	236,984	72,323
	2,471,212	2,384,511

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

8 Properties under development/completed properties held for sale (continued)

As at 30 June 2007, properties under development of approximately RMB1,202,493,000 (2006: RMB1,328,094,000) have been pledged as collateral for the Group's borrowings (Note 17).

As at 30 June 2007, completed properties held for sale of approximately RMB771,045,000 (2006: RMB930,340,000) have also been pledged as collateral for the Group's borrowings (Note 17).

9 Associated companies

	Six months ended 30 June		From 1 July
	2007	2006	2006 to 31
	RMB'000	RMB'000	December
			2006
			RMB'000
Balance at beginning of the period	311,247	150,220	146,960
Share of results			
— Profit/(loss) before income tax	64,440	(4,865)	313,960
— Income tax (charge)/credit	(21,265)	1,605	(109,673)
Dividend received/receivable	(157,950)	—	(40,000)
Balance at end of the period	196,472	146,960	311,247

10 Jointly controlled entity

	Six months ended 30 June		From 1 July
	2007	2006	2006 to 31
	RMB'000	RMB'000	December
			2006
			RMB'000
Balance at beginning of the period	487	500	488
Capital injection	2,000	—	—
Share of results	—	(12)	(1)
Balance at end of the period	2,487	488	487

Shanghai Shimao Savills Property Management Co., Ltd., ("Shimao First Pacific") is the jointly controlled entity which provides property management services to the Group.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

11 Trade and other receivables and prepayments

	30 June 2007 RMB'000	31 December 2006 RMB'000
Trade receivables (note (i))	249,161	250,861
Deposits for resettlement costs	93,450	103,450
Other receivables	147,891	119,562
Prepayments for construction costs	90,963	45,226
Prepaid business tax and land appreciation tax on pre-sale proceeds	105,398	57,369
	686,863	576,468

Note:

- (i) Trade receivables are mainly arisen from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The trade receivables at each of the balance sheet dates were aged less than one year.

As at 30 June 2007, the fair value of trade receivables, deposits for resettlement costs, and other receivables of the Group approximate their carrying amounts.

12 Amounts due from related companies

	30 June 2007 RMB'000	31 December 2006 RMB'000
Common directors		
Shanghai Shimao Co., Ltd. ("A Share Company")	150	150
Shimao International Holdings Limited ("Shimao International")	151	151
Shanghai Shimao Enterprises Co., Ltd. ("Shimao Enterprises")	236	150
Shanghai Mason Club Co., Ltd ("Shanghai Mason")	52	—
Associated companies		
Nanjing Shimao Real Estate Development Co., Ltd. ("Nanjing Project JV")	57,663	150
Fujian Shimao Investment Development Co., Ltd. ("Fuzhou Project JV")	150	—
	58,402	601

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

13 Amounts due from minority interests

	30 June 2007 RMB'000	31 December 2006 RMB'000
Sale proceeds receivable on partial disposal of a subsidiary (note (i))	501,256	—
Receivables from minority interests of a subsidiary (note (ii))	4,200	—
	505,456	—

Note:

- (i) On 14 April 2007, the Group entered into a sales and purchase agreement with Jade VIII, Inc., owned by a fund managed by Morgan Stanley Real Estate, to dispose 29.99% interest in a subsidiary at a consideration of RMB1,000,000,000 to be settled by four instalments up to 31 December 2007. The disposal was completed on 22 June 2006. As at 30 June 2007, RMB501,256,000 remained outstanding in accordance with the payment schedule agreed with the purchaser. The disposal resulted in a gain of approximately RMB751,516,000 (Note 21).
- (ii) The balances are unsecured, interest free and have no fixed repayment terms.

14 Cash and cash equivalents

	30 June 2007 RMB'000	31 December 2006 RMB'000
Bank balances and cash	4,558,690	6,023,090
Less: Restricted cash	(345,385)	(73,501)
	4,213,305	5,949,589

As at 30 June 2007, the Group's cash of approximately RMB101,795,000 (2006: RMB73,501,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. As at 30 June 2007, approximately RMB243,590,000 of bank balances (2006: Nil) were pledged as collateral for the Group's borrowings (Note 17).

The conversion of Renminbi denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

15 Share capital

		Per value HK\$	Number of shares '000	Nominal value of ordinary shares	
				HK\$'000	RMB'000
Authorised:					
At 1 January 2006	(i)	0.1	3,800	380	
Increase in share capital on 26 January 2006	(i)	0.1	2,996,200	299,620	
Increase in share capital on 30 March 2006	(i)	0.1	2,000,000	200,000	
At 30 June 2006, 31 December 2006 and 30 June 2007			5,000,000	500,000	
Issued and fully paid:					
At 1 January 2006					
— Issue of shares for the Reorganisation	(ii)	0.1	1,787,440	178,744	185,787
Issue of shares for settlement of debts	(iii)	0.1	212,560	21,256	22,093
Issue of shares to financial investors	(iv)	0.1	380,495	38,050	39,429
At 30 June 2006			2,380,495	238,050	247,309
New issues of shares	(v)	0.1	684,393	68,439	70,212
At 31 December 2006			3,064,888	306,489	317,521
Issue of shares for placement	(vi)	0.1	218,460	21,846	21,506
Employee share option scheme					
— Shares issued	(a)	0.1	12,225	1,222	1,203
At 30 June 2007			3,295,573	329,557	340,230

Notes:

