SHANGHAI ZENDAI
上海証大房地產有限公司

Stock Code : 755

Interim Report 2007

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Contents

The Board of Directors of Shanghai Zendai Property Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended	
	Notes	30 June 2007 *HK$'000* (Unaudited)	30 June 2006 *HK$'000* (Unaudited)
Turnover	*3*	657,624	807,581
Cost of sales		(453,605)	(532,940)
Gross profit		204,019	274,641
Other income		45,388	26,185
Distribution expenses		(11,832)	(2,726)
Administrative expenses		(33,533)	(30,059)
Other operating expenses		–	(44,643)
Profit from operations	*4*	204,042	223,398
Share of results of associates		–	(8,603)
Finance costs		(29,548)	(13,082)
Profit before tax expenses		174,494	201,713
Tax expenses	*5*	(65,497)	(40,193)
Profit for the period		108,997	161,520
Attributable to:			
Equity holders of the Company		101,202	135,225
Minority interests		7,795	26,295
		108,997	161,520
Earnings per share	*7*		
Basic		HK2.02 cents	HK2.75 cents
Diluted		HK1.95 cents	HK2.51 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	30 June 2007 HK$'000 (Unaudited)	31 December 2006 HK$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	8	12,567	12,942
Investment properties		294,444	293,597
Goodwill		61,598	60,131
Deposits for acquisition of investment properties		350,352	262,283
Available-for-sale investments		17,784	17,809
Restricted cash		500	500
Total non-current assets		737,245	647,262
Current assets			
Properties for development and sales		2,308,560	2,359,963
Trade receivables, prepayment and other receivables	9	189,670	156,228
Deposits for property development		202,035	64,073
Investments at fair value through profit or loss		47,885	36,086
Available-for-sale investments		3,281	3,200
Amounts due from related companies		28,544	10,580
Amount due from a minority owner of a subsidiary		17,559	17,127
Tax prepayment		11,541	2,675
Cash and cash equivalents		1,927,900	587,055
Total current assets		4,736,975	3,236,987
Total assets		5,474,220	3,884,249

	Notes	30 June 2007 HK$'000 (Unaudited)	31 December 2006 HK$'000 (Audited)
Liabilities			
Current liabilities			
Trade and other payables	10	425,735	378,704
Receipts in advance from customers		827,925	478,276
Amounts due to related companies		40,809	57,545
Amounts due to a minority owner of a subsidiary		38,359	30,679
Bank loans – secured		264,941	350,689
Tax payable		245,171	218,264
Total current liabilities		1,842,940	1,514,157
Non-current liabilities			
Bank loans – secured		511,159	463,625
Convertible notes		64,828	202,945
Senior loan notes	11	1,135,496	–
Deferred tax liabilities		80,828	105,580
Total non-current liabilities		1,792,311	772,150
Total liabilities		3,635,251	2,286,307
TOTAL NET ASSETS		1,838,969	1,597,942
Capital and reserves attributable to equity holders of the Company			
Share capital		128,075	115,575
Reserves		1,456,025	1,250,052
Equity attributable to equity holders of the Company		1,584,100	1,365,627
Minority interests		254,869	232,315
TOTAL EQUITY		1,838,969	1,597,942

