



**SHIMAO PROPERTY HOLDINGS LIMITED**

**世茂房地產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 813

Interim  
Report  
2009

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Hui Wing Mau (*Chairman*)  
Hui Sai Tan, Jason (*Vice Chairman*)  
Yao Li  
Ip Wai Shing, Andy  
Tung Chi Shing

### Non-executive Director

Tang Ping Fai

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## CHIEF FINANCIAL OFFICER

Hui Wai Man, Lawrence

## COMPANY SECRETARY

Lam Yee Mei, Katherine

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

Agricultural Bank of China Limited  
Bank of Communications Co., Ltd.  
China Construction Bank Corporation

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited  
P.O. Box 484  
HSBC House  
68 West Bay Road  
Grand Cayman  
KY1-1106  
Cayman Islands

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4307-12, 43th Floor  
Office Tower  
Convention Plaza  
1 Harbour Road, Wanchai  
Hong Kong

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited  
Stock code: 813

## INVESTOR AND MEDIA RELATIONS

Corporate Communications Department  
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# Chairman's Statement

Dear shareholders,

I am pleased to present the interim results of Shimao Property Holdings Limited ("Shimao Property" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2009.

The first half of 2009 has witnessed a full recovery of the Chinese real estate market from the adversities of the macroeconomic regulation, as evidenced by increases in both property transaction prices and volume. To mitigate the adverse impacts of the global financial crisis on her economy, China has introduced a number of economic stimulus initiatives, including a RMB4 trillion stimulus package, interest rate cuts and loosening of monetary policy, which have reaped remarkable results. In addition, under a favorable environment of low interest rates, the purchasing powers repressed by the macroeconomic regulation were swiftly released in one go, which in turn flourished a vibrant market in the first half of the year. The wealth increment effect resulting from the real estate market recovery has boosted up the improvement in other sectors of the economy as well. On the other hand, China is undergoing rapid urbanization. According to the Chinese Academy of Social Sciences, China's urban population has exceeded 600 million at the end of last year, and there are 15 million rural residents moving into the urban areas each year, thereby bringing a robust demand for housing. According to the Ministry of Civil Affairs, there were 10.98 million marriages registered in China in 2008, representing a year-on-year increase of 10%. These new demands together with the increasing property transactions under a healthy economic cycle lay a solid foundation for the long-term development of the real estate sector.

During the period under review, benefited from a favorable turnaround in the general operating environment, the Group's sales performance was beyond our expectation. In the first half of 2009, the turnover of the Group amounted to RMB4.97 billion, up by 170% as compared with the corresponding period of last year. Net profit attributable to shareholders soared by 30% to RMB1,199 million. Stripping out major non-cash items and one off gain/loss, net profit from core business attributable to shareholders substantially increased by 16 times during the period amounted to RMB384 million. Basic earnings per share amounted to RMB0.356.

In the first half of 2009, gross profit margin was 29% (first half of 2008: 59%). The average selling price of recognized sales dropped to RMB6,704 per sq.m.. The decrease in gross profit margin during the first half of the year was mainly due to the fact that majority of the deliveries were lower price products, and that relatively more projects (four) are in the starting phases in which the gross profit margins are usually lower. Moreover, the effect of the reduction of average selling price towards end of 2008 and early 2009 carried forward to the first half of 2009. However, when compared with the average selling price at the end of 2008, the average selling price in August 2009 rose by approximately 30% on an average basis. As for the unrecognized contracted sales of about RMB10.3 billion as at 30 June 2009, the average selling price reaches RMB10,867 per sq.m.. Riding on surging selling prices, the Group expects that its year-round gross profit margin in 2009 will grow remarkably as compared to that in the first half of the year.

The contracted sales soared sharply by 200% to RMB13.2 billion as compared to the same period of last year, which equivalent to a total sold area of 1.46 million sq.m..

In order to show appreciation to our shareholders for their dedicated support, the board of directors of the Company (the "Board") declared the payment of an interim dividend of HK10 cents per share (first half of 2008: Nil) for the six months ended 30 June 2009.

# Chairman's Statement

The year of 2009 represented the twentieth anniversary of Shimao's entry into China's real estate market. In this meaningful year, the Group has made a number of crucial progresses in its financing operation. Moreover, the Group has injected powerful momentums into its future development by capturing the opportunities to absorb funds from various sources. In March 2009, the Group has signed a banking credit facility agreement of RMB15 billion with the Agricultural Bank of China, which notably beefed up the Group's financial strength. In April, the Group raised a net proceed of HK\$1.9 billion through a successful placing of 282,229,000 shares of the Company, thereby greatly consolidated its financial conditions. In May, Shanghai Shimao Co., Ltd. ("Shanghai Shimao") successfully issued new shares to the Company, which symbolized the success of Shimao Property in entering the A-share market in China and the provision of a new funding platform for the Group. Shanghai Shimao proposed an additional issuance of no more than 150,000,000 new A shares to raise a net proceed of RMB2 billion in July. This was an illustration that the Group has further taken full advantage of the A-share market as a platform for funding, the result of which also indicated the market has cast a vote of confidence in the fundamentals and prospects of the Group.

During the period, the Group reported realized revenue from property sales of RMB4.57 billion. Together with the associated companies' turnover of RMB209 million, the total amount was RMB4.78 billion which represented a growth of 234% over the corresponding period of last year, and equivalent to gross floor area of 713,350 sq.m..

During the period, the Group attained encouraging property sales performance, with the total contracted sales volume reaching RMB13.2 billion and total contracted sales area amounted to 1.46 million sq.m., representing a dramatic growth of 200% and 236% over the corresponding period of last year respectively. During the period, the Group launched 24 projects over the country. Of which, Beijing Gong San Plaza and Ningbo Shimao World Gulf, being the projects launched for sale for the first time, were well received by the market, testifying a widespread market acceptance of the quality and brand name of the Group's products. The remaining projects also reported satisfactory sales performance. In addition to Shanghai and Beijing, impressive sales performance was achieved in the second-tier cities, such as Fuzhou, Suzhou, Wuhan, which proved that the Group's strategies for developing the markets of second-tier cities have borne fruit, and such cities will become the major drives for the growth of the Group's property sales.

During the period, the hotel business was hampered by the financial crisis, making its revenue drop by 26% over the figure of the corresponding period of last year to RMB288 million. EBITDA decreased by 38% to RMB88 million as compared to the corresponding period of last year. However, the commercial properties performed satisfactorily as their revenue grew by 21% to RMB107 million as compared to the corresponding period of last year. A long-term and stable source of income was thus generated for the Group.