- (i) The Company was incorporated on 29 October 2004 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each, with 1 share issued at HK\$0.1 to Gemfair, which is the holding company of the Company. Pursuant to special resolutions passed on 26 January 2006 and 30 March 2006, the authorised share capital of the Company was increased to 3,000,000,000 shares of HK\$0.1 each and 5,000,000,000 shares of HK\$0.1 each respectively.
- (ii) Pursuant to an agreement entered into between Gemfair and the Company on 26 January 2006 for the Reorganisation as described in Note 1, the Company issued 1,787,439,612 ordinary shares, credited as fully paid up, to Gemfair, in consideration for the acquisition of the entire share capital of SPHL(BVI). The shares issued for the Reorganisation were deemed to have been issued throughout the accounting periods presented in these interim financial statements, using the principles of merger accounting.
- (iii) On 26 January 2006, two novation agreements were entered by the Company and Gemfair with Peak Castle Assets Limited ("Peak Castle") and SPHL(BVI) respectively, in which the Company agreed to assume the debts of Peak Castle and SPHL(BVI) owing to Gemfair, totalling HK\$880,000,000 (equivalent to RMB914,671,000). The Company repaid the debt by issuing 212,560,387 ordinary shares to Gemfair.
- (iv) Pursuant to agreements entered by the Company with third party financial investors, an aggregate of 380,494,664 ordinary shares of the Company, representing about 16% of the then enlarged capital of the Company, were subscribed by these investors at a total consideration of approximately HK\$1,575,300,000 (equivalent to RMB1,632,351,000). These subscriptions were fully settled by 7 March 2006.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

15 Share capital (continued)

- (v) On 5 July 2006, the Company issued 595,124,000 ordinary shares of HK\$0.1 each at HK\$6.25 per share in connection with the listing, and raised gross proceeds of approximately HK\$3,719,525,000. In addition, on 12 July 2006, pursuant to the exercise of the over-allotment option of the listing, additional 89,268,500 ordinary shares of HK\$0.1 each were issued at HK\$6.25 per share and gross proceeds of HK\$557,928,000 were raised.
- (vi) Pursuant to a placing agreement entered by the Company, Gemfair and the placing agent, Gemfair sold an aggregate of 305,845,000 ordinary shares of the Company to third party financial investors at HK\$17.88 per share. In connection with this, a subscription agreement was entered by the Company and Gemfair whereby additional 218,460,500 ordinary shares of the Company, representing about 9.29% of the then enlarged capital of the Company, were subscribed by Gemfair at HK\$17.88 per share with a total consideration, net of related expenses, of approximately HK\$3,856,869,000 (equivalent to RMB3,796,845,000). The placing and subscription were fully completed on 9 May 2007.

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 9 June 2006 for approval of the Pre-IPO Share Option Scheme, options for a total of 63,920,000 ordinary shares of the Company have been granted to directors and selected employees. The exercise price of HK\$5.625 per share under the Pre-IPO Share Option Scheme is determined at a 10% discount to the global offering price, which was HK\$6.25 per share, excluding brokerage, Securities and Futures Commission transaction levy and the Stock Exchange trading fee. Each option has 6-year exercise period from the date of grant, with 30% vesting on 31 March 2007, another 30% vesting on 31 March 2008 and the remaining 40% vesting on 31 March 2009. Options are conditional on the employee completing the services up to the respective vesting dates and evaluation of performance as specified in the scheme, and become exercisable immediately after each vesting date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These options will expire on 8 June 2012.

Movements in the number of share options outstanding are as follows:

	Six months ended 30 June		1 July 2006 to
	2007	2006	31 December
	'000	'000	'000
Balance at beginning of the period	63,920	—	63,920
Granted	—	63,920	—
Lapsed	(5,153)	—	—
Exercised	(12,225)	—	—
Balance at end of the period	46,542	63,920	63,920

Out of the 46,542,000 outstanding options (2006: 63,920,000 options), 4,360,000 options (2006: Nil) were vested and exercisable. During the period, 12,225,000 options were exercised at exercise price of HK\$5.625 per share, totalling HK\$68,766,000 (equivalent to RMB67,694,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

15 Share capital (continued)

(b) Share Option Scheme

Pursuant to the shareholders' resolution passed on 9 June 2006, another share option scheme ("Share Option Scheme") was approved. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any members of the Group, advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture partners and service providers of any members of the Group). The total number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time. The total number of securities which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the relevant class of securities of the Company in issue as at the date of approval of the scheme.

No option may be granted under the Share Option Scheme after 10 years since its adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the higher of (i) the closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

No option has been granted under the Share Option Scheme since its adoption.

16 Reserves

	Merger reserve RMB'000 (note (i))	Share premium RMB'000	Share based compensation reserve RMB'000 (note (ii))	Statutory reserve funds RMB'000 (note (iii))	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2007	(185,787)	6,569,648	38,019	—	4,788,968	11,210,848
Issue of shares for placement (Note 15(vi))	—	3,775,339	—	—	—	3,775,339
Employee share option scheme						
— value of employee services	—	—	23,948	—	—	23,948
— proceeds from shares issued	—	66,491	—	—	—	66,491
Profit appropriations	—	—	—	23,377	(23,377)	—
Profit for the period attributable to the equity holders of the Company	—	—	—	—	2,083,661	2,083,661
2006 final dividend	—	—	—	—	(606,155)	(606,155)
Balance at 30 June 2007	(185,787)	10,411,478	61,967	23,377	6,243,097	16,554,132
Representing:						
2007 interim dividend declared					481,661	481,661
Others					5,761,436	16,072,471
					6,243,097	16,554,132

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

16 Reserves (continued)

	Merger reserve	Share premium	Share based compensation reserve	Statutory reserve funds	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note (i))		(note (ii))	(note (iii))		
Balance at 1 January 2006						
— Issue of shares for the Reorganisation (Note 15(ii))	(185,787)	—	—	—	—	(185,787)
— Others	—	—	—	—	2,510,218	2,510,218
	(185,787)	—	—	—	2,510,218	2,324,431
Issue of shares for settlement of debts (Note 15(iii))	—	892,578	—	—	—	892,578
Issue of shares to financial investors (Note 15(iv))	—	1,592,922	—	—	—	1,592,922
Share issuing expenses	—	(4,062)	—	—	—	(4,062)
Employee share option scheme — value of employee services	—	—	3,610	—	—	3,610
Profit for the period attributable to the equity holders of the Company	—	—	—	—	703,612	703,612
Balance at 30 June 2006	(185,787)	2,481,438	3,610	—	3,213,830	5,513,091
Issue of shares in connection with the listing (Note 15(v))	—	4,318,027	—	—	—	4,318,027
Share issuing expenses	—	(229,817)	—	—	—	(229,817)
Employee share option scheme — value of employee services	—	—	34,409	—	—	34,409
Profit for the period attributable to the equity holders of the Company	—	—	—	—	1,575,138	1,575,138
Balance at 31 December 2006	(185,787)	6,569,648	38,019	—	4,788,968	11,210,848
Representing:						
2006 final dividend proposed					615,859	615,859
Others					4,173,109	10,594,989
					4,788,968	11,210,848