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Special capital reserve HK$'000	Statutory surplus reserve HK$'000	Convertible notes reserve HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve HK$'000	Equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007 (Audited)	115,575	243,015	1,074	157,315	68,541	19,849	15,484	527,388	35,995	181,391	1,365,627	232,315	1,597,942
Translation differences on overseas operations recognised in equity	–	–	–	–	–	–	–	–	28,667	–	28,667	2,020	30,687
Release of other revaluation reserve on disposal of properties for sales	–	–	–	–	–	–	–	–	–	(53,594)	(53,594)	–	(53,594)
Profit for the period	–	–	–	–	–	–	–	101,202	–	–	101,202	7,795	108,997
Total recognised income and expenses	–	–	–	–	–	–	–	101,202	28,667	(53,594)	76,275	9,815	86,090
Issue of shares upon conversion of convertible notes	12,500	126,588	–	–	–	–	(17,769)	17,769	–	–	139,088	–	139,088
Reversal of deferred tax liabilities upon conversion of convertible notes	–	–	–	–	–	–	3,110	–	–	–	3,110	–	3,110
Dividends paid to a minority owner	–	–	–	–	–	–	–	–	–	–	–	(51,261)	(51,261)
Contribution by a minority owner	–	–	–	–	–	–	–	–	–	–	–	64,000	64,000
Transfer of retained profits	–	–	–	–	–	35,273	–	(35,273)	–	–	–	–	–
At 30 June 2007 (Unaudited)	128,075	369,603	1,074	157,315	68,541	55,122	825	611,086	64,662	127,797	1,584,100	254,869	1,838,969
At 1 January 2006 (Audited)	98,225	249,314	1,074	–	68,541	19,849	1,034	204,699	8,358	–	651,094	143,996	795,090
Profit for the period	–	–	–	–	–	–	–	135,225	–	–	135,225	26,295	161,520
Recognition of equity component of convertible notes	–	–	–	–	–	–	17,769	–	–	–	17,769	–	17,769
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	22,116	22,116
At 30 June 2006 (Unaudited)	98,225	249,314	1,074	–	68,541	19,849	18,803	339,924	8,358	–	804,088	192,407	996,495

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended	
	30 June 2007 *HK$'000* (Unaudited)	30 June 2006 *HK$'000* (Unaudited)
Cash flows from operating activities		
Net cash from/(used in) operating activities	220,401	(237,020)
Investing activities		
Net cash from/(used in) investing activities	11,425	(76,409)
Financing activities		
Increase in bank borrowings	185,565	132,113
Repayment of bank borrowings	(241,891)	(149,824)
Net proceeds from issue of senior loan notes	1,135,496	–
Contribution by a minority owner of a subsidiary	64,000	22,116
Proceeds from issue of convertible notes	–	150,000
Dividends paid to a minority owner	(51,261)	–
Net cash flows from financing activities	1,091,909	154,405
Net increase/(decrease) in cash and cash equivalents	1,323,735	(159,024)
Cash and cash equivalents at beginning of period	587,055	361,598
Effect of foreign exchange rate changes	17,110	–
Cash and cash equivalents at end of period	1,927,900	202,574

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied for the first time the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA which are effective for financial year beginning 1 January 2007.

- Amendment to HKAS 1 "Capital Disclosures"
- HKFRS 7 "Financial Instruments: Disclosures"
- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives"
- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment"

The adoption of these new HKFRSs has no material impact on the Group's interim financial statements. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The Group is in the process of making an assessment of the impact of these new HKFRSs and is not yet in a position to state what impact of all these new HKFRSs would have on its results of operations and financial position.

3. SEGMENT INFORMATION

For management purpose, the Group is currently organised into three operating divisions; sales of properties, provision of travel and related service and properties investment. These divisions are the basis on which the Group reports its primary segment information.

The Group's turnover and profit for the period by business segment are as follows:

	Sales of properties		Travel and related services		Properties investment		Group	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**635,018**	794,068	**7,757**	10,435	**14,849**	3,078	**657,624**	807,581
Results								
Segment results	**166,552**	212,215	**(369)**	(170)	**11,454**	3,078	**177,637**	215,123
Unallocated corporate income							**34,896**	25,617
Unallocated corporate expenses							**(8,491)**	(17,342)
Profit from operations							**204,042**	223,398
Share of results of associates	**–**	(8,603)	**–**	–	**–**	–	**–**	(8,603)
Finance costs							**(29,548)**	(13,082)
Profit before tax expenses							**174,494**	201,713
Tax expenses							**(65,497)**	(40,193)
Profit for the period							**108,997**	161,520