The Group adheres to a prudent and long-term strategy with respect to its land bank replenishment and strives to acquire quality land reserve at reasonable costs in cities with potentials. During the period under review, Shanghai Shimao purchased a commercial land parcel at a prime location in Qingdao City, Shandong Province. In addition, the Group purchased a residential/commercial land parcel in Xiamen. The two land plots covers a planned GFA of 690,000 sq.m.. The newly added land development resources mentioned above will turn into quality commercial and residential projects of the Group and further enrich the project portfolio of the Group.

# Chairman's Statement

The real estate market bounced back in the first half of 2009, and still hovered at the high end in August. We believe that the elements sustaining the long-term growth of the domestic real estate market are in place. However, we are aware that we have to watch out for the market bubbles as we enjoy the market recovery and prepare for drastic ups and downs of the market. Therefore, though the Group has achieved an obvious growth in its business in the first half of 2009 compared to the corresponding period of last year, we will not relax or be complacent. We will continue to operate in a prudent manner and endeavor to pursue a sustainable growth in each of our lines of business. The Group will ensure the adequacy and stability of the Group's financial resources and stick to a diversified development strategy, so that the development of the Group will not be vulnerable to market fluctuations.

We are cautiously optimistic about the market expectation in the second half of the year. In accordance with the established development strategy, the Group will continue to put its emphasis on developing regions of vital importance, namely the Yangtze River Delta and the Bohai Rim. We will reinforce our sales efforts in rolling out several quality projects in various cities, including Changshu, Hangzhou, Shaoxing, Suzhou, Changzhou and Jiaying. The proportion of products will be flexibly adjusted in line with market conditions and demand in order to expand our market share and enhance the awareness and reputation of the Group's Shimao brand. Currently, the Group has ample liquidity. However, we will continue to increase our land bank in cities with development potentials such as Shanghai, Dalian, Tianjin, Chengdu, Jinan, Qingdao, Nanchang and Wuhan, and when the stability of the Group's financial resources will not be jeopardized.

At present, the residential properties and commercial properties are designated to different companies of the Group. To meet forthcoming challenges and capture future opportunities, Shimao Property will review financing progress and market conditions and accordingly continue the reorganization of the hotel business and further implement a development mode spearheaded by three principal businesses. We will continue to improve the management structure, enhance the operational efficiency and strengthen the Group's competitive edges, so as to promote a long-term healthy and stable development for the Group.

In the twentieth anniversary of Shimao's access into the real estate market in China, Shimao and its staff will thrive and demonstrate better performance in order to reward our investors and repay the society.

## APPRECIATION

On behalf of the Board, I would like to thank the Company's shareholders for their enduring patronage and confidence. Their recognition of the Group's strategy and goals is very encouraging to us. At the same time, I would like to take this opportunity to express my heartfelt gratitude to our staff, who have delivered enormous contribution to the Group's achievements over the past two decades. Shimao Property expects to create a brighter future for Shimao through concerted efforts of its shareholders, investors and staff.

**Hui Wing Mau**

*Chairman*

Hong Kong, 17 September 2009

# Management Discussion and Analysis

## MARKET REVIEW

To weather the spreading impacts of the global financial crisis, the central government has introduced a series of measures to stimulate the economy and to encourage domestic demand, with a view to maintaining a healthy economic growth in China. According to data of the National Bureau of Statistics of China, Gross Domestic Product (GDP) reached RMB13,986.2 billion in the first half of 2009, representing a growth of about 7.1% over the corresponding period of last year. Per capita disposable income of urban residents was RMB8,856, representing a year-on-year increase of 9.8% and an effective increase of 11.2% after netting of price factors. This was a reflection that China has led the way to revive from the financial crisis, with an annual economic growth rate of 8% or above. The loosened monetary policies, which were implemented to withstand the financial crisis, gave rise to a stronger home ownership demand.

In the first half of 2009, China's real estate market revealed a complete turnaround from the trough of last year. In the first half of the year, the nation made an investment in real estate development of RMB1,450.5 billion, representing a year-on-year increase of 9.9%. Though the growth rate was trimmed down by 23.6 percentage point when compared with the corresponding period of last year, but it was 3.1 percentage point higher than the growth rate during the period from January to May.

Due to favorable factors of interest rate cuts and relaxed credit conditions, coupled with the central government's initiatives to boom domestic demand and to restore confidence in home ownership, an accumulated huge demand was released, which in turn boosted the market demand for home ownership and investments in real estates. In the first half of the year, the trading volume of property in different regions picked up significantly, with the transaction prices tending to be stable. According to statistics of the National Development and Reform Commission (NDRC), in the first half of 2009, the average trading volume of the country's property markets grew by 30%, and the national property prices have rebounded since March this year, with a monthly increase of 0.2%, 0.4% and 0.6% in March, April and May respectively. On the other hand, given an increasingly accelerated urbanization in China, it is projected that the annual rural to urban population will reach 18 million. Coupled with the increasing number of new marriage, home buyers will continue to rise, driving a more robust demand for real estate markets.

# Management Discussion and Analysis

## **BUSINESS REVIEW**

For the six months ended 30 June 2009, the Group's business development can be divided into three major lines of business, namely property development, hotel operations and investment property. During the period under review, smooth progress was made in each of the projects. The overall completed project GFA was 301,647 sq.m., representing a growth of 249% when compared with the corresponding period of last year.

### **1) Property Development**

The Group has continued to adopt flexible marketing strategies in order to keep abreast of market changes. Amid the recovering real estate market, the purchasing power repressed for over a year was released. The Group's property development business in the first half of 2009 reported promising performance. The recognized revenue from property sales amounted to RMB4.78 billion, including associated companies' income of RMB209 million, representing an increase of 234% when compared with the corresponding period of last year. This was mainly due to the improving property market sentiment and robust sales performance. Total GFA recognized (including associated companies' floor area of 20,754 sq.m.) reached 713,350 sq.m., up by 5.3 times as compared to the corresponding period of last year.



# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 1) Property Development (continued)

*Sales of projects recognized in the first half of 2009*

Project	The Group's interest	Turnover recognized (RMB million)	Saleable GFA Booked (sq.m.)
<b>Projects held by Shimao Property</b>			
Wuhan Shimao Splendid River	70%	730	102,406
Hangzhou Shimao Riviera Garden	100%	549	74,763
Changzhou Shimao Champagne Lakeside Garden	100%	508	74,720
Harbin Shimao Riviera New City	100%	427	124,010
Fuzhou Shimao Skyscrapers	100%	336	22,608
Wuhu Shimao Riviera Garden	100%	282	41,680
Shanghai Shimao Emmen Royal County	100%	264	32,549
Shanghai Shimao Sheshan Villas	100%	228	6,366
Changshu Shimao The Center	100%	223	39,772
Kunshan Shimao East No. 1 New City	100%	218	38,501
Kunshan Shimao Butterfly Bay	100%	196	41,490
Suzhou Shimao Canal Scene	100%	173	26,758
Jiaxing Shimao Century Park	100%	110	31,185
Shaoxing Shimao Dear Town	100%	69	10,208
Beijing Shimao Olive Garden	100%	7	621
Shanghai Shimao Riviera Garden	100%	4	443
Sub-total		4,324	668,080
<b>Projects held by Shanghai Shimao</b>			
Nanjing Shimao Bund New City	82.1%	239	23,085
Wuhu Shimao Riviera Garden (Commercial Property)	64.2%	75	4,403
Changshu Shimao The Center (Commercial Property)	64.2%	64	4,698
Fuzhou Shimao Bund Garden	82.1%	42	4,459
Shenyang Shimao Wulihe (Commercial Property)	64.2%	38	8,625
Sub-total		458	45,270
Total		4,782	713,350

Average Price in the first half of 2009: RMB6,704/sq.m.

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 1) Property Development (continued)

#### *Sales of projects recognized in the first half of 2009 (continued)*

As most of the projects were and will be completed in the second half of 2009, there were only four completed projects in Changzhou, Jiaxing, Wuhan and Shenyang respectively in the first half of 2009. Total completed GFA amounted to 301,647 sq.m., which was a 249% growth when compared with the figure of the corresponding period of last year of 86,487 sq.m..

#### *Distribution of projects completed in the first half of 2009*

<b>Project</b>	<b>The Group's interest %</b>	<b>Saleable GFA Completed (sq.m.)</b>
Changzhou Shimao Champagne Lakeside Garden	100	135,287
Jiaxing Shimao Century Park	100	93,670
Wuhan Shimao Splendid River	70	43,690
Shenyang Shimao Wulihe	64.2	29,000
<b>Total</b>		<b>301,647</b>

During the period under review, the contracted sales amounted to RMB13.2 billion, representing a remarkable year-on-year growth of 200%. We accomplished 78% of the year-round sales target of RMB17 billion. Total contracted sales area reached 1.46 million sq.m., representing a year-on-year increase of 236%. During the period, the Group launched a total of 24 projects. Since April, a leaping growth was registered in sales volume during the period as the Group made strengthened marketing efforts and took advantage of our strong brand appeal. Overwhelmingly positive feedbacks were received for projects such as Shanghai Shimao Riviera Garden, Fuzhou Shimao Skyscrapers, Beijing Gong San Plaza and Ningbo Shimao World Gulf, which were launched for sale in the first half of the year. The contracted sales contribution from Shanghai Shimao Riviera Garden and Fuzhou Shimao Skyscrapers amounted to over RMB2 billion respectively, while the sales contribution from Ningbo Shimao World Gulf was about RMB1 billion.

The Group expects that 24 projects will be available for sale in the second half of 2009, with a total saleable GFA of approximately 1.96 million sq.m. which included the available saleable GFA with sales permit of approximately 1.29 million sq.m. as at 30 June 2009.

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 1) Property Development (continued)

Details of saleable projects for the second half of 2009 are analyzed as follows:

Project	Saleable GFA (‘000 sq.m.)	The Group’s interest %
Projects available for sale in the second half of 2009		
Projects under Shimao Property		
Changshu Shimao The Center — Residential	105	100
Hangzhou Shimao Riviera Garden	121	100
Shaoxing Shimao Dear Town	100	100
Suzhou Shimao Canal Scene	96	100
Changzhou Shimao Champagne Lakeside Garden	74	100
Jiaxing Shimao Century Park	66	100
Kunshan Shimao Butterfly Bay	63	100
Taizhou Shimao Riverside Garden	33	100
Projects under Shanghai Shimao		
Changshu Shimao The Center — Commercial	7	64.2
Suzhou Shimao Canal Scene — Commercial	7	64.2
Sub-total	672	
Inventory of projects with pre-sales permit as at 30 June 2009	1,290	
Total	1,962	

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 1) Property Development (continued)

The group has expected that the total completed area in the second half of 2009 is 1.74 million square meters, which comprise of 16 projects.

Project	Saleable GFA (sq.m.)
1 Shaoxing Shimao Dear Town	250,000
2 Suzhou Shimao Canal Scene	205,676
3 Fuzhou Shimao Skyscrapers	176,476
4 Changshu Shimao The Center	175,304
5 Kunshan Shimao East No. 1 New City	154,687
6 Hangzhou Shimao Riviera Garden	123,000
7 Xuzhou Shimao Dongdu	120,000
8 Shanghai Shimao Riviera Garden	100,001
9 Kunshan Shimao Mall	90,046
10 Taizhou Shimao Riverside Garden	80,000
11 Changzhou Shimao Champagne Lakeside Garden	64,713
12 Kunshan Shimao Butterfly Bay	56,690
13 Shenyang Shimao Wulihe	50,268
14 Harbin Shimao Riviera New City	49,562
15 Yantai Shimao No. 1 The Harbour	32,267
16 Ningbo Shimao World Gulf	12,000
Total	1,740,690

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 2) Hotel Properties and Investment Properties

During the period under review, total revenue from hotels and investment properties decreased by 17% to RMB395 million. Of which, revenue from hotel operations dropped, but revenue from investment property leasing rose. The business line accounted for 8% (first half of 2008: 26%) of the Group's revenue.

#### Hotel Operations

During the period under review, due to the fall of number of visitors as a result of the global financial crisis, revenue from hotel operations fell by 26% to RMB288 million (first half of 2008: RMB390 million). The revenue was derived from operating income of Shanghai Le Méridien Sheshan, Shanghai Hyatt on the Bund and Le Royal Méridien Shanghai. Earnings before interest, tax, depreciation and amortization (EBITDA) dropped by 38% to RMB88 million (first half of 2008: RMB143 million).

The Group considers that with an enhancing brand image and awareness of the Group's hotels, and the ample opportunities to be enjoyed by the Group amid the imminent 2010 Shanghai World Expo, the average occupancy rates for the three hotels are expected to grow in the second half of this year and in 2010. The Group will continue to secure a dominant market share amongst the international prestigious hotels in Shanghai. In addition, the Group will take active leaps in promoting the development progress of various hotel projects. In particular, the hotel in Nanjing is expected to be completed by 2010.