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

16 Reserves (continued)

Notes:

- (i) Merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiary purchased pursuant to the Reorganisation over the nominal value of the shares of the Company issued in exchange as set out in Note 15(ii).
- (ii) Share based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme.
- (iii) According to the Articles of Association of the respective subsidiaries established in the PRC, which are foreign investment enterprises, the subsidiaries shall set aside certain percentage of their net income after offsetting accumulated losses from prior years as reported in their statutory accounts for the reserve fund, enterprise expansion fund and staff bonus and welfare fund. The reserve fund and enterprise expansion fund form part of the shareholders' funds. The staff bonus and welfare fund will be accounted for as liabilities. Certain subsidiaries have made appropriation to such funds during the period (2006: Nil).

17 Borrowings

	30 June 2007 RMB'000	31 December 2006 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings — secured	4,122,185	2,884,994
Long-term bank borrowings — unsecured	60,000	170,000
Senior notes — secured	4,465,131	4,572,995
Less: Amounts due within one year	(1,041,269)	(1,157,309)
	7,606,047	6,470,680
Borrowings included in current liabilities		
Short-term bank borrowings — secured	350,000	185,000
Short-term bank borrowings — unsecured	403,590	310,000
Current portion of long-term bank borrowings	1,041,269	1,157,309
	1,794,859	1,652,309

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Opening balance at 1 January	8,122,989	2,637,698
Additions of borrowings	2,964,311	966,192
Repayments of borrowings	(1,686,394)	(270,500)
Closing balance at 30 June	9,400,906	3,333,390

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

17 Borrowings (continued)

As at 30 June 2007, the Group's total secured bank borrowings of RMB4,472,185,000 were secured by mortgages of certain property, plant and equipment, investment properties, land use rights (Note 6), properties under development, completed properties held for sale (Note 8) and cash and cash equivalents (Note 14).

The Company issued a total of US\$600,000,000 senior notes, including US\$250,000,000 at a floating rate of interest due 1 December 2011 and US\$350,000,000 at a fixed rate of interest due 1 December 2016. The Company may at its option redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain subsidiaries other than those established under the laws of the PRC ("Subsidiary Guarantors"), and secured by a pledge of the shares of these Subsidiary Guarantors.

18 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Deferred income tax assets	139,432	123,725
Deferred income tax liabilities	(1,164,930)	(1,216,802)
	(1,025,498)	(1,093,077)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

18 Deferred income tax (continued)

Movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Assets/(liabilities)				Total RMB'000
	Temporary differences on recognition of sales and related cost of sales RMB'000	Temporary differences on recognition of expenses RMB'000	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisitions RMB'000	
Balance at 1 January 2007	220,512	75,268	(655,074)	(733,783)	(1,093,077)
Credited/(charged) to the income statement (note)	39,593	(26,205)	(139,191)	193,382	67,579
Balance at 30 June 2007	260,105	49,063	(794,265)	(540,401)	(1,025,498)
Balance at 1 January 2006	211,732	48,051	(324,800)	(826,481)	(891,498)
Credited/(charged) to the income statement	4,465	31,342	(134,309)	49,643	(48,859)
Balance at 30 June 2006	216,197	79,393	(459,109)	(776,838)	(940,357)
Credited/(charged) to the income statement	4,315	(4,125)	(195,965)	43,055	(152,720)
Balance at 31 December 2006	220,512	75,268	(655,074)	(733,783)	(1,093,077)

Note:

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% with effect from 1 January 2008. The tax rate reduction will also impact the carrying value of deferred tax assets and liabilities. The Company has performed a preliminary assessment of the impact of the tax rate reduction based on the relevant deferred tax balances as at 31 December 2006 and net deferred tax liabilities of approximately RMB295,011,000 has been released and credited to the condensed consolidated income statement in the six-month period ended 30 June 2007.

The new CIT law provides that further detailed measures and regulations on the determination of taxable profit, tax incentive and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

19 Trade and other payables

	30 June 2007	31 December 2006
	RMB'000	RMB'000
Trade payables (note (i))	2,611,723	3,502,628
Accrued expenses	92,117	111,685
Other taxes payable	81,285	112,313
Other payables (note (ii))	100,645	73,766
	2,885,770	3,800,392

Note:

(i) As at 30 June 2007, the ageing analysis of trade payables is as follows:

	30 June 2007	31 December 2006
	RMB'000	RMB'000
Within 90 days	2,228,697	3,140,316
Over 90 days and within 180 days	383,026	362,312
	2,611,723	3,502,628

(ii) Other payables comprise:

	30 June 2007	31 December 2006
	RMB'000	RMB'000
Deposits and advances from constructors	21,449	6,495
Acquisition consideration payable	4,764	4,764
Excess proceeds received from customers	25,509	25,280
Fees collected from customers on behalf of government agencies	26,981	25,372
Deposits received from tenants	6,160	—
Miscellaneous	15,782	11,855
	100,645	73,766

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

20 Amount due to a related company

	30 June 2007 RMB'000	31 December 2006 RMB'000
Fuzhou Project JV	—	249,850

The balance as at 31 December 2006 was unsecured, interest free and has been settled by 30 June 2007.

