SHANGHAI ZENDAI
上海証大房地產有限公司

Interim Report 2009

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 755

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 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 HK$'000 (Unaudited)	Six months ended 30 June 2008 HK$'000 (Unaudited)
Turnover	3	963,133	934,991
Cost of sales		(420,750)	(483,225)
Gross profit		542,383	451,766
Other income and gains		32,178	33,889
Distribution expenses		(24,650)	(16,167)
Administrative expenses		(82,984)	(69,839)
Other operating expenses		–	(41,709)
Change in fair value of investment properties		122,847	68,486
Share of results of associates		(10,052)	(2,701)
Share of results of a jointly controlled entity		–	(779)
Gain on deemed disposal of a subsidiary	15(d)	–	130,905
Finance costs		(81,975)	(77,749)
Profit before tax expenses	4	497,747	476,102
Tax expenses	5	(216,790)	(343,868)
Profit for the period		**280,957**	132,234
Other comprehensive income			
Exchange differences arising on translation of foreign operations		18,167	155,195
Release of other revaluation reserve on disposal of properties for sales		(21,052)	(41,249)
Tax expenses related to components of other comprehensive income		3,158	6,187
Other comprehensive income for the period, net of tax		**273**	120,133
Total comprehensive income for the period		**281,230**	252,367

		Six months ended	
	Notes	**30 June 2009** **HK$'000** **(Unaudited)**	30 June 2008 *HK$'000* (Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		**281,471**	138,665
Minority interests		**(514)**	(6,431)
		280,957	132,234
Total comprehensive income attributable to:			
Equity holders of the Company		**281,342**	256,340
Minority interests		**(112)**	(3,973)
		281,230	252,367
Earnings per share	7		
Basic		**HK2.74 cents**	HK1.98 cents
Diluted		**HK2.74 cents**	HK1.96 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	30 June 2009 *HK$'000* (Unaudited)	31 December 2008 *HK$'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment	*8*	370,111	372,127
Investment properties		1,337,067	1,211,852
Payment for leasehold land held for own use under operating leases		536,693	544,149
Goodwill		145,063	144,949
Interests in associates	*15(d)*	559,592	568,064
Available-for-sale investments		14,765	14,765
Total non-current assets		2,963,291	2,855,906
Current assets			
Properties under development and for sales		4,910,833	4,639,429
Inventories		1,055	1,154
Trade and other receivables	*9*	253,817	210,301
Deposits for property development		1,673	436
Financial assets at fair value through profit or loss		9,651	21,582
Available-for-sale investments		4,755	9,271
Amounts due from associates		67,949	51,764
Amounts due from related companies		21,809	27,572
Tax prepayment		21,473	13,058
Cash and cash equivalents		492,860	384,405
		5,785,875	5,358,972
Assets classified as held for sales		19,670	28,281
Total current assets		5,805,545	5,387,253
Total assets		8,768,836	8,243,159

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Liabilities			
Current liabilities			
Trade and other payables	10	448,071	574,689
Receipts in advance from customers		751,259	788,748
Amounts due to related companies		2,264	62
Amount due to a minority owner of a subsidiary		50,894	13,939
Bank loans		194,981	325,359
Tax payable		978,656	834,063
Total current liabilities		2,426,125	2,536,860
Net current assets		3,379,420	2,850,393
Total assets less current liabilities		6,342,711	5,706,299
Non-current liabilities			
Bank loans		925,049	689,739
Senior loan notes	11	1,062,058	1,112,497
Deferred tax liabilities		622,595	604,021
Other payables		151,737	–
Total non-current liabilities		2,761,439	2,406,257
Total liabilities		5,187,564	4,943,117
TOTAL NET ASSETS		3,581,272	3,300,042
Capital and reserves attributable to equity holders of the Company			
Share capital	12	205,825	205,825
Reserves		3,207,728	2,926,386
Equity attributable to equity holders of the Company		3,413,553	3,132,211
Minority interests		167,719	167,831
TOTAL EQUITY		3,581,272	3,300,042

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	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*	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 2009 (Audited)	205,825	1,258,444	1,074	157,315	68,541	141,493	924,373	294,422	80,724	3,132,211	167,831	3,300,042
Profit for the period	–	–	–	–	–	–	281,471	–	–	281,471	(514)	280,957
Other comprehensive income:												
Translation differences on overseas operations	–	–	–	–	–	–	–	17,765	–	17,765	402	18,167
Release of other revaluation reserve on disposal of properties for sales	–	–	–	–	–	–	–	–	(21,052)	(21,052)	–	(21,052)
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	–	–	3,158	3,158	–	3,158
Total comprehensive income for the period	–	–	–	–	–	–	281,471	17,765	(17,894)	281,342	(112)	281,230
At 30 June 2009 (Unaudited)	205,825	1,258,444	1,074	157,315	68,541	141,493	1,205,844	312,187	62,830	3,413,553	167,719	3,581,272

	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/share option 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 2008 (Audited)	140,075	627,269	1,074	157,315	68,541	56,190	825	817,829	146,555	111,026	2,126,699	402,826	2,529,525
Profit for the period	–	–	–	–	–	–	–	138,665	–	–	138,665	(6,431)	132,234
Other comprehensive income:													
Translation differences on overseas operations	–	–	–	–	–	–	–	–	152,737	–	152,737	2,458	155,195
Release of other revaluation reserve on disposal of properties for sales	–	–	–	–	–	–	–	–	–	(41,249)	(41,249)	–	(41,249)
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	–	–	–	6,187	6,187	–	6,187
Total comprehensive income for the period	–	–	–	–	–	–	–	138,665	152,737	(35,062)	256,340	(3,973)	252,367
Dividends paid to minority owners	–	–	–	–	–	–	–	–	–	–	–	(94,571)	(94,571)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	159,287	159,287
Further acquisitions of subsidiaries	–	–	–	–	–	–	–	(72,071)	–	–	(72,071)	(288,458)	(360,529)
Contribution by a minority owner	–	–	–	–	–	–	–	–	–	–	–	420,981	420,981
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(412,253)	(412,253)
Transfer of retained profits	–	–	–	–	–	42,615	–	(42,615)	–	–	–	–	–
At 30 June 2008 (Unaudited)	140,075	627,269	1,074	157,315	68,541	98,805	825	841,808	299,292	75,964	2,310,968	183,839	2,494,807