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended	
	30 June 2007	30 June 2006
	HK$'000	*HK$'000*
Depreciation	**1,507**	718
Unrealised holding loss on investments at fair value through profit or loss	**–**	15,310
Impairment loss on other receivables	**–**	44,643
and after crediting:		
Interest income	**6,166**	2,442
Gain on disposal of investments at fair value through profit or loss	**7,961**	848
Gain on disposal of asset classified as held for sale	**–**	21,635
Dividend income	**104**	526
Unrealised holding gain on investments at fair value through profit or loss	**23,030**	–

5. TAX EXPENSES

The amount of tax expenses/(credit) in the consolidated income statement represents:

	Six months ended	
	30 June 2007	30 June 2006
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax and Macau Complementary Income Tax		
– tax for the year	**–**	–
Current tax – PRC Enterprise Income Tax		
– tax for the year	**40,896**	40,193
– under provision in respect of prior years	**1,738**	–
	42,634	40,193
Current tax – Land Appreciation Tax		
– tax for the year	**40,876**	–
Deferred tax		
– current year	**(18,013)**	–
	65,497	40,193

No provision for Hong Kong Profits Tax and Macau Complementary Income Tax has been made as the Group has no assessable profit in Hong Kong and Macau for the period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at rate ranging from 15% to 33% (2006: 15% to 33%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. Certain subsidiaries in the Group are registered in the Shanghai Pudong New District in the PRC and hence enjoy a preferential income tax rate of 15%. From 1 January 2008, the income tax rate is expected to gradually increase to the standard rate of 25% over a five-year transition period. For those subsidiaries currently subjected to 33% income tax rate, it is expected that the applicable rate will be reduced to 25% from 1 January 2008. However, the new tax law has not set out the details as to how the existing tax rate will gradually increase or decrease to the standard rate of 25%. Consequently, the Group is not able to make an estimate of the expected financial effect of the new tax law on its deferred tax liabilities. The expected financial effect of the new tax law, if any, will be reflected in the Group's 2007 annual financial statements. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period (2006: Nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended	
	30 June 2007	30 June 2006
	HK$'000	*HK$'000*
Profit attributable to equity holders	**101,202**	135,225
Adjustments for interest on convertible notes	**1,738**	5,504
Profit attributable to equity holders for diluted earnings per share	**102,940**	140,729
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares in issue	**5,016,033**	4,911,238
Effect of dilutive potential ordinary shares on convertible notes	**265,833**	706,262
Weighted average number of ordinary shares for diluted earnings per share	**5,281,866**	5,617,500

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$820,000 (six months ended 30 June 2006: HK$299,000) on acquisition of property, plant and equipment.

9. TRADE RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. No credit period is granted to rental receivables from leasing of investment properties. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

Included in trade receivables, prepayment and other receivables of the Group are trade receivables of HK$117,772,000 (31.12.2006: HK$80,275,000). The aging analysis of trade receivables at the balance sheet date is as follows:

	30 June 2007	31 December 2006
	HK$'000	*HK$'000*
0 – 30 days	**85,922**	2,771
31 – 60 days	**2,992**	883
61 – 90 days	**978**	1,140
91 – 180 days	**5,962**	2,909
Over 180 days	**21,918**	72,572
	117,772	80,275

10. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$303,304,000 (31.12.2006: HK$272,459,000). The aging analysis of trade payables at the balance sheet date is as follows:

	30 June 2007	31 December 2006
	HK$'000	*HK$'000*
0 – 30 days	**168,035**	3,161
31 – 60 days	**484**	74,990
61 – 90 days	**3,954**	5,304
91 – 180 days	**2,904**	227
181 – 360 days	**8,850**	98,449
Over 360 days	**57,033**	68,328
	241,260	250,459
Retention money	**62,044**	22,000
	303,304	272,459

The trade payables mainly represented accrued construction costs payable to contractors and the amounts will be paid upon the completion of cost verification process.

11. SENIOR LOAN NOTES

On 6 June 2007, the Group issued senior loan notes (the "Notes") of US$150 million with maturity date on 6 June 2012. The Notes carry interest at 10% per annum and is payable semi-annually in arrears on 6 June and 6 December of each year, beginning on 6 December 2007. The Notes are listed on the Singapore Exchange Securities Trading Limited.