21 Other gains

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Gain on partial disposal of a subsidiary (Note 13(ii))	751,516	—
Interest income	63,502	11,505
Net exchange gain	30,815	3,541
Government grants received	2,468	3,500
Income tax refund on reinvestment	—	3,767
Temporary rental and advertising income	418	1,872
Compensation from a third party for violation of contracts	—	10,219
Miscellaneous	4,274	909
	852,993	35,313

22 Expenses by nature

Expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Staff costs — including directors' emoluments (note (i))	171,894	79,775
Depreciation	64,838	18,801
Amortisation of land use rights	17,410	1,228
Advertising, promotion and commission costs	43,039	47,341
Cost of properties sold	1,178,093	1,270,182
Business tax and other levies on sales of properties (note (ii))	111,598	107,765
Impairment of goodwill	53,061	62,000
Provision for completed properties held for sale	11,268	—
Direct outgoings arising from investment properties	8,763	1,648

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

22 Expenses by nature (continued)

Notes:

- (i) Directors' emoluments included in staff costs is as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Fees	5,288	4,296
Other emoluments		
Salaries and other short term benefits	1,888	3,041
Retirement scheme contributions	30	25
Share options granted	4,538	600
	11,744	7,962

- (ii) Business tax

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale of properties.

23 Finance costs

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Interest on bank borrowings		
— wholly repayable within five years	126,590	74,458
— not wholly repayable within five years	18,550	20,972
Interest on senior notes		
— wholly repayable within five years	78,213	—
— not wholly repayable within five years	106,583	—
	329,936	95,430
Less: interest capitalised	(223,841)	(87,158)
	106,095	8,272

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

24 Income tax expense

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the six months ended 30 June 2007 (2006: Nil).

(b) PRC enterprise income tax

PRC enterprise income tax is provided for at 33% (2006: 33%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose. Five subsidiaries and a jointly controlled entity established in the Shanghai Pudong New Area of the PRC are entitled to a preferential rate of 15% (2006: two subsidiaries and a jointly controlled entity at 15%). In addition, another two subsidiaries established in other areas enjoy preferential tax rates of 27% and 30% respectively (2006: 27% and 30% respectively).

The new CIT law has been enacted to reduce the PRC enterprise income tax rate from 33% to 25% with effect from 1 January 2008 (Note 18).

(c) Land appreciation tax

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership. Upon acquisition of subsidiaries which are engaged in property development, an accrual for land appreciation tax is made based on the fair value of the properties being developed by the subsidiaries for sale before arriving at the goodwill/negative goodwill on the acquisition.

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Current tax		
— PRC enterprise income tax	160,773	159,655
— Land appreciation tax	205,642	29,767
	366,415	189,422
Deferred tax		
— PRC enterprise income tax	(67,579)	48,859
	298,836	238,281

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

25 Dividends

A final dividend in respect of 2006 of HK20 cents per ordinary share, amounting to total dividends of approximately HK\$613,685,000 (equivalent to RMB606,155,000) has been approved at the Annual General Meeting of the Company held on 26 April 2007.

An interim dividend in respect of six months ended 30 June 2007 of HK15 cents per ordinary share, amounting to HK\$494,336,000 (equivalent to RMB481,661,000) has been declared at the Company's Board meeting held on 16 August 2007. This declared dividend is not reflected as a dividend payable in the condensed consolidated interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

26 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue, a total of 1,787,439,612 ordinary shares issued for the Reorganisation were deemed to have been issued since 1 January 2006.

	Six months ended 30 June	
	2007	2006
Profit attributable to the equity holders of the Company (RMB'000)	2,083,661	703,612
Weighted average number of ordinary shares in issue (thousands)	3,126,776	2,276,841
Basic earnings per share (RMB cents)	66.6	30.9

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the Pre-IPO Share Option Scheme assuming they were exercised (Note 15(a)).

	Six months ended 30 June	
	2007	2006
Profit attributable to the equity holders of the Company (RMB'000)	2,083,661	703,612
Weighted average number of ordinary shares in issue (thousands)	3,126,776	2,276,841
Adjustment for share options granted under the Pre-IPO Share Option Scheme (thousands)	34,758	777
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,161,534	2,277,618
Diluted earnings per share (RMB cents)	65.9	30.9

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

27 Financial guarantees

The Group had the following financial guarantees as at 30 June 2007:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	1,185,242	882,872

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction.

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 principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

28 Commitments

(a) Commitments for capital and property development expenditure

	30 June 2007 RMB'000	31 December 2006 RMB'000
Contracted but not provided for		
— Property, plant and equipment	137,415	235,162
— Investment properties	—	23,384
— Land use rights	8,143,224	6,867,627
— Properties being developed by the Group for sale	1,479,459	1,286,482
	9,760,098	8,412,655

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

28 Commitments (continued)

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Within one year	14,411	12,874
Between two to five years	879	4,742
	15,290	17,616

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Within one year	84,593	70,000
Between two to five years	180,866	280,000
After five years	80,817	904,167
	346,276	1,254,167

In 2003, the Group entered into a long-term rental agreement with a third party, Shanghai Brilliance (Group) Co., Ltd. ("Brilliance") for a period of 20 years, whereby a shopping mall is leased to Brilliance who acts as the head tenant and the Group is entitled to a minimum fixed annual rental income. On 8 February 2007, it is mutually agreed to terminate the long-term rental agreement with effect from 1 May 2007 and replaced by a management agreement with Brilliance. The operating lease rentals receivable as at 31 December 2006 included an amount of RMB1,244,947,000 from Brilliance in respect of the period after 1 May 2007 which was no longer receivable following the termination of the rental agreement with Brilliance.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

29 Related party transactions

(a) Other than those disclosed in Note 12, Note 13 and Note 20, the Group had entered into the following major related party transactions during the period:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Trademark fee earned from related companies (note (i))	750	—
Operating lease rental expense charged by a related company (note (ii))	1,052	126
Property management fee and reimbursement of staff costs charged by a jointly controlled entity (note (iii))	1,046	—
	2,848	126

Notes:

- (i) On 12 June 2006, the Group entered into a trademark framework agreement with certain related companies, namely Shimao Enterprises, A Share Company, Shimao International and Mr. Hui Wing Mau, Chairman of the Company, to use the "Shimao" trademarks and devices. Pursuant to the agreement, the Group agrees to grant non-exclusive licenses to these related companies at an annual royalty fee of HK\$300,000 per project from 5 July 2006 to 31 December 2008. For the six months ended 30 June 2006, the Group provided the trademark of "Shimao" to certain related companies at nil consideration.
- (ii) On 12 June 2006, the Group entered into a lease agreement with a wholly-owned subsidiary of Shimao International to lease certain office premises owned by Shimao International in Hong Kong. Certain directors of the Company are also directors of Shimao International.
- (iii) Shimao First Pacific, a jointly controlled entity of the Group, provided property management service to certain properties of the Group.
- (iv) The Group had provided Shanghai Mason with the right to operate one of its clubhouses at a fee calculated based upon certain percentage of net profit of the clubhouse when it has achieved an accumulated net profit. During the six months ended 30 June 2006 and 2007, the clubhouse was loss making and therefore no fee had been charged. Certain directors of the Company are also directors of Shanghai Mason.
- (v) On 6 June 2007, the Company announced that the board of directors has in principle approved the proposed injection of a number of retail and commercial properties in the PRC into A Share Company, a company listed in the Shanghai Stock Exchange, satisfied by issuance of up to 630,000,000 shares of A Share Company (the "Proposed Transaction"). Mr. Hui Wing Mau, Chairman of the Company, is also the Chairman of A Share Company.

In connection with the Proposed Transaction, the Company will also subscribe for new shares of Shimao Enterprises, which is 93.33% owned by the nephew of Mr. Hui Wing Mau, and currently holding approximately 37% interest in A Share Company, for not more than RMB750,000,000. It is intended that Shimao Enterprises will become at least a 51% owned subsidiary of the Company after the subscription.

In connection with the Proposed Transaction, Shimao Enterprises will subscribe for up to 70,000,000 shares of A Share Company at a cash consideration of RMB750,000,000, using the proceeds received from issue of new shares to the Company.

The Proposed Transaction and the subscriptions are subject to approval of independent shareholders at general meeting of the Company.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2007 (Unaudited)

29 Related party transactions (continued)

(b) Key management compensation

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Fees	4,816	4,025
Other emoluments		
Salaries and other short-term employee benefits	5,227	7,096
Share options granted	7,272	970
Retirement scheme contributions	99	63
	17,414	12,154

30 Presentation of land appreciation tax and reclassification of comparative figures

Within the comparative figures stated in the condensed consolidated interim financial statements, land appreciation tax expense of RMB29,767,000 previously included in cost of sales for the six months ended 30 June 2006 was reclassified as income tax expense in the condensed consolidated income statement and provision for land appreciation tax of RMB1,343,972,000 previously included in other payables as at 31 December 2006 was reclassified as income tax payable in the condensed consolidated balance sheet.

The above reclassification are made so as to conform to current period presentation as the Company's directors are of the view that it would be more appropriate to reflect the land appreciation tax as an income tax expense in the current period and the outstanding provision as income tax payable, after a reassessment of the nature of land appreciation tax and a study of the market practices.

31 Subsequent events

(a) Acquisition of Beijing Sanlitun project company

The Group continues its efforts to complete the acquisition of the 100% equity interest of Beijing Sanlitun project company at a consideration of approximately RMB1,400,000,000, which is subject to downward adjustment depending on whether certain conditions as stipulated in the sales and purchase agreement dated 23 May 2007 can be fulfilled. RMB1,300,000,000 has been prepaid for this transaction as at 30 June 2007. The transaction is expected to be completed in August 2007.

(b) Syndicated loan

On 13 August 2007, the Group entered into an agreement with a syndicate of 20 international and local banks. Pursuant to the agreement, the Group obtained a 3-year extendible syndicated loan facility amounting to US\$328,000,000.

Valuation Reports



20 July 2007

The Directors
Shimao Property Holdings Limited
Units 4307-12
43rd Floor, Office Tower
Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with your instructions for us to value the property interests of Shimao Property Holdings Limited (referred to as the "Company") and/or its subsidiaries (together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the properties as at 30 June, 2007.

DEFINITION OF MARKET VALUE

Our valuation of the property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTION

Our valuation excludes any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties which are located in the PRC, we have assumed that transferable land use rights in respect of the properties for the specific term at nominal annual land use fee have been granted and that any land grant premium payable has already been fully paid. We have relied on the information and advice given by the Group regarding the title to the properties and the interest of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the unexpired term as granted.

In valuing the properties, we have complied with the requirements set out the Valuation Standards (First Edition 2005) on Valuation of Properties published by The Hong Kong Institute of Surveyors.

Valuation Reports

METHOD OF VALUATION

We have assessed the market value of property nos. 1 (hotel portion), 2 and 4 as a fully equipped operational entity having regard to the trading accounts and the trading potential and level of turnover likely to be achieved.

In forming our opinion of the market value of property nos. 1 (the commercial portion) and 3, we have valued them by Direct Comparison Approach assuming sale of the properties in their existing state by making reference to comparable sales evidence as available in the relevant market.

We have assumed that all consents, approvals and licenses from relevant government authorities for the proposal have been or will be granted without onerous conditions or delays for the properties. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities.

SOURCE OF INFORMATION

We have been provided with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments, which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group in respect of the properties and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, joint venture agreements, articles of association, development schemes, construction costs, site and gross floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and gross floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Valuation Reports

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

CURRENCY

Unless otherwise stated, all sums stated in our valuation are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificate.