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 HK$'000 (Unaudited)	Six months ended 30 June 2008 HK$'000 (Unaudited)
Net cash from operating activities		**3,870**	250,959
Net cash from/(used in) investing activities	*15(c) & 16*	**25,889**	(536,498)
Net cash from financing activities		**66,996**	120,951
Net increase/(decrease) in cash and cash equivalents		**96,755**	(164,588)
Cash and cash equivalents at beginning of period		**384,405**	1,327,861
Effect of foreign exchange rate changes		**11,700**	24,171
Cash and cash equivalents at end of period		**492,860**	1,187,444

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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 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 value.

The accounting polices used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2008.

The following new standards and amendments to standards are mandatory for the financial year beginning on 1 January 2009 and which are relevant to the Group.

- HKFRS 2 (Amendment), 'Share-based Payment – Vesting Conditions and Cancellations' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of the above amendment has no effect on the results or financial position of the Group for the current or prior accounting periods.

- HKFRS 8, 'Operating Segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The adoption of HKFRS 8 has no material impact on the Group's segment reporting as the present segments information has been identified on the basis of internal reports regularly reviewed by the decision-maker.

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected the use of one statement approach. These condensed consolidated financial statements have been prepared under the revised presentation requirements and comparative figures have been restated or included to achieve a consistent presentation.

2. **PRINCIPAL ACCOUNTING POLICIES – Continued**

- HKAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009). The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The adoption of HKAS 23 (Revised) has no impact on the Group's results or financial position for the current or prior accounting periods as the Group has already followed the principles of capitalising borrowing costs for qualifying assets in accordance with the original HKAS 23.

- HK(IFRIC) – Int 15, 'Agreements for Construction of Real Estate' (effective from 1 January 2009). The interpretation clarifies the accounting treatment on revenue recognition of an entity engaged in the construction of real estate. It states that if construction could take place independently of the agreement and buyers have only limited ability to influence the design of the real estate, the agreement will be for the sale of goods or the rendering of services and within the scope of HKAS 18. The adoption of the above interpretation has no impact on the Group's results or financial position for the current or prior accounting periods.

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HK(IFRIC) 13	Customer Loyalty Programmes
HK(IFRIC) 16	Hedges of a Net Investment in a Foreign Operation
Amendments to HKFRS 7	Financial Instruments: Disclosures
Amendment to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations on Liquidation
Amendment to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HK(IFRIC)	Interpretation 9 and HKAS 39, 'Embedded Derivatives'

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
Amendment to HKAS 39	Eligible Hedged Items [4]
Amendments to HKFRS 1 (Revised)	Amendments to HKFRS 1 First-time Adoption of HKFRSs – Additional Exemptions for First-time Adopters [3]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions [3]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs [4]
HKFRS 3 (Revised)	Business Combinations [4]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [4]
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers [5]

1 Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for transfers of assets from customers received on or after 1 July 2009.

2. **PRINCIPAL ACCOUNTING POLICIES – Continued**

The Group has already commenced an assessment of the impact of the new standards, amendments to the standards or interpretations to existing standards but is not yet in a position to state whether these new standards, amendments to standards or interpretations to existing standards would have a significant impact to the Group's results of operations and financial position.

3. **SEGMENT INFORMATION**

Management has determined the operating segments based on the reports regularly reviewed by the Board of Directors that are used to assess performance and allocate resources. The Board considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently organised into four operating divisions; sales of properties, hotel operations, properties rental, management and agency services and provision of travel and related service.

Segment information is presented below:

(a) **Information about reportable segment revenue, profit or loss and other information**

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2009 *HK$'000* (Unaudited)	2008 *HK$'000* (Unaudited)	2009 *HK$'000* (Unaudited)	2008 *HK$'000* (Unaudited)	2009 *HK$'000* (Unaudited)	2008 *HK$'000* (Unaudited)	2009 *HK$'000* (Unaudited)	2008 *HK$'000* (Unaudited)	2009 *HK$'000* (Unaudited)	2008 *HK$'000* (Unaudited)
Reportable segment revenue – external sales	815,985	909,061	50,377	–	93,163	21,062	3,608	4,868	963,133	934,991
Reportable segment profit/(loss) before tax expenses	342,334	455,129	3,707	–	134,768	75,338	(148)	(89)	480,661	530,378
Interest income	1,161	4,994	29	–	73	–	–	–	1,263	4,994
Interest expense	(74,848)	(66,995)	–	–	(7,127)	(10,755)	–	–	(81,975)	(77,750)
Depreciation of property, plant and equipment	(1,730)	(1,535)	(7,659)	–	(419)	–	(22)	(22)	(9,830)	(1,557)
Amortisation of payments for leasehold land held for own use under operating leases	–	–	(8,261)	–	–	–	–	–	(8,261)	–
Change in fair value of investment properties	–	–	–	–	122,847	68,486	–	–	122,847	68,486
Gain on deemed disposal of a subsidiary	–	130,905	–	–	–	–	–	–	–	130,905

3. SEGMENT INFORMATION – Continued

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June 2009 HK$'000 (Unaudited)	Six months ended 30 June 2008 HK$'000 (Unaudited)
Reportable segment profit before tax expenses	480,661	530,378
Interest income	28	2,346
Dividend income from financial assets at fair value through profit or loss	–	302
Gain on disposal of available-for-sale investments	442	–
Gain on repurchase of senior loan notes	17,847	–
Gain/(loss) on disposal of financial assets at fair value through profit or loss	5,028	(4,628)
Gain/(loss) on fair value changes of financial assets at fair value through profit or loss	4,050	(37,081)
Unallocated head office and corporate expenses	(10,309)	(15,215)
Profit before tax expenses	497,747	476,102