12. COMMITMENTS

At 30 June 2007, the Group had contracted commitments not provided for in the financial statements in respect of property development expenditure and acquisition of investment properties amounting to HK$1,530,272,000 (31.12.2006: HK$779,517,000) and HK$82,018,000 (31.12.2006: HK$160,000,000) respectively.

13. CONTINGENT LIABILITIES

The Group provided guarantees of HK$11,098,000 at 30 June 2007 (31.12.2006: HK$8,740,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loans granted.

14. RELATED PARTY TRANSACTIONS

(a) Related company

	Six months ended	
	30 June 2007	30 June 2006
	HK$'000	*HK$'000*
Rental income	**13,878**	3,078

The related company is 上海証大商業旅遊投資有限公司, in which Mr. Dai Zhikang, a director of the Company, has beneficial interest.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30 June 2007	30 June 2006
	HK$'000	*HK$'000*
Short-term benefits	**2,321**	1,867
Post-employment benefits	**27**	44
	2,348	1,911

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

(c) Balances with related parties as at 30 June 2007 are set out in the balance sheet of the condensed financial statements.

15. AMENDMENT TO COMPARATIVE INFORMATION

For the period ended 30 June 2006, impairment loss on other receivables of HK$44,643,000 have been reclassified from administrative expenses to other operating expenses to the condensed consolidated income statement in order to conform with the presentation of the Company's financial statement for the year ended 31 December 2006.

16. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 20 July 2007, the Group entered into the an agreement with Shan Shan Investment Holdings Co., Ltd. to acquire 30% equity interests of Zhongke Langfang Technology Valley Co., Ltd. at a consideration of RMB90,000,000 in relation to the cooperation and joint development of Zhongke Langfang Technology Valley.

(b) On 1 August 2007, the Group entered into another agreement with Shanghai Hengsheng Enterprise (Group) Co., Ltd. to acquire 100% equity interests of Shanghai Hengjin Property Development Co., Ltd. at a cash consideration of approximately RMB450,000,000.

Details of those agreements were disclosed in the Company's announcements dated 26 July 2007 and 1 August 2007, respectively.

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SHANGHAI ZENDAI PROPERTY LIMITED

Introduction

We have reviewed the interim financial information set out on pages 2 to 13 which comprise the condensed consolidated balance sheet of Shanghai Zendai Property Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flows statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

BDO McCabe Lo Limited
Certified Public Accountants

Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 18 September 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Financial Results

For the six months ended 30 June 2007, turnover of the Group amounted to approximately HK$657,624,000, a 19% decrease as compared with that of approximately HK$807,581,000 in the corresponding period last year. Profit attributable to shareholders decreased by 25% to approximately HK$101,202,000 as compared with that of approximately HK$135,225,000 in the corresponding period last year. Basic earnings per share were HK2.02 cents (2006 interim: HK2.75 cents). During the period under review, the Group's turnover and profit was mainly derived from the sale and delivery of "Mandarin Palace" villas.

The decrease in profit attributable to shareholders was mainly due to a provision for land appreciation tax in the amount of HK$40,876,000 made for the projects delivered in the review period.

Business Review

In the first half of 2007, the economy in the People's Republic of China (the "PRC") continued to grow rapidly with the income level of PRC citizen increasing, the Renminbi rising in value and investment in urban construction growing. These phenomena had bred growing demand for properties in different provinces and cities in the country. At the same time, the macroeconomic austerity measures on the property sector introduced since last year saw continuous and steady development of the property market.

The Group continued to develop and launch quality residential and commercial projects in Shanghai and other cities in the PRC during the period under review to fully realise its role as an integrated property developer. It also strengthened its financial base and capital structure by raising net proceeds of approximately US$144,800,000 (equivalent to HK$1,129,440,000) in the bond market in June this year, following the placing of shares at the end of last year to raise net proceeds of approximately HK$244,000,000. The bond issue has strengthened the Group's capital base for developing new projects, speeding up the acquisition of more property development projects with great potential and land reserves to boost the Group's business scale.