Development of the Group's hotel property is as follows:

Hotel	Number of Rooms	Date of Commencement of Business	Average Daily Rent (US\$/Room)		Turnover (RMB million)		Profit before Amortization of Income Tax and Depreciation (RMB million)	
			First Half of 2009	First Half of 2008	First Half of 2009	First Half of 2008	First Half of 2009	First Half of 2008
			Shanghai Le Méridien Sheshan Shanghai	327	November 2005	131	149	46
Le Royal Méridien Shanghai Shanghai	770	September 2006	177	233	140	193	56	78
Shanghai Hyatt on the Bund	631	June 2007	203	268	102	134	18	45
<b>Total</b>	<b>1,728</b>				<b>288</b>	<b>390</b>	<b>88</b>	<b>143</b>

# Management Discussion and Analysis

## **BUSINESS REVIEW** (continued)

### **2) Hotel Properties and Investment Properties** (continued)

#### *Investment Properties*

During the period under review, the Group's turnover from investment property leases rose to RMB107 million, up by 21% as compared to the corresponding period of last year (first half of 2008: RMB88 million).

The Group will complete GFA of 150,000 sq.m. in Shaoxing in the second half of 2009, and will gradually put it into operation.

In June 2009, the Group has completed the restructuring of injecting commercial assets into Shanghai Shimao. Through this reorganization, Shimao Property owned an independent and professional commercial property development vehicle and made a successful access to the A-share market, thereby concentrating the resources on the development of the capital-intensive commercial properties while providing an independent financing platform for the Group to raise funds for business development through China's equity and bond markets.

Shanghai Shimao has become one of the largest listed commercial property developers in the A-share market, being responsible for commercial property development, sale, lease and related property management business. In July 2009, Shanghai Shimao proposed an additional issuance of no more than 150,000,000 new A shares. Net proceeds of RMB2 billion is expected to be raised through the placing of new shares. This move is to enable the Group to take full advantage of the A-share market as a capital platform and to provide Shanghai Shimao with sufficient funds for further expanding the development of its commercial properties.

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 2) Hotel Properties and Investment Properties (continued)

#### Investment Properties (continued)

Summary of investment properties portfolio of the Group is as follows:

Commercial & Office	GFA (sq.m.)	Date of Commencement of Business	First half of 2009 Turnover (RMB million)	First half of 2008 Turnover (RMB million)	Movement (%)
Shanghai Shimao International Plaza	71,239	Phase 1 – December 2004 Phase 2 – May 2007	79	79	—
Beijing Shimao Tower	70,175	Commercial – June 2008 Office – March 2008	22	9	144
Changshu Shimao The Centre	43,357	Retail – First quarter of 2009	6	—	N/A
Total			107	88	21.6

### 3) Placing of Shares

The Group has always followed the principle of fiscal prudence and committed to maintaining a healthy financial position. On 9 April 2009, the Group successfully placed 282 million shares to institutional investors, raising net proceeds of about HK\$1.9 billion for repayment of syndicated loans. The further decrease of our net debt ratio and the improvement in our financial position will bide well for the Group's business operations and development in the long run.

### 4) Land Bank

During the period under review, the Group acquired two parcels of land located in Qingdao, Shandong Province and Xiamen, Fujian Province respectively. In May 2009, the Group and Qingdao Shiao Property Development Company Limited, the wholly-owned subsidiary of Qingdao Urban Development Group, jointly won the tender for a commercial land parcel at prime location in Qingdao, Shandong Province at RMB920 million. Total planned GFA of the land parcel was approximately 240,000 sq.m.. In June 2009, the Group was awarded the tender for a top quality land parcel in Xiamen, Fujian Province at RMB3.02 billion. Total planned GFA of the land parcel was approximately 453,000 sq.m..

As at 30 June 2009, the Group's existing land reserves have a planned GFA of 26.20 million sq.m.. At present, the Group has 36 projects under different stages of development in 24 cities, including Shanghai, Beijing, Harbin, Wuhan, Nanjing, Fuzhou, Kunshan, Changshu, Shaoxing, Wuhu, Yantai, Jiaxing, Changzhou, Shenyang, Suzhou, Xuzhou, Hangzhou, Xianyang, Taizhou, Mudanjiang, Dalian, Ningbo, Qingdao and Xiamen. In future, the Group will continue to adopt a prudent approach for acquiring high-quality lands when we identify land parcels that offer attractive investment return, so as to flourish the Group's future business development while ensuring a sound financial position.

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 4) Land Bank (continued)

The development status of the Group's land bank reserve as at 30 June 2009 is analyzed as follows:

#### Projects Overview

As at 30 June 2009			GFA for Future Development					The Group's interest		
A)	Projects held by Shimao Property	Location	Completed but Unsold/ Held for Investment (sq.m.)	GFA Under Development (sq.m.)	Land Premium Paid (sq.m.)	Land Premium Unpaid (sq.m.)	Total GFA (sq.m.)	Project Total GFA* (sq.m.)	in the Project	Date of Acquisition
<b>I) Completed projects</b>										
1	Shanghai Shimao International Plaza & Le Royal Méridien Shanghai	Shanghai	170,935	—	—	—	170,935	170,935	100%	June 2001
2	Shanghai Shimao Sheshan Villas & Shanghai Le Méridien Sheshan	Shanghai	70,100	2,221	—	—	72,321	146,514	100%	May 2003
3	Shanghai Hyatt on the Bund	Shanghai	100,972	—	—	—	100,972	100,972	100%	May 2002
4	Beijing Shimao Olive Garden	Beijing	1,931	—	—	—	1,931	299,853	100%	August 2004
a) Sub-total			343,938	2,221	—	—	346,159	718,274		
<b>II) Projects under development</b>										
5	Shanghai Shimao Riviera Garden	Shanghai	237	157,992	90,861	—	249,090	921,956	100%	January 2000
6	Kunshan Shimao Butterfly Bay	Kunshan	67,662	119,231	657,286	—	844,179	1,222,077	100%	November 2004
7	Kunshan Shimao East No. 1 New City	Kunshan	22,576	140,529	856,845	—	1,019,950	1,137,744	100%	October 2005
8	Changshu Shimao The Center	Changshu	37,183	174,477	368,105	—	579,765	993,495	100%	December 2004
9	Harbin Shimao Riviera New City	Harbin	75,263	49,929	946,857	—	1,072,049	1,693,564	100%	March 2004
10	Wuhan Shimao Splendid River	Wuhan	42,316	267,801	410,502	775,037	1,495,656	1,816,000	70%	February 2005
11	Shaoxing Shimao Dear Town	Shaoxing	28,400	267,873	633,716	—	929,989	1,082,483	100%	May 2006
12	Wuhu Shimao Riviera Garden	Wuhu	43,541	80,000	73,354	119,917	316,812	476,105	100%	May 2006
13	Yantai Shimao No. 1 The Harbour	Yantai	—	280,000	—	—	280,000	280,000	100%	August 2006
14	Jiaxing Shimao Century Park	Jiaxing	55,487	79,248	610,082	—	744,817	783,000	100%	August 2006
15	Changzhou Shimao Champagne Lakeside Garden	Changzhou	44,720	197,441	827,672	—	1,069,833	1,160,400	100%	October 2006



# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 4) Land Bank (continued)

#### Projects Overview (continued)

As at 30 June 2009

GFA for Future Development

A)	Projects held by Shimao Property	Location	Completed but Unsold/ Held for Investment (sq.m.)	GFA Under Development (sq.m.)	Land Premium		Total GFA (sq.m.)	Project Total GFA* (sq.m.)	The Group's interest in the Project	Date of Acquisition
					Paid (sq.m.)	Unpaid (sq.m.)				
16	Shenyang Shimao Wulihe	Shenyang	—	258,030	561,970	—	820,000	820,000	100%	December 2006
17	Suzhou Shimao Canal Scene	Suzhou	2,373	234,301	604,918	290,574	1,132,166	1,243,911	100%	January 2007
18	Xuzhou Shimao Dongdu	Xuzhou	—	120,000	427,351	532,649	1,080,000	1,080,000	100%	February 2007
19	Hangzhou Shimao Riviera Garden	Hangzhou	17,523	123,000	399,272	—	539,795	718,840	100%	February 2007
20	Fuzhou Shimao Skyscrapers	Fuzhou	223	451,164	—	—	451,387	500,000	100%	May 2007
21	Xianyang Shimao	Xianyang	—	—	161,353	22,850	184,203	184,203	90%	January 2007
22	Taizhou Shimao Riverside Garden	Taizhou	—	95,000	305,000	—	400,000	400,000	100%	October 2007
23	Shanghai Shimao Emmen Royal County	Shanghai	49,105	—	255,530	—	304,635	351,200	100%	October 2008
24	Mudanjiang Shimao Beishan	Mudanjiang	—	32,179	1,470,718	297,103	1,800,000	1,800,000	100%	December 2007
25	Mudanjiang Shimao Jiangnan	Mudanjiang	—	—	—	700,000	700,000	700,000	100%	December 2007
26	Hangzhou Jiangbin I	Hangzhou	—	—	608,986	—	608,986	608,986	50%	January 2008
27	Hangzhou Jiangbin II	Hangzhou	—	—	281,687	—	281,687	281,687	50%	January 2008
28	Dalian Lvshunkou Shimao	Dalian	—	—	418,860	1,181,140	1,600,000	1,600,000	85%	January 2008
29	Ningbo Shimao World Gulf	Ningbo	—	200,866	499,134	—	700,000	700,000	100%	January 2008
30	Xiamen Shimao	Xiamen	—	—	44,724	407,976	452,700	452,700	100%	June 2009
b) Sub-total			486,609	3,329,061	11,514,783	4,327,246	19,657,699	23,008,351		
c) (a)+(b)			830,547	3,331,282	11,514,783	4,327,246	20,003,858	23,726,625		

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 4) Land Bank (continued)

#### Projects Overview (continued)

As at 30 June 2009			GFA for Future Development					The Group's interest		Date of Acquisition
B)	Projects held by Shanghai Shimao	Location	Completed but Unsold/ Held for Investment (sq.m.)	GFA Under Development (sq.m.)	Land Premium Paid (sq.m.)	Land Premium Unpaid (sq.m.)	Total GFA (sq.m.)	Total GFA* (sq.m.)	in the Project	
										<b>I) Projects completed</b>
31	Beijing Shimao Tower	Beijing	70,175	—	—	—	70,175	70,175	64.2%	December 2006
32	Fuzhou Shimao Bund Garden	Fuzhou	99	—	—	—	99	286,094	82.1%	December 2002
d) Sub-total			70,274	—	—	—	70,274	356,269		
<b>II) Projects under development</b>										
33	Nanjing Shimao Bund New City	Nanjing	10,945	181,928	293,300	1,196,918	1,683,091	1,925,978	82.1%	July 2003
34	Shanghai Shimao Wonderland	Shanghai	—	86,000	305,000	—	391,000	550,765	64.2%	November 2005
35	Kunshan Shimao East No. 1 New city	Kunshan	—	—	191,440	—	191,440	191,440	64.2%	October 2005
36	Kunshan Shimao Mall	Kunshan	—	97,046	—	—	97,046	97,046	64.2%	October 2005
37	Changshu Shimao The Center	Changshu	27,337	150,000	727,921	—	905,258	981,505	64.2%	December 2004
38	Shaoxing Shimao Dear Town (note)	Shaoxing	—	100,000	169,217	—	269,217	269,217	64.2%	May 2006
39	Wuhu Shimao Riviera Garden	Wuhu	32,378	—	57,430	—	89,808	132,895	64.2%	May 2006
40	Jiaxing Shimao Century Park	Jiaxing	—	—	267,000	—	267,000	267,000	64.2%	August 2006
41	Changzhou Shimao Champagne Lakeside Garden	Changzhou	—	—	339,600	—	339,600	339,600	64.2%	October 2006
42	Shenyang Shimao Wulihe	Shenyang	47,168	50,000	816,775	—	913,943	967,220	64.2%	December 2006
43	Suzhou Shimao Canal Scene	Suzhou	—	50,000	206,089	—	256,089	256,089	64.2%	January 2007
44	Xuzhou Shimao Dongdu	Xuzhou	—	—	220,000	—	220,000	220,000	64.2%	February 2007
45	Beijing Gong San Plaza	Beijing	—	212,000	—	—	212,000	212,000	64.2%	May 2007
46	Qingdao Shimao	Qingdao	—	—	48,302	198,572	246,874	246,874	48.2%	April 2009
e) Sub-total			117,828	926,974	3,642,074	1,395,490	6,082,366	6,657,629		
f) (d)+(e)			188,102	926,974	3,642,074	1,395,490	6,152,640	7,013,898		
Total			1,018,649	4,258,256	15,156,857	5,722,736	26,156,498	30,740,523		
Attributable GFA (sq.m.)			940,591	3,878,624	13,201,886	4,986,706	23,007,807			