4. PROFIT BEFORE TAX EXPENSES

	Six months ended 30 June 2009 HK$'000 (Unaudited)	Six months ended 30 June 2008 HK$'000 (Unaudited)
Profit before tax expenses has been arrived at after charging:		
Depreciation on property, plant and equipment	9,830	1,557
Amortisation of payment for leasehold land held for own use under operating leases	8,261	–
Loss on disposal of financial assets at fair value through profit or loss	–	4,628
Loss on fair value changes of financial assets at fair value through profit or loss	–	37,081
Exchange losses, net	579	12,539
and after crediting:		
Interest income	1,291	7,340
Gain on disposal of a subsidiary	–	800
Gain on disposal of available-for-sale investments	442	–
Gain on disposal of assets classified as held for sale	–	18,971
Gain on disposal of financial assets at fair value through profit or loss	5,028	–
Gain on fair value changes of financial assets at fair value through profit or loss	4,050	–
Dividend income from financial assets at fair value through profit or loss	–	302
Gain on repurchase of senior loan notes	17,847	–

5. TAX EXPENSES

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

	Six months ended	
	30 June 2009	30 June 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax ("EIT")		
– tax for the period	**97,639**	71,034
– under/(over) provision in respect of prior years	**2,913**	(1,018)
	100,552	70,016
Current tax – Land Appreciation Tax ("LAT")		
– tax for the period	**108,580**	182,247
– (over)/under provision in respect of prior years	**(9,771)**	41,354
	98,809	223,601
Deferred tax		
– current period	**17,429**	11,361
– effect of change in tax rate	**–**	38,890
	17,429	50,251
	216,790	343,868

Hong Kong Profits Tax

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

EIT

PRC subsidiaries are subject to EIT at rates ranging from 20% to 25% (six months ended 30 June 2008: 18% to 25%)

LAT

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

6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2008: Nil).

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30 June 2009	30 June 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to equity holders	**281,471**	138,665
Weighted average number of ordinary shares in issue *(thousands)*	**10,291,273**	7,003,738
Basic earnings per share *(HK cents per share)*	**2.74**	1.98

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders and the weighted average number of ordinary shares in issue during the period after adjusting for the number of dilutive potential ordinary shares on convertible notes issued and options granted.

	Six months ended	
	30 June 2009	30 June 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to equity holders	**281,471**	138,665
Adjustments for interest on convertible notes	**–**	479
Profit attributable to equity holders for diluted earnings per share	**281,471**	139,144
Weighted average number of ordinary shares in issue *(thousands)*	**10,291,273**	7,003,738
Effect of dilutive potential ordinary shares on		
– convertible notes *(thousands) (Note (i))*	**–**	78,658
– options *(thousands) (Note (ii))*	**–**	20,449
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**10,291,273**	7,102,845
Diluted earnings per share *(HK cents per share)*	**2.74**	1.96

Notes:

(i) On 21 February 2008, the convertible notes were fully repaid; and therefore, there was no dilutive effect for the six months ended 30 June 2009.

(ii) The share options outstanding during the six months ended 30 June 2009 were not included in the calculation of diluted earnings per share because they were antidilutive.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$7,484,000 (six months ended 30 June 2008: HK$3,391,000) on acquisition of property, plant and equipment.

9. TRADE 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 and other receivables of the Group are trade receivables of HK$82,695,000 (31 December 2008: HK$37,186,000). The aging analysis of trade receivables at the balance sheet date is as follows:

	30 June 2009 ***HK$'000*** **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Current	**63,028**	28,308
Less than 1 month past due	**4,045**	3,936
1 to 3 months past due	**6,633**	14
More than 3 months but less than 12 months past due	**4,865**	1,615
More than 12 months past due	**4,124**	3,313
Amount past due at the balance sheet date but not impaired *(Note)*	**19,667**	8,878
	82,695	37,186

Note:

The balance of HK$19,667,000 (31 December 2008: HK$8,878,000) was past due but not impaired. The amount related to a number of customers with good repayment history. The management considered that no impairment loss is required to be recognised in the current period.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$208,626,000 (31 December 2008: HK$286,451,000). The aging analysis of trade payables at the balance sheet date is as follows:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current or less than 1 month	**29,576**	430
1 – 3 months	**23,161**	78,297
More than 3 months but less than 12 months	**20,128**	28,364
More than 12 months	**98,514**	144,212
	171,379	251,303
Retention money	**37,247**	35,148
	208,626	286,451

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

11. SENIOR LOAN NOTES

On 6 June 2007, the Company 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 are payable semi-annually in arrears on 6 June and 6 December of each year, beginning on 6 December 2007. The Notes are guaranteed by certain subsidiaries and listed on the Singapore Exchange Securities Trading Limited.

During the period ended 30 June 2009, the Group through a subsidiary repurchased part of the Notes with principal amount of US$6,960,000 at a total consideration of US$4,672,000. The gain of HK$17,846,000 on repurchase was recognised in the statement of comprehensive income.

12. SHARE CAPITAL

In 2008, the Company granted 265,833,333 share options to the subscriber of the convertible notes with exercise price of HK$0.24 per share, each share option is convertible into one ordinary share of the Company for the period from 22 February 2008 to 21 February 2010. Details of the convertible notes were disclosed in the announcement of the Company dated 2 February 2005. The share options have not been exercised since the date of grant.

13. COMMITMENTS

	30 June 2009 *HK$'000* (Unaudited)	31 December 2008 *HK$'000* (Audited)
Commitments for property development – contracted but not provided	875,786	609,589

14. CONTINGENT LIABILITIES

The Group provided guarantees of HK$245,200,000 at 30 June 2009 (31 December 2008: HK$59,380,000) 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.