Residential Projects

Shanghai

The Mandarin Palace

"Mandarin Palace" villas, the Group's premium residential project in Shanghai, maintained satisfactory sales. As at 30 June 2007, a cumulative 34 individual villas of total saleable area of 23,798 square metres (with 16,672 square metres above-ground and 7,126 square metres under-ground) were sold, generating RMB935,310,000 (equivalent to approximately HK$944,758,000) in terms of contract value for the Group. During the period under review, 6 individual villas of total saleable area of 4,459 square metres (with 3,121 square metres above-ground and 1,338 square metres under-ground) were sold, generating RMB234,300,000 (equivalent to approximately HK$236,667,000) in terms of contract value for the Group. During the period under review, 21 villas were delivered with income booked totaling RMB596,044,000 (equivalent to HK$602,065,000) in terms of contract value for the Group. Since its launch in 2004, "Mandarin Palace" villas have been well received by the market and their selling price have been rising consistently. During the period under review, the average selling price reached over RMB50,000 per square metre, with an increase of over 38% when compared to RMB36,200 per square metre in 2006. Anticipating continuous rise in selling price for the project, the Group will continue to employ suitable sales strategy to maximise sales revenue.

Other Cities

Jilin Project

Works on the large-scale residential property project in Jilin with a total saleable area of approximately 196,000 square metres began in June last year. The project will be developed in three phases. The first phase will include 11 villas and 118 town houses of total saleable area of approximately 39,400 square metres. It is expected to be completed by the end of this year and pre-sale commenced in November last year. As at 30 June 2007, a cumulative 109 units of total saleable area of 30,853 square metres were sold, generating RMB114,300,000 (equivalent to HK$115,455,000) in terms of contract value for the Group. During the period under review, a total of 22 units with saleable area of 6,236 square metres were sold, generating RMB24,036,000 (equivalent to HK$24,279,000) in terms of contract value for the Group. Construction of second phase comprising residential towers with a total of 560 apartments and ancillary retail spaces had begun during the period under review. It is scheduled for pre-sale by the end of this year and completion by the end of next year. The third phase is still in planning stage.

Changchun Project

Construction of an integrated project comprising residential properties and shop spaces in Changchun commenced during the period under review. On an 800,000 square metre site, the project will be developed in several phases with total saleable area of approximately 1,050,000 square metres. First phase of the project will occupy an area of 77,300 square metres and the saleable area of the residential and commercial premises to be built will amount to 100,700 square metres and 4,300 square metres respectively. Pre-sale of the first phase will commence in October this year and construction is expected to complete by the end of 2008. The other phases are in planning stage.

Zendai Garden-Riverside Town

"Zendai Garden-Riverside Town" in Haimen, Jiangsu Province is not a major property project for sale during the period under review. "Zendai-Dong Zhou Mansion", the first part of the project, is developed in three phases with Phase I including 52 villas. As at 30 June 2007, a cumulative 40 units of total saleable floor area of 13,640 square metres were sold, generating RMB62,992,000 (equivalent to HK$63,628,000) in terms of contract value for the Group. Phases II and III of "Zendai-Dong Zhou Mansion" are still in the planning stage. Construction of the second part of "Zendai Garden-Riverside Town", which will proceed in four phases, commenced in August last year. It will be developed into an integrated residential area comprising low-density town houses. Phase I comprises 210 units of total saleable area approximately 45,900 square metres. The other three phases are in planning stage. The Group also acquired another piece of land with site area of about 811,000 square metre for the development of residential properties in 2006. It is still in the planning stage.