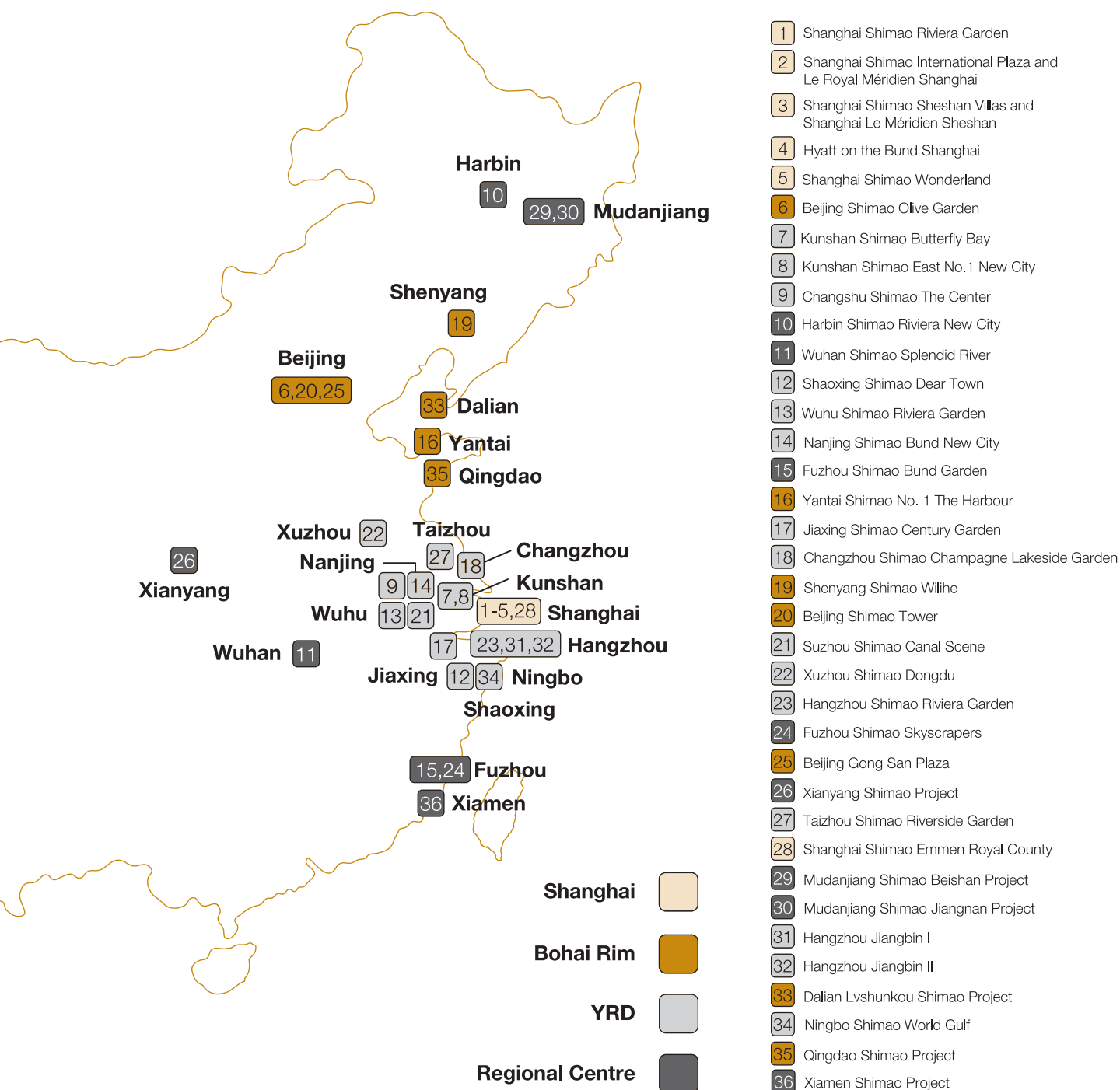
\* The project total GFA figures shown in these columns include saleable GFA, non-saleable GFA and car parking spaces, as well as rentable GFA and hotel GFA, as applicable

Note: The transfer of Shaoxing commercial project has not been completed as at 30 June 2009 but is shown under Shanghai Shimao for reflecting the commercial nature.

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### 4) Land Bank (continued)



# Management Discussion and Analysis

## PROSPECTS OF THE GROUP

Despite the worldwide economy will be continuously affected by the global financial crisis, yet the Chinese government has introduced a series of economic stimulus package to encourage domestic demand. This will help ensure a steady economic growth, and develop a favorable market environment for the Group.

### 1) Property Development

In the second half of 2009, the Group expects that the real estate market will sustain a steady growth. Upon an industry consolidation in 2008, the real estate industry, as one of the country's economic pillar industries, will continue to benefit from the favorable policies and loosened monetary policy implemented by the country. The central government will monitor the industry through a more flexible approach.

Despite that a couple of cities have recently introduced measures for tightening the secondary mortgages, enhancing land supply and increasing affordable housing in order to prevent the industry bubble, yet the Group believed that these measures will help ensure the long-term healthy development of the real estate industry. To meet future challenges and opportunities, the Group will grasp market opportunities through prudent strategies, so as to leap across the many challenges ahead, promote business development and consolidate our industry leadership.

### 2) Investment Properties and Hotel Properties

As the Group has completed the restructuring of injecting commercial assets into Shanghai Shimao, the Group will concentrate and focus its financial and management resources on the development of high-growth domestic residential and hotel business, while Shanghai Shimao will endeavor to develop commercial properties.

With the imminent approach of the 2010 Shanghai World Expo, coupled with a sustainable solid growth in the domestic economy, China's hotel industry is set to be embraced with tremendous development potentials. To capture each and every opportunity, the Group will continue to develop high-quality hotel projects, and will gain foreign management experience in optimizing our management structure through cooperation with the internationally renowned hotel groups. The Group will actively step up the hotel business restructuring so as to bring a brighter development prospect for our hotel business and to improve the development strategy spearheaded by three principal businesses.

July 2009 represented the twentieth anniversary of Shimao's access into China's real estate market, and marked a third anniversary of Shimao Property's listing in Hong Kong. Looking ahead, the Group will, through a flexible sales strategy, a strong brand influence and a clear blueprint for business development, vigorously enhance our competitive advantages and capture the opportunities arising from the market recovery. We will strive to achieve our goal of "Cultivating Lifestyle, Realizing Urban Dreams" and maximize our shareholders' returns.