15. RELATED PARTY TRANSACTIONS

(a) Related company

	Six months ended	
	30 June 2009 *HK$'000* (Unaudited)	30 June 2008 *HK$'000* (Unaudited)
Rental income	–	19,961

The related company is 上海証大商業旅遊投資有限公司, in which Mr. Dai Zhikang ("Mr. Dai"), 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 were as follows:

	Six months ended	
	30 June 2009 *HK$'000* (Unaudited)	30 June 2008 *HK$'000* (Unaudited)
Short-term benefits	1,432	2,966
Post-employment benefits	147	47
	1,579	3,013

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

15. RELATED PARTY TRANSACTIONS – Continued

(c) On 9 October 2007, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited ("Shanghai Zendai Investment"), a company which is beneficially owned by Mr. Dai, a director of the Company, to further acquire the remaining 20% of the issued share capital of a subsidiary, 上海証大置業有限公司 at a consideration of RMB305,000,000. The acquisition was completed on 23 January 2008 and resulted a net cash outflow of HK$360,529,000. The difference between the consideration paid and the relevant share of the net assets acquired of HK$70,405,000 was debited directly to equity. The details of the transaction were disclosed in the Company's circular dated 8 November 2007.

(d) On 22 February 2008, the minority owner of Shanghai Zendai Himalaya Real Estate Company Limited ("HLCL"), Shanghai Zendai Investment which has 40% interest in HLCL injected additional capital of RMB370,000,000 in HLCL. The paid-up capital of HLCL was increased from RMB10,000,000 to RMB20,000,000 and creation of share premium of RMB360,000,000. The transaction led to the reduction of the Group's interest in HLCL from 60% to 30% and HLCL became an associate of the Group with carrying amount of HK$118,581,000. The gain on deemed disposal of HK$130,905,000 was recognised in the statement of comprehensive income.

(e) Balances with related parties as at 30 June 2009 and 31 December 2008 are set out in the condensed consolidated statement of financial position.

16. ACQUISITION IN PRIOR PERIOD

(a) On 2 January 2008, the Group entered into an agreement with an independent third party to acquire entire interest in Meiyi International Limited and its 60% owned subsidiary, 海南華意置業有限公司 (collectively referred to as "Meiyi Group") at a cash consideration of RMB206,000,000. The major asset in Meiyi Group is a parcel of land with approximately 1,309,000 square metres in Chenmai County, Hainan. The acquisition was completed in January 2008.

(b) On 7 December 2007, the Group entered into an agreement with 4 independent individuals, to acquire entire interest in 海門市紅日環保設備有限公司 and its wholly owned subsidiary, 海門市紅日農業科技有限公司 (collectively referred as "Hongri Group") at cash consideration of RMB27,000,000. The major assets in Hongri Group are 2 parcels of land with approximately 47,000 and 86,000 square metres respectively in Haimen City, Jiangsu Province. The acquisition was completed in January 2008.

The above acquisitions were not accounted for under HKFRS 3 "Business Combinations" as Meiyi Group and Hongri Group were mainly in the possession of lands in the PRC and the lands were vacant at acquisition date and no business activities had been conducted by these companies before the acquisition. The transactions were accounted for as purchase of properties for development and sales.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SHANGHAI ZENDAI PROPERTY LIMITED

Introduction

We have reviewed the interim financial information set out on pages 2 to 18 which comprise the condensed consolidated statement of financial position of Shanghai Zendai Property Limited as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain 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 than 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 Limited
Certified Public Accountants

Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 3 September 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the period under review, turnover of the Group amounted to approximately HK$963,133,000, representing an increase of 3% against approximately HK$934,991,000 in the same period of 2008. Profit attributable to shareholders of the Company (the "Shareholders") grew by 103% to approximately HK$281,471,000 from approximately HK$138,665,000 in the corresponding period last year. Basic earnings per share of the Company (the "Share") were HK2.74 cents (2008: HK1.98 cents). The Group derived turnover and profit for the period mainly from:

- delivery of office units in "Wu Dao Kou Financial Center", Shanghai
- delivery of office units in "Zendai Cube Tower", Shanghai
- delivery of a villa in the premium residential project "Mandarin Palace", Shanghai
- delivery of residential properties in Haimen, Changchun and Jilin
- revaluation gains on investment properties

Business Review

In the first half of 2009, economies around the world turned for the worse. However, the government of the People's Republic of China (the "PRC") implemented effective fiscal policies, the RMB4 trillion economic stimulus package. It had also relaxed monetary policy which led to significant reduction of interest rate, ease of credit and higher market liquidity. Accordingly, it had greatly mitigated the impacts of the economic slowdown in the property sector of the PRC. The PRC saw signs of recovery of the property market in the second quarter. Both the price and transaction volume of properties rose notably in the second quarter.

The strategic acquisition of the entire interest of Giant Hope Investments Limited ("Giant Hope") last year has strengthened the Group's position as an integrated property developer with equal emphasis on developing commercial and residential projects. It has also enabled the Group to secure more development projects in other PRC cities with high growth potential apart from Shanghai. As a result, the Group was able to roll out residential and commercial properties in Shanghai and other regions as scheduled during the review period. It also delivered satisfactory performance riding on the reviving PRC property market.

Commercial Property Projects

Shanghai

Wu Dao Kou Financial Centre

The grade A commercial project of the Group, "Wu Dao Kou Financial Centre" in Pudong, Shanghai comprises two office buildings, the south and north towers, with a total salable area of 83,265 square metres. The south tower with a total floor area of 25,865 square metres was acquired by Evergreen Group of Taiwan to serve as its Asia Pacific headquarters and was delivered last year. The total floor area of the office units in the north tower and ancillary commercial spaces was 57,400 square metres. As at 30 June 2009, a cumulative total floor area of 30,689 square metres of north tower were sold and delivered, including the 13,561 square metres delivered within the review period and contract value totalling RMB473,000,000 (equivalent to HK$535,800,000) was recognised as turnover.