Commercial Property Projects

Shanghai

Zendai Cube Tower

The Group topped out its grade A office project "Zendai Cube Tower" in Pudong, Shanghai in July last year. The entire project was completed in August this year. The 21-storey commercial building includes two levels of underground car park with a total saleable area of approximately 39,809 square metres, which will provide a total of 130 office units with total floor area of approximately 29,471 square metres. Pre-sale started in October last year. As at 30 June 2007, a cumulative 78 units with total saleable floor area of 17,418 square metres were sold, generating RMB308,691,000 (equivalent to HK$311,809,000) in terms of contract value for the Group. During the period under review, a total of 44 units with saleable area of 10,602 square metres were sold, bringing in RMB196,679,000 (equivalent to HK$198,666,000) in terms of contract value for the Group. During the period under review, the highest selling price reached RMB23,500 per square metre, up 47% against the average of RMB16,000 per square metre in early October last year when the project was first launched for sale.

Wu Dao Kou Financial Centre

"Wu Dao Kou Financial Centre" is another grade A commercial property project of the Group in Pudong, Shanghai. The interior decoration of the project is in progress and the entire project is scheduled for completion early next year. On an approximately 16,000 square metre site, "Wu Dao Kou Financial Centre" will have two grade A office towers, namely north tower and south tower, and a high-end shopping complex serviced by a 2-level underground car park. It has a total saleable area of approximately 105,900 square metres. The 12-storey south tower was acquired by Evergreen Group in Taiwan as its headquarter in the Asia Pacific region. The transaction was completed during the period under review and the south tower is expected to be delivered in April 2008. The Group will consider keeping the office premises in the north tower, shopping complex and underground car park as investment properties and pre-leting will commence in October this year.

Himalaya Centre

The demand for commercial properties in Shanghai continues to increase as the 2010 World Expo in Shanghai approaches. During the period under review, the Group started an integrated commercial property project named "Himalaya Centre" opposite to the New International Expo Centre in Pudong, Shanghai. On a 28,900-square-metre site, the project will have a total saleable area of approximately 150,000 square metres. The integrated commercial building will house a five-star hotel with 450 guest rooms, an art museum, a multi-function conference centre, a theatre, offices and related commercial facilities. Groundwork of the project had been completed and the entire project is scheduled to complete in 2010.

Zendai Thumb Plaza

In 2005, the Group entered into agreement to acquire interest in part of the shopping mall of "Zendai Thumb Plaza" in Pudong, Shanghai for rental purpose. The Group has been successful in strengthening the position of the project as Pudong's new landmark and increasing rental income by adding more prominent brands such as Watson's, Haagen-Dazs and Nike last year to improve the tenant mix. According to the payment terms of the acquisition agreement, the total consideration of RMB680,000,000 will be paid by instalments and the consideration will be fully paid in 2008. The total rental income for 2009 is estimated at approximately RMB50,000,000.

Other Cities

Yangzhou Commercial Project

The Group plans to develop an integrated property project for commercial, cultural, leisure and entertainment uses at the heart of Yangzhou city. The project has a total saleable area of approximately 90,000 square metres and will include a cultural sightseeing area and a commercial district. It will be developed in three phases and resettlement work is in progress.

Issue of Fixed Rate Notes

During the period under review, the Group issued a five-year term 10% fixed rate notes of an aggregate principal amount of US$150,000,000. The net proceeds from the issue of the notes was approximately US$144,800,000 (equivalent to HK$1,129,440,000) which was used to finance property development and as general working capital of the Group. The notes have been rated "B+" by Standard & Poor's Ratings Group, Inc., "B+" by Fitch Ratings, Ltd. and "B2" by Moody's Investors Services, Inc. The Group has the notes listed on the Singapore Exchange Securities Trading Limited. The issue of fixed rate notes has not only generated additional capital for the Group to fund new projects, but also allowed the Group to acquire more property projects and land reserve with great development potential. It has fortified the Group's position as an integrated property developer.