# Management Discussion and Analysis

## FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

	<b>1H 2009</b>	1H 2008
	<b>RMB million</b>	RMB million
Revenue	<b>4,967.7</b>	1,841.8
Gross profit	<b>1,428.7</b>	1,081.7
Operating profit	<b>2,217.5</b>	1,634.4
Profit attributable to shareholders	<b>1,198.7</b>	919.1
Earnings per share — Basic (RMB)	<b>0.356</b>	0.279

### Revenue

For the six months ended 30 June 2009, the revenue of the Group was approximately RMB5 billion (1H 2008: RMB1.8 billion), representing a increase of 170% over 2008. 92% (1H 2008: 74%) of the revenue was generated from the sales of properties and 8% (1H 2008: 26%) from hotel operation and leasing of commercial properties. The components of the revenue are analysed as follows:

	<b>1H 2009</b>	1H 2008
	<b>RMB million</b>	RMB million
Sales of properties	<b>4,573.1</b>	1,363.8
Hotel operating income	<b>288.1</b>	389.9
Rental income from investment properties	<b>106.5</b>	88.1
Total	<b>4,967.7</b>	1,841.8

# Management Discussion and Analysis

## FINANCIAL ANALYSIS (continued)

### Revenue (continued)

#### (i) Sales of properties

Sales of properties for the six months ended 30 June 2009 and 2008 are shown below:

	1H 2009		1H 2008	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Beijing Shimao Olive Garden	621	7	11,936	361
Wuhan Shimao Splendid River*	102,406	730	—	1
Shaoxing Shimao Dear Town	10,208	69	2,473	22
Harbin Shimao Riviera New City	124,010	427	47,589	204
Changshu Shimao The Center	44,470	287	2,492	28
Kunshan Shimao Butterfly Bay	41,490	196	29,447	244
Shanghai Shimao Sheshan Villas	6,366	228	7,835	339
Shanghai Shimao Riviera Garden	443	4	439	43
Kunshan Shimao East No. 1 New City	38,501	218	6,799	122
Hangzhou Shimao Riviera Garden	74,763	549	—	—
Shanghai Shimao Emmen Royal County	32,549	264	—	—
Wuhu Shimao Riviera Garden	46,083	357	—	—
Fuzhou Shimao Skyscrapers	22,608	336	—	—
Shenyang Shimao Wulihe	8,625	38	—	—
Suzhou Shimao Canal Scene	26,758	173	—	—
Jiaxing Shimao Century Park	31,185	110	—	—
Changzhou Shimao Champagne Lakeside Garden	74,720	508	—	—
Nanjing Shimao Bund New City (note 1)	2,632	34	—	—
Fuzhou Shimao Bund Garden (note 1)	4,158	38	—	—
<b>Sub-total (a)</b>	<b>692,596</b>	<b>4,573</b>	109,010	1,364
Nanjing Shimao Bund New City (note 1)	20,453	205	3,026	47
Fuzhou Shimao Bund Garden (note 1)	301	4	1,372	20
<b>Sub-total (b)</b>	<b>20,754</b>	<b>209</b>	4,398	67
<b>Sub-total (c) — attributable</b>	<b>10,377</b>	<b>104</b>	2,199	33
<b>Total (a) + (b)</b>	<b>713,350</b>	<b>4,782</b>	113,408	1,431
<b>Total (a) + (c)</b>	<b>702,973</b>	<b>4,677</b>	111,209	1,397

Note 1: For the five months ended 31 May 2009, revenue attributable to the Group generated from associated companies holding Nanjing Shimao Bund New City and Fuzhou Shimao Bund Garden has not been consolidated in the consolidated financial statements. After the completion of injection of commercial projects and assets into Shanghai Shimao, these associated companies became our subsidiaries and the revenue of June was consolidated in our interim consolidated financial statements.

\* Attributable interests is 70.01%

# Management Discussion and Analysis

## FINANCIAL ANALYSIS (continued)

### Revenue (continued)

#### (ii) Hotel income

Hotel operating income are analysed below:

	1H 2009 RMB million	1H 2008 RMB million
Shanghai Le Méridien Sheshan	46.8	62.5
Le Royal Méridien Shanghai	139.6	193.4
Shanghai Hyatt on the Bund	101.7	134.0
Total	288.1	389.9

Hotel operating income decreased approximately 26% to RMB288.1 million from RMB389.9 million over 1H 2008. Decrease was due to drop in business travel after global financial crisis.

#### (iii) Rental income

Rental income from investment properties amounted to RMB106.5 million. The rental income increased by 21% mainly due to more units were rented in Beijing Shimao Tower.

	1H 2009 RMB million	1H 2008 RMB million
Shanghai Shimao International Plaza	78.6	79.4
Beijing Shimao Tower	21.5	8.7
Changshu Shopping Mall	6.4	—
Total	106.5	88.1

### Cost of sales

The cost of sales are analysed as follows:

	1H 2009 RMB million	1H 2008 RMB million
Sales taxes	272.8	91.9
Land costs, construction costs and capitalised borrowing costs for properties sold	3,106.9	473.0
Direct operating costs for hotels and commercial properties	159.3	195.1
Total	3,539.0	760.0

### Fair value gains on investment properties

During the period under review, the Group recorded aggregate fair value gains of RMB54.5 million (1H 2008: fair value gains RMB805.4 million).

# Management Discussion and Analysis

## FINANCIAL ANALYSIS (continued)

### Gains on deemed disposal to minority interests

Upon the completion of acquisition of Shanghai Shimao and Shimao Enterprises, a special gain of RMB1,395.8 million was recorded in the first half period of 2009. The net gain after deduction of various taxes recognised in income statements amounted to RMB859.9 million.

### Other gains

Other gains of RMB73.3 million for the six months ended 30 June 2009 (1H 2008: RMB404.3 million) included mainly subsidy income and net foreign exchange gain. The drop was due to decrease of foreign exchange gain as a result of a more stable USD to RMB exchange rate in the first half of 2009.

### Selling and marketing costs and administrative expenses

Selling and marketing costs for the period was RMB156.8 million (1H 2008: RMB113.2 million). The increase was mainly due to number of projects with selling activities increased. Administrative expenses increased by 12% which was mainly due to write-down of certain completed properties held for sale to net realizable value.

### Operating profit

Operating profit amounted to RMB2.2 billion for the six months ended 30 June 2009, a increase of 36% over first half of 2008.

### Finance costs — net

Net finance costs increased to RMB185.4 million (1H 2008: RMB158.3 million) mainly due to more interest expenses incurred for increased borrowing in 2009.

### Share of results of associated companies & jointly controlled entities

Share of profits of associated companies amounted to RMB20 million (1H 2008: share of losses of RMB13.5 million). Share of profit of jointly controlled entities amounted to RMB0.6 million (1H 2008: RMB7.7 million).

### Taxation

The Group's tax provisions amounted to RMB798.7 million in which LAT was RMB114.6 million (1H 2008: RMB551.8 million, in which LAT was RMB212.9 million) for the period.