Zendai Cube Tower

The Group's another grade A office project "Zendai Cube Tower" comprises office and commercial properties with a total floor area of 33,149 square metres. As at 30 June 2009, a cumulative total floor area of 29,961 square metres was sold and delivered. Of that number, 1,434 square metres were delivered during the period with contract value totalling RMB53,400,000 (equivalent to HK$60,500,000) was recognised as turnover.

Zendai Thumb Plaza

After the Group completed the acquisition of Giant Hope last year, the area of retail shops in "Zendai Thumb Plaza" owned by it had increased to 47,382 square metres and it also secured 447 underground car parking spaces. Zendai Thumb Plaza is a modern integrated commercial complex at a prime location neighbouring Century Park and the Lujiazui financial district. As at 30 June 2009, more than 90% of the commercial spaces in the plaza were leased. Rental income recognised during the review period was RMB28,500,000 (equivalent to HK$32,300,000).

Radisson Hotel Pudong

The acquisition of Giant Hope also added the five-star hotel "Radisson Hotel Pudong" in Zendai Thumb Plaza to the portfolio of the Group. The 18-storey hotel has a gross floor area of 31,826 square metres and 361 guest rooms, a 4-storey ancillary building and one level of basement. It has been in operation since March 2006 and is managed under the "Radisson" brand by Carlson Companies. The average occupancy rate of the hotel was 60% in the first half of 2009. Total income of the hotel within the review period was RMB44,500,000 (equivalent to HK$50,400,000).

Zendai Yuanshan Financial Building

In Pudong, Shanghai, "Zendai Yuanshan Financial Building" will have 17 floors of offices, a podium with two levels of commercial spaces and two 18-storey serviced apartment blocks, with commercial spaces on the ground floor, two levels of underground spaces for entertainment and leisure-related uses as well as car parking. It will have a total salable area of approximately 47,427 square metres and will be completed by the end of 2009.

Parcel of land in Qingpu District, Shanghai

Also through the Giant Hope acquisition, the Group secured 90% interest in a parcel of land in the tourist site Zhujiajiao Town, Qingpu District, Shanghai. Together with 10% interest in the land it already owned, the Group now secured the entire interest in the approximately 140,099-square-metre lot of land intended to be developed into an integrated project comprising mid to high-end serviced apartments, retail shops, a hotel and club house. Construction of the project of gross floor area of approximately 121,000 square metres is expected to commence in the first quarter of 2010 and be completed by the end of 2011.

Himalayas Center

"Himalayas Center" is an integrated commercial property project 45%-owned by the Group. It is located on Fangdian Road, Pudong New Area, near the Shanghai New International Expo Center, Century Park, Metro Line 2's Long Yang Road Station and Shanghai Meglev's Long Yang Road Station. The project occupies an area of 28,893 square metres and total gross floor area of approximately 164,500 square metres. It will be developed into a high-end complex with a hotel, a shopping arcade, an office building, a theater and an art centre. Construction is expected to be completed in phases between 2010 and 2012. The hotel section will commence operation in June 2010 to coincide with the World Expo in Shanghai which shall take place in May 2010.

Other cities

Qingdao "Zendai Thumb Plaza"

At the time when the acquisition of Giant Hope was completed by the Group, a wholly-owned subsidiary of Giant Hope was applying for transfer of land use right of another site in Lao Shan District, Qingdao City, Shandong Province, the PRC. The relevant transfer was completed in February 2009. The approximately 40,000-square-metre site is located north-west of the junction of Haier Road and Tongan Road and is intended to be developed into an integrated project named Qingdao "Zendai Thumb Plaza" comprising retail shops, a hotel, serviced apartments and a conference centre with total gross floor area of approximately 181,700 square metres. Foundation work of the project is scheduled to start in the second quarter of 2009 and is expected to be completed in the second half of 2011.

Parcel of land in Lao Shan District of Qingdao City

The Giant Hope acquisition brought to the Group 25% interest in a parcel of land in Lao Shan District of Qingdao City, Shandong Province. Together with the 20% interest in the land it already owned, the Group now has 45% interest in the approximately 43,613-square-metre site in south-western Lao Shan District in Qingdao City, with Hongkong Road to its south and Songling Road to its west. The site is intended for development of an integrated project named "上實 • 國際廣場" comprising serviced apartments, apartments and a basement car park. The project with total gross floor area reaching approximately 143,000 square metres will be constructed in phases. The first phase, close to topping out, consists of five 28 to 30-storey high-end residential buildings with total gross floor area of around 84,310 square metres. It is expected to be completed and delivered at the end of this year. The pre-sale of the apartments has started in late May and 469 square metres were sold as at 30 June 2009, generating RMB14,950,000 (equivalent to approximately HK$16,900,000) in terms of total contract value. As for other parts of the project to be developed, planning is currently underway.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment uses in the heart of Yangzhou City. The project has a total saleable area of approximately 81,200 square metres and will include a cultural sightseeing area and a commercial district. It will be developed in two phases. The first phase will have 12 blocks and 243 units, with a saleable area of approximately 20,400 square metres. Construction of phase one has been completed in the second quarter of 2009. Currently, promotion to potential tenants is in progress. The Group will rent out the property first, then sell it together with the leases, such being a means to ensure the tenant portfolio agreeing with the business disposition of the project which will begin operation in December 2009. As for the second phase of the project, planning is in progress.

Haikou Project

The Group owns a developing project with gross floor area of approximately 73,000 square metres and a parcel of land of approximately 7,745 square metres in Haikou City, Hainan Province. The developing project is named "Hainan Zendai Wu Dao Kou Financial Centre", which will have total saleable office space of approximately 55,214 square metres. Construction of the project has begun in the first quarter of 2009 and pre-sale is expected to start in the first quarter of 2010 and delivery is scheduled for the first quarter of 2011. As for the parcel of land of approximately 7,745 square metres, it will be developed into serviced apartments with saleable area of approximately 44,980 square metres. Construction will be commenced in the fourth quarter of 2009 and be completed in mid-2012. Pre-sale will start in the fourth quarter of 2010.