Prospects

In July this year, the Group signed a framework agreement with Shan Shan Investment Holdings Co., Limited to jointly develop Zhongke Langfang Technology Valley in Langfang city, Hebei Province, the PRC, facilitating the Group to gain a foothold in Baohai Bay Rim. The area is identified by the PRC government as a major development focus in the Eleventh Five-Year Plan. Leveraging on the Group's capabilities in commercial property development projects and strong government support, it believes Zhongke Langfang Technology Valley will eventually become the PRC's own Silicon Valley. The strategic cooperation will increase the land reserve of the Group by 1,000,000 square metres in total saleable area.

In August this year, the Group signed another framework agreement to acquire 100% interest in Shanghai Hengjin Property Development Co., Ltd., which entitled it to the ownership of a middle- to high-end integrated property project named Hengsheng Pavilion in Pudong, Shanghai. Hengsheng Pavilion is on a 12,789-square-metre site on Zhangyang Road and Toalin Road, Pudong, neighbouring the Yuansheng Stadium, with a total saleable area of 61,694 square metres. It will comprise a 17-storey hotel with a podium making up of two levels of commercial spaces, and two 18-storey residential towers with commercial spaces on ground level. There will also be two levels of underground spaces for entertainment and leisure-related commercial use and car parking spaces. Construction of the project commenced in 2006 and topping out is imminent. The acquisition has enabled the Group to involve in an integrated commercial and residential project in one of the most vibrant commercial districts in Pudong, hence presented the Group with a strong future income source.

When the above acquisitions are all completed, the Group's land reserve will increase from the current total of 3,296,000 square metres to 4,360,000 square metres in total saleable area and its business will cover four promising economic development zones in the country, including Shanghai, the Group's home base, and the Yangtze River Delta region (Haimen and Yangzhou in Jiangsu), Baohai Bay Rim (Langfang) and Northeastern China (Changchun and Jilin). Meanwhile, the Group will not rule out the possibility of developing property projects in the Pearl River Delta and central and western part of the country so as to boost the scale and geographic coverage of the Group's business.

As for project type, the Group will continue its two-pronged approach putting weight on both residential and commercial property development. Its development projects in Shanghai will include mainly high-end residential properties and grade A commercial projects. On the other hand, the Group will develop more quality middle- to high-end residential projects and ancillary commercial facilities in second tier cities in the PRC. As for the proportion of assets, the Group will retain part of the commercial projects as investment properties to increase recurring rental income. Seeing huge market demand for quality office space and surge in the price of commercial properties, the Group will not rule out the possibility of selling some of the investment properties at suitable price level to maximise revenue and reinvest in other property projects with greater development potentials.

Looking ahead, the PRC property industry will continue to grow and present tremendous opportunities to leading market players in the long run. Drawing from its years of property development experience and backed by an enhanced capital structure and financial base, the Group is committed to develop and strengthen its business in the market with the aim of bringing satisfying returns to shareholders.

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

As at 30 June 2007, the Group had a healthy financial position with net assets amounted to approximately HK$1,838 million (31.12.2006: HK$1,598 million). Net current assets increased from approximately HK$1,723 million in 31 December 2006 to approximately HK$2,894 million, with current ratio of approximately 2.57 times (31.12.2006: 2.13 times).

The Group adopts relatively prudent financial policy and closely monitors its cash flow. As at 30 June 2007, the Group had consolidated bank loans of approximately HK$776 million (in which 88% was denominated in Renminbi, with the others denominated in Hong Kong dollars), out of which HK$265 million is repayable within one year, and convertible notes with principal amount of HK$63.8 million which will mature in February, 2008 and senior loan notes of HK$1,135 million which is due in June 2012. As at 30 June 2007, the Group's bank balances and cash were approximately HK$1,928 million, in which 40% was denominated in Renminbi, with the others denominated in Hong Kong dollars.

Sale of Properties

For the six months ended 30 June 2007, the turnover of this segment reached HK$635,018,000, representing a decrease of HK$159,050,000 or 20% as compared to HK$ 794,068,000 for the six months ended 30 June 2006. The profit from this segment was HK$166,552,000 representing a decrease of HK$45,663,000 as compared to HK$212,215,000 for the corresponding period in 2006. The decrease in turnover and result of this segment were mainly attributable to the gross floor area of properties delivered during the period was less than the corresponding period.