Yours faithfully,
for and on behalf of

DTZ Debenham Tie Leung Limited

Andrew K. F. Chan

*China Real Estate Appraiser
Registered Professional Surveyor (GP)
MSc., M.R.I.C.S., M.H.K.I.S.*

Director

Valuation Reports

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2007 RMB
1. Shanghai Shimao International Plaza, No. 829 Nanjing Road East, Huangpu District, Shanghai, the PRC	9,737,000,000
2. Shanghai Hyatt on the Bund, Daming Road/ Nanxun Road, Hongkou District, Shanghai, the PRC	5,320,000,000
3. Shimao Tower, No. 92 Jia Jianguo Road, Chaoyang District, Beijing, the PRC	1,450,000,000
4. Shanghai Le Mèridien Sheshan, Lot E3, Sheshan State Tourist Resort Area, Songjiang District, Shanghai, the PRC	1,200,000,000
Total :	17,707,000,000

Valuation Reports

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June, 2007												
1. Shanghai Shimao International Plaza, No. 829 Nanjing Road East, Huangpu District, Shanghai, the PRC	<p>Shanghai Shimao International Plaza comprises a 50-storey international 5-star hotel (named "Le Royal Meridien Shanghai") with 770 rooms erected over a 10-storey commercial complex podium and 3-storey basements, with car parking spaces and other ancillary facilities provided therein.</p> <p>The property comprises a total site area of approximately 13,025 sq.m. (140,201 sq.ft.) developed into a hotel/commercial development with a total gross floor area of approximately 170,935 sq.m. (1,839,944 sq.ft.).</p> <p>The property has been developed in 2 stages - Stage 1 and Eastern Extension Stage. The details are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Designated Use</th> <th style="text-align: center;">Stage 1 (sq.m.)</th> <th style="text-align: center;">Eastern Extension Stage (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>International 5-star Hotel</td> <td style="text-align: center;">96,116</td> <td style="text-align: center;">3,580</td> </tr> <tr> <td>Commercial Use</td> <td style="text-align: center;">38,819</td> <td style="text-align: center;">32,420</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">134,935</td> <td style="text-align: center;">36,000</td> </tr> </tbody> </table> <p>The hotel was completed in September 2006, whereas the commercial complex had been completed in two stages. Stage 1 was completed in December 2004 while the Eastern Extension Stage was substantially completed in late 2006.</p>	Designated Use	Stage 1 (sq.m.)	Eastern Extension Stage (sq.m.)	International 5-star Hotel	96,116	3,580	Commercial Use	38,819	32,420	Total	134,935	36,000	<p>The hotel is operated under the name "Le Royal Meridien Shanghai" whilst Stage 1 of the commercial portion of the property is occupied as a department store.</p> <p>The commercial portion is subject to a management agreement entered into between Shanghai Shimao International Plaza Co. Ltd. (上海世茂國際廣場有限公司) ("Party A") and Shanghai Brilliance Group Ltd. (上海百聯(集團)股份有限公司) ("Party B"), effective from 8 February, 2007. The previous tenancy agreement between Party A and Party B had been terminated.</p> <p>Internal decoration work of the Eastern Extension of the property is in progress.</p> <p>The hotel portion of the property is subject to a management agreement dated 25 February, 2002 with La Meridien Group for an initial term of 10 years after the full opening of the hotel; and successive terms of 5 years until notice may be given by either party to terminate the agreement.</p>	RMB9,737,000,000
Designated Use	Stage 1 (sq.m.)	Eastern Extension Stage (sq.m.)													
International 5-star Hotel	96,116	3,580													
Commercial Use	38,819	32,420													
Total	134,935	36,000													

Valuation Reports

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June, 2007
		Portion of the property with a site area of approximately 3,641 sq.m. (39,192 sq.ft.) is held for a land use term of 50 years from 10 June, 1998 to 9th June, 2048 for commercial/office uses. The remaining portion of the property with a site area of approximately 9,384 sq.m. (101,009 sq.ft.) is held for a land use term from 24 June, 2002 to 24th June, 2052 for composite use.	—

Notes :

1. According to a State-owned Land Use Rights Grant Contract of Shanghai (Document No.: Hu Fang Di (1998) Grant Contract Huang Nei Zi No. 5) entered into between Building and Land Administrative Bureau of Huangpu District, Shanghai (the "Grantor"), and Shanghai Sanlian Commercial (Group) Co. (上海三聯商業(集團)公司) (the "Grantee") on 10 June, 1998 and a Supplementary Contract (Document No.: Hu Fang Di Huang (2003) Grant Contract Bu Zi No. 02) entered into between the Grantor and Shanghai Shimao International Plaza Co. Ltd. (上海世茂國際廣場有限責任公司) (the new "Grantee") on 22 October, 2003 (collectively the "Grant Contract and Supplementary Contract"), the new Grantee has been granted with the land use rights of a parcel of land located at Lot No. 117 in Huangpu District, Shanghai, with a site area of approximately 3,545 sq.m.. Pursuant to another supplementary agreement dated 12 December, 2003, the site area had been changed to 3,641 sq.m. According to the Grant Contract and Supplementary Contract, the property is restricted for commercial / office use.
2. According to a State-owned Land Use Rights Grant Contract of Shanghai (Document No.: Hu Fang Di Zhi (2002) Grant Contract No. 110) issued by Shanghai Housing and Land Resources Administration Bureau on 24 May, 2002 (the "Second Grant Contract"), Shanghai Shimao International Plaza Co. Ltd. (上海世茂國際廣場有限責任公司) agreed to acquire the land use term of 50 years of a parcel of land located to the east of Xizhuan Road Central, to the south of Nanjing Road East and to the north of Jiujiang Road, Huangpu District, Shanghai, with a site area of approximately 9,384 sq.m. According to the Grant Contract, the property is restricted for composite use.
3. According to two Realty Title Certificates all issued by Shanghai Housing and Land Resources Administration Bureau, 2 parcels of land are held in the name of Shanghai Shimao International Plaza Co. Ltd. (上海世茂國際廣場有限責任公司) with details as follows:

Certificate No.	Date of Issuance	Location	Site Area (sq.m.)	Land Use	Land Use Term
(2002)006187	28-Jun-2002	1/1 Qiu, 107 Jiefang, Nanjing Road East, Huangou District	9,384	Composite	24-Jun-2002 to 24-Jun-2052
(2003)011684	18-Dec-2003	1/2 Qiu, 117 Jiefang, Nanjing Road East, Huangou District	3,641	Commercial/office	50 years from 10-Jun-1998 to 9-Jun-2048

4. According to two Planning Permits for Construction Use of Land Nos. (94) 012 and (2003) 0117 both issued by Planning and Land Administrative Bureau of Huangpu District, Shanghai and Urban Planning Administrative Bureau of Shanghai on 16 September, 1994 and 9 July, 2003 respectively, the construction site of parcels of land with a total area of approximately 12,857 sq.m. is in compliance with the requirements of urban planning.