The land in Chenmai County, Hainan

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan with a site area of 1,309,563 square metres. The land is intended for developing into leisure-related commercial and residential property projects including hotels, villas and other related facilities and related layout and design details are currently on the drawing board.

"Zhongke Langfang Technology Valley" in Langfang City

The Group and Shan Shan Investment Holdings Co., Limited ("Shan Shan Investment") are jointly developing the "Zhongke Langfang Technology Valley" in Langfang City, Hebei Province. The project has a total site area of approximately 3,100,000 square metres, around 30% of which will be used for developing commercial properties. The project aspires to become a technology research and development centre resembling the Silicon Valley in the United States of America. Construction of infrastructure is underway. The strategic cooperation will allow the Group to gain foothold and seize business opportunities in the Bohai Bay Rim.

Land Parcels in Inner Mongolia Autonomous Region

In August 2008, the Group signed agreements to acquire two parcels of land in the Inner Mongolia Autonomous Region through an indirect wholly-owned subsidiary. One of the two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, which has a total site area of approximately 45,718 square metres, is designated for commercial use. The other of total site area of approximately 103,750 square metres is intended to be developed into a residential project. Preliminary planning for the two sites is underway.

Residential Projects

Shanghai

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, has 50 villas with a total saleable area of approximately 37,690 square metres. As at 30 June 2009, a cumulative 42 villas with total saleable area of 30,179 square metres were sold, generating RMB1,335,000,000 (equivalent to approximately HK$1,512,000,000) in terms of total contract value for the Group. During the period, four villas with total saleable area of 2,715 square metres were sold, generating a total contract value of RMB172,000,000. During the period, one villa with total saleable area of 789 square metres was delivered and contract value of RMB57,000,000 (equivalent to HK$64,600,000) was booked.

Zendai Yuanshan Financial Building

In Pudong, Shanghai, "Zendai Yuanshan Financial Building" will have a total salable area of approximately 47,427 square metres which will be developed into 17 floors of offices and two 18-storey serviced apartment blocks with commercial spaces on the ground floor and two levels of underground spaces for entertainment and leisure-related uses and parking cars. For the part of residential units named Zendai Quantland, they have a total saleable area of approximately 22,100 square metres. Pre-sale of the residential units and ancillary commercial spaces has commenced in January 2009. A total floor area of 11,490 square metres were sold at a total contract value of RMB283,400,000 (equivalent to HK$321,000,000). Completion and delivery is expected before the end of 2009.

Other cities

"Valley International" in Jilin

Occupying a 191,100-square-metre site, the residential project "Valley International" boasts a total saleable area of approximately 202,000 square metres. The project will be developed in four phases.

"楓林別墅", the first phase of the project, comprises 118 town houses and 11 villas with total saleable area of 39,252 square metres. As at 30 June 2009, a cumulative 116 town houses and 6 villas with total saleable area of 35,847 square metres were sold, generating RMB147,500,000 (equivalent to HK$167,100,000) in terms of total contract value for the Group. All of them had been delivered including 1,143 square metres carrying a total contract value of RMB7,593,000 (equivalent to HK$8,601,000), which was recognised as turnover during the period.

The second phase of the project will comprise four low-rise blocks and seven high-rise residential blocks. Together they will provide 503 residential units and ancillary commercial facilities with total saleable area of about 83,348 square metres (79,543 square metres of which will be for residential use and 3,805 square metres will be for commercial use). Construction of the 11 buildings will take place and be delivered in three batches as scheduled.

Construction of the first batch comprising four low-rise blocks with 209 residential units and ancillary commercial units of total saleable area 26,792 square metres was completed in late 2008, waiting for delivery in the second half of 2009. Between November 2007 when sale of the units began and 30 June 2009, a cumulative 115 units with total saleable area of 11,248 square metres were sold, generating RMB45,100,000 (equivalent to HK$51,100,000) in terms of total contract value for the Group. During the period under review, a total of 63 residential units with total saleable area of about 6,172 square metres were sold, generating RMB25,700,000 (equivalent to HK$29,100,000) in terms of total contract value for the Group.

Construction of the second batch comprising five high-rise blocks, which will provide 250 residential units with total saleable area of 42,258 square metres, has begun its construction in the third quarter of last year and is expected to be completed by end of 2010. Pre-sale will start in March of 2010.

The third batch comprising two high-rise blocks, which will provide 44 residential units with total saleable area of 14,298 square metres, has commenced construction in the second quarter of 2009. Pre-sale will start in July of 2010 and the units will be delivered in the fourth quarter of 2010.

The third phase of the project will provide 117 villas and town houses with saleable area of approximately 44,500 square metres. Construction has started in May 2008 and will be completed by the end of 2009. Pre-sale has begun in October 2008. As at 30 June 2009, 31 units with total saleable area of 10,745 square metres were sold, generating total contract value of RMB56,300,000 (equivalent to HK$63,800,000) for the Group. During the period under review, total saleable area of approximately 4,155 square metres were sold, generating RMB20,800,000 (equivalent to HK$23,600,000) in contract value for the Group.

As for phase fourth of the project, planning is in progress. It will offer villas with a total saleable area of approximately 34,920 square metres.

"Zendai Ideal City" in Changchun

Located in Changchun, "Zendai Ideal City" will include residential properties and ancillary commercial spaces on a 308,800-square-metre site and will have a total saleable area of 413,000 square metres. The project is being constructed in five phases. The first phase on an approximately 77,300-square-metre site will have a total saleable area of approximately 111,500 square metres, comprising 23 multi-storey residential buildings and 3 high-rise residential buildings, offering a total of 1,210 units and related ancillary commercial facilities. Construction in batches will be all completed in October 2009. As at 30 June 2009, 918 units with total saleable area of 86,941 square metres in the first phase were sold, generating a total contract value of RMB293,400,000 (equivalent to HK$332,400,000) for the Group. During the period under review, the Group delivered 101 residential units of total area 10,478 square metres and recognised RMB35,100,000 as turnover (equivalent to HK$39,800,000) in terms of contract value for the period.