Travel and Related Business

For the six months ended 30 June 2007, the turnover of this segment decreased from HK$10,435,000 to HK$7,757,000 in the current period. The decrease in turnover of this segment was due to the reduction of tours organized.

Properties Investment

For the six months ended 30 June 2007, the turnover of this segment increased from HK$3,078,000 to HK$14,849,000 in the current period. The increase in turnover of this segment was due to the increase in the entitlement of rent.

Foreign Currency Exposure

As most of the Group's monetary assets and liabilities are denominated in Renminbi, the exchange rate risks of the Group is considered to be minimal.

Employees

At 30 June 2007, the Group employed approximately 240 (2006: 230) employees in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance.

Charges on Assets

As at 30 June 2007, the Group's properties for sale of approximately HK$992,060,000 have been pledged to banks to secure bank loans granted to the Group.

Contingent Liabilities

The Group provided guarantees of HK$11,098,000 at 30 June 2007 (31.12.2006: HK$8,740,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties, and there is no material outstanding litigation.

INTERIM DIVIDEND

The board of directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: nil).

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 30 June 2007, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were set out below:

Name of director	Capacity	Number of issued ordinary shares of the Company held	Approximate percentage of issued share capital
Dai Zhikang	Interests of controlled corporation *(Note)*	2,733,990,000(L)	42.69%
Fang Bin	Beneficial interest	50,000,000(L)	0.78%
Zhang Wei	Beneficial interests	50,000,000(L)	0.78%
Lu Puling	Beneficial interest	30,000,000(L)	0.47%
Wang Xiangang	Beneficial interests	20,000,000(L)	0.31%

Name of director	Capacity	Number of issued ordinary shares of the Company held	Approximate percentage of issued share capital
Tang Jian	Beneficial interests	10,000,000(L)	0.16%
Ye Wenbin	Beneficial interests	5,000,000(L)	0.08%

(L) denotes long position

Note: These 2,733,990,000 shares were held by Giant Glory Assets Limited. Giant Glory Assets Limited is wholly-owned by Dai Zhikang, an executive director and the chairman of the Company. Dai Zhikang is therefore deemed to be interested in these 2,733,990,000 shares of the Company held by Giant Glory Assets Limited pursuant to the SFO.

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO on or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as at 30 June 2007.

SHARE OPTIONS

The Company adopted a share option scheme on 18 July 2002 (the "Scheme"), with expiry date on 17 July 2012, for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No share options have been granted under the Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section of "Share Options" above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of ordinary shares of the Company	Approximate percentage of the issued share capital
Giant Glory Assets Limited *(Note 1)*	Beneficial interests	2,733,990,000(L)	42.69%
Honour Great Holdings Limited *(Note 2)*	Beneficial interests	524,020,000(L)	8.18%
Liu Lijuan *(Note 2)*	Interests of controlled corporation	524,020,000(L)	8.18%

(L) denotes long position

Notes:

1. These 2,733,990,000 shares were held by Giant Glory Assets Limited. Giant Glory Assets Limited is wholly-owned by Dai Zhikang, an executive director and the chairman of the Company. Dai Zhikang is therefore deemed to be interested in these 2,733,990,000 shares of the Company held by Giant Glory Assets Limited pursuant to the SFO.

2. Liu Lijuan is the beneficial owner of the entire issued share capital of Honour Great Holdings Limited and therefore is deemed to be interested in the shares of the Company held by Honour Great Holdings Limited pursuant to the SFO.

All interests stated above represent long position held in the shares of the Company. Save as disclosed above, as at 30 June 2006, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Mode Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Based on specific enquiry of the directors of the Company, the directors of the Company have confirmed they have complied with the Model Code.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 30 June 2007 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's auditors, whose independent review report will be included in the interim report.

The audit committee has also reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2007.

By Order of the Board
Dai Zhikang
Chairman

Hong Kong, 18 September 2007