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5. According to a Notice of Shanghai Planning Permit for Construction Works (Substructure) Planning Permit No. (98) No. 0507 issued by Urban Planning Administrative Bureau of Shanghai on 8 December, 1998, part of the construction works of substructure of the property with a total area of approximately 23,900 sq.m. is in compliance with the requirements of construction works of substructure and is permitted.
6. According to three Planning Permits for Construction Works Nos. (2002) 0216, (2003) 034 and (2004) 0082 all issued by Urban Planning Administrative Bureau of Shanghai on 28 June, 2002, 30 January, 2003 and 19 March, 2004 respectively, part of the construction works of the property with a total area of approximately 147,035 sq.m. is in compliance with the requirements of construction works and is permitted.
7. According to five Permits for Commencement of Construction Works 971A0668-D02, 971A0668D03, 971A0668D04, 971A0668D05 and 971A0668D06 all issued by Shanghai Construction Industry Administration Office between 21 December, 1998 and 6 April, 2004, the construction works of the property with a total area of approximately 170,935 sq.m. are in compliance with the requirements for works commencement and are permitted.
8. The capital value upon full completion of the property as at 30 June, 2007 was RMB9,790,000,000.
9. The breakdown market values of the constituent portions of property are set out as below:

Portion	Market value in existing state as at 30 June, 2007
Hotel	RMB5,430,000,000
Retail (Stage 1)	RMB2,550,000,000
Retail (Extension)*	RMB1,757,000,000
Total	RMB9,737,000,000

Remark: The Retail (Extension) portion has been valued on basis assuming it was fully completed as at the above date of valuation, yet taking into account the decoration cost to be further expended.

10. According to the Qualified Quantity Surveyors Report, the total unexpended construction costs and professional fees (i.e. construction costs and professional fees to completion) of the property as at 30 June, 2007 was RMB52,551,645.
11. We have prepared our valuation on the following assumptions:
 - (i) Shanghai Shimao International Plaza Co. Ltd. is in possession of a proper legal title to the property and is entitled to transfer the property within the residual term of its land use rights at no extra land premium or other substantial charges;
 - (ii) the consideration has been settled in full;
 - (iii) the design and construction of the property are in compliance with the relevant regulations and stipulations and have been approved by the relevant authorities; and
 - (iv) the property may be disposed of freely to both local and overseas purchasers.

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Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June, 2007	
2.	Shanghai Hyatt on the Bund, Daming Road/ Nanxun Road, Hongkou District, Shanghai, the PRC	Shanghai Hyatt on the Bund comprises two hotel towers of 27 and 28 storeys respectively, erected over a common complex podium, with car parking spaces and other ancillary facilities provided therein. The hotel was newly completed in 2007. The property has a site area of approximately 13,671 sq.m. (147,155 sq.ft.). The property comprises a total gross floor area of approximately 100,972 sq.m. (1,086,863 sq.ft.), including gross floor area of approximately 32,767 sq.m. (352,704 sq.ft.) below ground. The hotel provides totally 631 guest rooms together with restaurants, bars, function rooms, ballrooms and meeting rooms. The property is held for a land use term from 25 May, 2003 to 24 May, 2052 for commercial/office uses.	The property is newly completed and operated in June 2007. The hotel is subject to a management agreement with Hyatt of China Limited on 10 December, 2003 for a term of 20 years, commencing at the formal opening of the hotel.	RMB5,320,000,000

Notes :

- According to Grant Contract of State-owned Land Use Rights No. (2002) 065 entered into between Shanghai Building and Land Administration Bureau of Hongkou District, Shanghai (上海市虹口區房屋土地管理局) (the "Grantor") and Shanghai Shimao New Town Development and Construction Co. Ltd. (上海世茂新城開發建設有限公司) (the "Grantee") on 17 May, 2002 (the "Grant Contract"), the Grantee had granted the land use rights of the property with a site area of 13,671 sq.m. for 50 years at a consideration of RMB27,273,645. According to the Grant Contract, the property is subject to the following development conditions:

Usage : Commercial/office composite
Plot Ratio : 5.5
- According to Realty Title Certificate No. (2003) 014577 issued by Shanghai Building and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 18 June, 2003, a parcel of land located at 1/1 Qiu, 26 Jiefang, Zhapu Lu Street, Hongkou District, with a site area of 13,671 sq.m., is held in the name of Shanghai Shimao North Bund Development and Construction Co. Ltd. (上海世茂北外灘開發建設有限公司) for a land use term from 25 May, 2003 to 24 May, 2052. The land use rights of the property have been mortgaged to the China Construction Bank.
- According to two Planning Permits for Construction Use of Land No. (2002) 0016 issued by Urban Planning Administrative Bureau of Hongkou District, Shanghai (上海市虹口區城市規劃管理局) on 30 April, 2002, the construction on a parcel of land with a total area of 18,860 sq.m. is in compliance with the requirements of urban planning.
- According to Planning Permit for Construction Works No. (2005) 0063374P00294 issued by Planning Administration Bureau of Shanghai on 24 February, 2005, the construction works of the hotel towers with a total gross floor area of 100,972 sq.m. are in compliance with the urban construction requirements and are approved.
- The capital value upon full completion of the property as at 30 June, 2007 was RMB5,457,000,000.

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6. According to the Qualified Quantity Surveyors Report, the total unexpended construction costs and professional fees (i.e. construction costs and professional fees to completion) of the property as at 30 June, 2007 was RMB137,415,000.
7. We have prepared our valuation on the following assumptions:
 - (i) Shanghai Shimao North Bund Development and Construction Co. Ltd. is in possession of proper legal title to the property and is entitled to transfer the property within the residual term of its land use rights at no extra land premium or other substantial charges;
 - (ii) the consideration has been settled in full;
 - (iii) the design and construction of the property are in compliance with the relevant regulations and stipulations and have been approved by the relevant authorities; and
 - (iv) the property may be disposed of freely to both local and overseas purchasers.