The second phase of the project will be developed into 19 multi-storey residential buildings, 10 high-rise residential buildings and ancillary commercial facilities, with total saleable area of about 115,200 square metres. Pre-sale of the multi-storey residential buildings and six 9 to 11-storey high-rise residential buildings of 91,745 square meters has begun in the first quarter of 2009. Total saleable area of 21,398 square metres were sold during the period, bringing a total contract amount of RMB78,000,000 (equivalent to HK$88,400,000) to the Group. The units will be ready for delivery in August in 2010. Units in another four 15-storey high-rise residential buildings are expected to be ready for delivery in the fourth quarter of 2010 and will begin presale in the first quarter of 2010. Other parts to be developed are still in planning stage.

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,388,872 square metres.

The first parcel has a total site area of approximately 577,336 square metres and will be developed in two parts. "Zendai-Dong Zhou Mansion", the first part of the parcel, is being developed in three phases with Phase I including 52 villas with total saleable area of approximately 17,457 square metres. As at 30 June 2009, a cumulative 43 units with total saleable area of 14,666 square metres were sold, generating RMB69,400,000 (equivalent to HK$78,600,000) in terms of contract value for the Group. Two units with total saleable area of 763 square metres were sold during the period, generating a contractual amount of RMB4,880,000 (equivalent to HK$5,530,000) for the Group. During the period under review, the Group delivered two units with total area 763 square metres and recognised from them a total contract sum of RMB4,880,000 (equivalent to HK$5,530,000). Phases II and III of the "Zendai-Dong Zhou Mansion" are still in planning stage. "Multiflora Garden", on the second part of the parcel of land, will be developed in two phases into an integrated residential area comprising low-density town houses. Phase I offered 212 units with total saleable area of approximately 57,500 square metres. As at 30 June 2009, a cumulative 140 units with total saleable area of 36,926 square metres were sold, generating a total contract value of RMB164,700,000 (equivalent to HK$186,600,000) for the Group. During the period under review, the Group delivered 34 units of total area 8,599 square metres and recognised the contract sum of RMB38,700,000 (equivalent to HK$43,800,000) from them as turnover.

The second parcel with area of approximately 811,536 square metres will be developed into residential properties in phases. "清華園生態花園", being the first phase, has a total land area of approximately 43,551 square metres and saleable area of approximately 65,400 square metres. Pre-sale of units will start in the fourth quarter of the year. Other parts to be developed are being planned.

Huzhou in Zhejiang Province

The Group owns a parcel of land with an area of approximately 59,935 square metres in Huzhou, Zhejiang Province. The project with a total saleable floor area of approximately 119,000 square metres will be developed into a project with residential properties and ancillary commercial spaces. Detailed planning of the project is underway.

Prospects

The Group believes that the stimulus package launched by the PRC government has been effective as reflected in the climbing property prices in the second quarter. Looking to the second half of the year, although the PRC central government will make fine adjustment to the macro economy to prevent formation of bubble in the property market and to control the credit risk, it will continue to implement active fiscal policies and an appropriate grip on currency policies to ensure stability of the economy. Thus, the PRC property market is expected to stabilise in the second half of the year and the Group is optimistic about the healthy growth of the market in the long run. With the 2010 World Expo to be held in Shanghai and the PRC central government being determined to boost development of a modern service industry and an advanced manufacturing industry in Shanghai, building the city into an international financial hub and international maritime centre, Shanghai stands well in achieving long-term economic growth and a prosperous property market.

The Group will adopt flexible operation and sales strategies to capture market opportunities. Apart from business in its home base Shanghai, the Group will continue to push ahead with development of projects in the Yangtze River Delta region (Haimen, Yangzhou and Wuzhou), the Bohai Bay Rim (Langfang), Northeastern China (Qingdao, Changchun and Jilin), Southeastern China (Hainan) and Inner Mongolia. Furthermore, the Group will adhere to its long-standing land acquisition strategy of striving actively for steady growth. It will strive to accurately grasp market trends, boost its land reserve in regions with development potential like Shanghai and Qingdao at opportune time, apply its strengths and fortify its brand position so as to deliver better returns to shareholders.

Liquidity, financial resources, capital structure and gearing

As at 30 June 2009, the Group had a healthy financial position with net assets amounted to approximately HK$3,581 million (31 December 2008: HK$3,300 million). Net current assets increased from approximately HK$2,850 million in 31 December 2008 to approximately HK$3,379 million, with current ratio of approximately 2.39 times (31 December 2008: 2.12 times). The Group adopts relatively prudent financial policy and closely monitors its cashflow. As at 30 June 2009, the Group had consolidated bank loans of approximately HK$1,120 million (in which 94% was denominated in Renminbi, with the others denominated in Hong Kong dollars), out of which HK$195 million is repayable within one year and senior loan notes of HK$1,062 million which is due in June 2012. As at 30 June 2009, the Group's bank balances and cash were approximately HK$493 million. The gearing ratio of the Group improved from 0.68 times in 2008 to 0.64 times in 2009 (basis: total of amounts due to related companies, bank loans and notes payable divided by shareholders' funds).

Sale of properties

For the six months ended 30 June 2009, the turnover of this segment reached HK$815,985,000, representing a decrease of HK$93,076,000 or 10% as compared to HK$909,061,000 for the six months ended 30 June 2008. The profit from this segment was HK$342,334,000, representing a decrease of HK$112,795,000 as compared to HK$455,129,000 for the corresponding period in 2008. The decrease in turnover was due to the fact that more low value residential properties were delivered during the period while more high value commercial properties were delivered in the corresponding period in 2008. The decrease in profit was due to the fact that there being no deemed disposal gain of property project company during the period as compared to the gain of HK$130,905,000 on deemed disposal of the shares of property project company during the corresponding period last year.

Travel and related services

For the six months ended 30 June 2009, the turnover of this segment decreased from HK$4,868,000 to HK$3,608,000 in the current period.

Properties rental, management and agency services

For the six months ended 30 June 2009, the turnover of this segment increased from HK$21,062,000 to HK$93,163,000 in the current period mainly due to the acquisition of Giant Hope.

Hotel Operations

For the six months ended 30 June 2009, the turnover of this segment was HK$50,377,000 (2008: nil). The increase was due to the acquisition of Radisson Hotel in July 2008.

Foreign currency exposure

The operations of the Group are mainly carried out in the PRC with most transactions settled in Renminbi ("RMB"). The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

Employees

At 30 June 2009, the Group employed approximately 1,100 (2008: 270) 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, and share option scheme.

Charges on assets

As at 30 June 2009, the Group's hotel buildings, properties for development and sales and investment properties of approximately HK$336,400,000, HK$868,400,000 and HK$1,325,200,000 respectively had been pledged to banks to secure bank loans granted to the Group.

Contingent liabilities

The Group provided guarantees of HK$245,200,000 at 30 June 2009 (31 December 2008: HK$59,380,000) 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 was 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 2009 (2008: nil).

Directors' interests in shares

As at 30 June 2009, 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	Number of shares of the Company	Capacity and nature of interests	Approximate percentage of issued share capital
Mr. Dai Zhikang	6,256,345,000(L)	Interests of controlled corporation *(Note)*	60.79%
Mr. Zhu Nansong	50,000,000(L)	Beneficial owner	0.49%
Mr. Ma Chengliang	50,000,000(L)	Beneficial owner	0.49%
Mr. Fang Bin	50,000,000(L)	Beneficial owner	0.49%
Mr. Tang Jian	10,000,000(L)	Beneficial owner	0.10%

(L) denotes long position

Note: Mr. Dai Zhikang is deemed to be interested in an aggregate of 6,256,345,000 Shares held by Giant Glory, Jointex Investment and Dorsing Star Limited, respectively, as follows:

(a) 1,912,345,000 Shares are held by Giant Glory in which is wholly-owned by Mr. Dai;

(b) 3,344,000,000 Shares are held by Jointex Investment Holdings Limited in which is owned as to 85% by Giant Glory and as to 15% by Mr Zhu Nansong;

(c) 1,000,000,000 Shares are held by Dorsing Star Limited which is wholly owned by Master Faith Group Limited. All shares of Master Faith Group Limited are held by DBS Trustee H.K. (Jersey) Limited in its capacity as trustee of the DLD Trust, the beneficiaries of which include Liu Qiong Yu and Dai Mo Cao, both are family members of Mr. Dai. Mr. Dai is the settlor of the DLD Trust and therefore is deemed to be interested in the 1,000,000,000 Shares held by Dorsing Star Limited.

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 2009.

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 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.

Persons having 5% or more interests

As at 30 June 2009, the interests or short positions of any 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	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Giant Glory *(Note 1)*	The Company	Beneficial owner	1,912,345,000 Shares (L)	18.58%
Jointex Investment Holdings Limited *(Note 1)*	The Company	Beneficial owner	3,344,000,000 Share (L)	32.49%
Dorsing Star Limited *(Note 1)*	The Company	Beneficial owner	1,000,000,000 Shares (L)	9.72%
Liu Qiong Yu *(Note 1)*	The Company	Beneficial owner	1,000,000,000 Shares (L)	9.72%
Dai Mo Cao *(Note 1)*	The Company	Beneficial owner	1,000,000,000 Shares (L)	9.72%
Master Faith Group Limited *(Note 1)*	The Company	Interests of controlled corporation	1,000,000,000 Shares (L)	9.72%
DBS Trustee H.K. (Jersey) Limited *(Note 1)*	The Company	Trustee	1,000,000,000 Shares (L)	9.72%
China Alliance Properties Limited *(Note 2)*	The Company	Beneficial owner	831,435,000 Shares (L)	8.08%
Shanghai Forte Land Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	831,435,000 Shares (L)	8.08%

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Shanghai Fosun High Technology (Group) Company Limited *(Note 2)*	The Company	Interests of controlled corporation	831,435,000 Shares (L)	8.08%
Fosun International Limited *(Note 2)*	The Company	Interests of controlled corporation	831,435,000 Shares (L)	8.08%
Fosun Holdings Limited *(Note 2)*	The Company	Interests of controlled corporation	831,435,000 Shares (L)	8.08%
Fosun International Holdings Limited *(Note 2)*	The Company	Interests of controlled corporation	831,435,000 Shares (L)	8.08%
Guo Guangchang *(Note 2)*	The Company	Interests of controlled corporation	831,435,000 Shares (L)	8.08%

(L) denotes long position

Notes:

1. These Shares are the same as the deemed interest of Mr. Dai Zhikang as referred to in the note under the section headed "Directors interests" above.

2. Guo Guangchang has 58% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 78.24% control of Fosun International Limited, which has 12.88% control of Shanghai Fortei Land Co., Limited and 100% control of Shanghai Fosun High Technology (Group) Company Limited, which has 49.03% control of Shanghai Fosun Pharmaceutical (Group) Company Limited, which has 100% control of Shanghai Fosun Pharmaceutical Development Co. Ltd., which has 10.56% control of Shanghai Forte Land Co. Ltd, Shanghai Fosun High Technology (Group) Company Limited has a further 47.12% control of Shanghai Fortei Land Co., Limited, which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 30 June 2009, 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 listed securities during the six months ended 30 June 2009.

Corporate governance

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2009.

Model code for securities transactions by directors

The Company has adopted the Model 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 for the six months ended 30 June 2009.

Review of interim financial statements

The interim results for the six months ended 30 June 2009 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 auditor, whose independent review report is 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 2009.

Appreciation

On behalf of the board of directors of the Company, I would like to thank our customers, suppliers, bankers, staff and our Shareholders for their support, efforts and commitments to the Group during the period.

By Order of the Board
Shanghai Zendai Property Limited
Ma Chengliang
Chairman

Hong Kong, 3 September 2009