Valuation Reports

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June, 2007												
3. Shimao Tower, No. 92 Jia Jianguo Road, Chaoyang District, Beijing the PRC	<p>The property, Shimao Tower (formerly known as Beijing Huaping International Plaza), comprises a high-rise office building erected on a 4-storey commercial complex podium and a 2-storey basement with car parking spaces and other ancillary facilities provided therein. The property was completed in about 2006.</p> <p>The total gross floor area of the property is approximately 70,174.90 sq.m. (755,362 sq.ft.), in which the office and commercial portions comprising:</p> <table border="1"> <thead> <tr> <th>Use</th> <th colspan="2">Gross Floor Area</th> </tr> <tr> <th></th> <th>(sq.m.)</th> <th>(sq.ft)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>45,491.55</td> <td>489,671</td> </tr> <tr> <td>Commercial</td> <td>12,955.45</td> <td>139,452</td> </tr> </tbody> </table> <p>In addition, the property also includes two basement levels with an area of approximately 10,974.27 sq.m (118,127 sq.ft.) accommodating car parking spaces and ancillary facilities with an area of approximately 753.63 sq.m.(8,112 sq.ft.)</p> <p>The property is held for a land use term expiring on 9 August 2053 for composite and car park use.</p>	Use	Gross Floor Area			(sq.m.)	(sq.ft)	Office	45,491.55	489,671	Commercial	12,955.45	139,452	The property is currently vacant.	RMB1,450,000,000
Use	Gross Floor Area														
	(sq.m.)	(sq.ft)													
Office	45,491.55	489,671													
Commercial	12,955.45	139,452													

Notes :

1. According to Certificate for the Use of State-owned Land No. (2005出) 0482 issued by the Beijing Municipal People's Government (北京市人民政府) on 16 March 2007 :-
 - (i) Owner : Beijing Shimao Investment & Development Co., Ltd.
(北京世茂投資發展有限公司)
 - (ii) Location : No.92 Jia, Jianguo Road, Chaoyang District
(朝陽區建國路甲92號)
 - (iii) Uses : Composite, Basement Car Park
 - (iv) Land use right area : 7,183.35 sq.m.
 - (v) Land use term : Due to expire on 9 August 2053

Valuation Reports

2. According to Building Ownership Certificate No. (06) 002143 issued by the Beijing Construction Bureau (北京市建設委員會) on 29 December 2006 :-

- (i) Owner : Beijing Shimao Investment & Development Co., Ltd.
(北京世茂投資發展有限公司)
- (ii) Location : No.92 Jia, Jianguo Road, Chaoyang District
(朝陽區建國路甲92號)
- (iii) Gross floor area : 70,174.90 sq.m.
- (iv) Uses : Composite, Basement Car Park

3. We have prepared our valuation on the following assumptions:-

- (i) Beijing Shimao Investment & Development Co., Ltd. is in possession of a proper legal title to the Property and is entitled to transfer the property within the residual term of its land use rights at no extra land premium or other substantial charges;
- (ii) the consideration has been settled in full;
- (iii) the design and construction of the property are in compliance with the relevant regulations and stipulations and have been approved by the relevant authorities; and
- (iv) the property may be disposed of freely to both local and overseas purchasers.

Valuation Reports

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June, 2007
4. Shanghai Le Mèridien Sheshan, Lot E3, Sheshan State Tourist Resort Area, Songjiang District, Shanghai, the PRC	<p>Shanghai Le Mèridien Sheshan comprises a low-rise resort hotel and convention center with 327 rooms, exhibition halls, ballrooms, executive conference rooms, a health club, a fitness center and other ancillary facilities to be provided therein.</p> <p>The property has a site area of approximately 147,020 sq.m. (1,582,523 sq.ft.) and a total gross floor area of approximately 69,328.13 sq.m. (746,248 sq.ft.).</p> <p>The property was completed in 2005.</p> <p>The property is held for a land use term to expire on 31 December 2042 for commercial use.</p>	<p>The property is subject to a management agreement with Le Mèridien Group (subsequently acquired by Starwood Group) on 5 December 2003 for an initial term of 10 years from the full opening date of the hotel; and a successive term of 5 years until notice given by either party to determinate the agreement.</p>	RMB1,200,000,000

Notes :

1. According to Transfer Contract of Land Use Rights No. (2003) No. 5 entered into between Shanghai Jinjiang International Convention Center Company Limited (上海錦江國際會議中心有限公司) and Shanghai Shimao Manor Real Estate Co. Ltd. (上海世茂莊園置業有限公司) on 29 June 2002 (the "Transfer Contract"), the former party agreed to transfer the land use rights in respect of a parcel of land held under four Shanghai Realty Title Certificates Nos. (1998) 001685, (1998) 001686, (1998) 001687 and (1998) 001688 to the later party at a consideration of RMB39,740,000 for commercial use.
2. According to Shanghai Realty Title Certificate No. (2006) 007318 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 25 April 2006, the property with a gross floor area of 69,328.13 sq.m. on a site area of 147,020 sq.m. is held under the name of Shanghai Shimao Manor Real Estate Co. Ltd. (上海世茂莊園置業有限公司) for a land use term to expire on 31 December 2042 for commercial use.
3. We have prepared our valuation on the following assumptions:-
 - (i) Shanghai Shimao Manor Real Estate Co. Ltd. is in possession of a proper legal title to the property and is entitled to transfer the property within the residual term of its land use rights at no extra land premium or other substantial charges;
 - (ii) the consideration has been settled in full;
 - (iii) the design and construction of the property are in compliance with the relevant regulations and stipulations and have been approved by the relevant authorities; and
 - (iv) the property may be disposed of freely to both local and overseas purchasers.