### Profit attributable to shareholders

Profit attributable to shareholders for the period increased by 30% from RMB919.1 million in 1H 2008 to RMB1,198.7 million in 2009.

### Liquidity and financial resources

As of 30 June 2009, total assets of the Group were RMB60.9 billion, of which current assets reached RMB36.8 billion. Total liabilities were RMB37.2 billion, whereas non-current liabilities were RMB16.4 billion. Equity attributable to the shareholders of the Company amounted to RMB21.3 billion.

As of 30 June 2009, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB9.9 billion (31 December 2008: RMB2.0 billion), total borrowings amounted to approximately RMB19.2 billion (31 December 2008: RMB14.4 billion). Total net borrowings were RMB9.3 billion (31 December 2008: RMB12.4 billion). Adjusted net gearing ratio (calculated by total borrowings less cash and restricted cash divided by adjusted total equity (after adjustment for the after-tax net valuation surplus of RMB4.7 billion (31 December 2008: RMB4.6 billion) of the three completed hotels)) decreased from 53% as at 31 December 2008 to 32% as at 30 June 2009.



# Management Discussion and Analysis

## FINANCIAL ANALYSIS (continued)

### Liquidity and financial resources (continued)

The maturity of the borrowings of the Group as at 30 June 2009 is set out as follows:

	RMB million
<b>Bank borrowings</b>	
Within 1 year	4,526
Between 1 and 2 years	3,114
Between 2 and 5 years	4,147
Over 5 years	3,383
<b>Senior notes</b>	
Between 2 and 5 years	1,679
Over 5 years	2,350

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	698	4,698
HK\$	338	298
RMB	14,203	14,203

### Financing activities

In March 2009, the Group has signed a banking credit facility agreement of RMB15 billion with Agricultural Bank of China Limited. In April 2009, the Group has made a placement with net proceeds of HK\$1.9 billion to early repay the US\$328 million syndicated loans.

### Foreign exchange risks

Other than financing activities such as foreign currency borrowings which were denominated in foreign currencies, the Group conducts its business almost exclusively in RMB. The Group would be affected mainly by the outstanding foreign currency borrowings which include US\$98 million syndicated loans, US\$600 million senior notes and HK\$338 million bank loans as at 30 June 2009.

### Pledge of assets

As of 30 June 2009, the Group had pledged properties, plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties, cash and cash equivalents and available-for-sale financial assets with a total carrying amount of RMB24.5 billion to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB13.3 billion.

As at 30 June 2009, the Group had also pledged 110,000,000 shares of Shanghai Shimao for a total borrowings of RMB0.5 billion.

# Management Discussion and Analysis

## **FINANCIAL ANALYSIS** (continued)

### **Contingent liabilities/financial guarantees**

As of 30 June 2009, the Group had provided guarantees for approximately RMB4.4 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties.

### **Capital and property development expenditure commitments**

As of 30 June 2009, the Group had contracted capital and property development expenditure but not provided for amounted to RMB20.3 billion.

### **Employees and remuneration policy**

As of 30 June 2009, the Group employed a total of 3,520 employees. Total remuneration for the period amounted to RMB186.6 million. The Group has adopted a performance-based rewarding system to motivate its staff. In relation to staff training, the Group also provides different types of programmes for its staff to improve their skills and develop their respective expertise.

# Corporate Governance and Other Information

## DIRECTORS PROFILE

### Executive Directors

#### *Hui Wing Mau (Chairman)*

Mr. Hui Wing Mau, aged 59, is the Chairman and Executive Director of Shimao Property Holdings Limited (“the Company”) and the founder of the Group. With over 19 years’ experience in property development, property investment and hotel operation, he is primarily responsible for the Group’s overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Eleventh Chinese People’s Political Consultative Conference, vice chairman of the China National Federation of Industry and Commerce, vice president of China Overseas Chinese Entrepreneurs Association chairman of Shanghai Overseas Chinese Chamber of Commerce, vice chairman of China Housing Industry Association, a council member of the China Overseas Friendship Association, an honorary professor of Tong Ji University in Shanghai and vice chairman of the Beijing University of Chemical Technology. Mr. Hui obtained a Masters Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. and Shimao International Holdings Limited (“Shimao International”). He is a director of Gemfair Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Future Ordinance. He has been an Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company.

#### *Hui Sai Tan, Jason (Vice Chairman)*

Mr. Hui Sai Tan, Jason, aged 32, the Vice Chairman and Executive Director of the Company. He has been the Group Sales Controller since he joined the Group in March 2000. Mr. Jason Hui is responsible for the sales, marketing, management and design of the Group’s projects. He has more than 10 years’ experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Masters Degree in Business Administration from the University of South Australia in 2004, and a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001. He is a member of Shanghai Committee of the Chinese People’s Political Consultative Conference. He has been an Executive Director of the Company since 17 November 2004 and was an executive director of Shimao International Holdings Limited from July 2002 to June 2006. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman and Executive Director of the Company.

#### *Yao Li*

Ms. Yao Li, aged 54, has been the Group Operations Controller since November 2002. Ms. Yao is responsible for loan finance, management of enterprise operation, human resources, training and administrative support of the Group. Ms. Yao obtained a Masters Degree in Business Administration from the University of South Australia with more than 23 years’ experience in office administration, human resources management and staff training. Ms. Yao worked for China Construction Bank from 1984 to 2002 and was posted to Hong Kong and Johannesburg between 1994 and 2002. She held various positions in the bank and was the Head of the Hong Kong Training Centre. She was an executive director of Shimao International from February 2004 to February 2005. Ms. Yao has been an Executive Director of the Company since 25 January 2006.

# Corporate Governance and Other Information

## DIRECTORS PROFILE (continued)

### Executive Directors (continued)

#### *Ip Wai Shing, Andy*

Mr. Ip Wai Shing, Andy, aged 53, when joining the Group in July 2003, was the Group Construction Controller, responsible for overseeing the project constructions developed by the Group, and also took in-charge of the Group Technical Support and Quality Assurance Department. Mr. Ip was also responsible for setting up the Group Hotel Management Department at the beginning of 2004 and successfully had the Le Meridien She Shan Hotel (Shanghai), the Royal Meridien Hotel (Shanghai) and the Hyatt on the Bund Hotel (Shanghai) opened and in operation under his supervision. From the beginning of 2008, Mr. Ip has dedicated to set up the Group Hotel Investment and Management Department preparing for Pre-IPO and responsible for setting up the strategic plan, coordinating pre-IPO activities, overseeing hotel operations and looking after design improvement/ construction progress/cost control/quality assurance for the new hotel projects. From the beginning of 2009, Mr. Ip has started to build up "S-Hotels" and "S-Suites" brands preparing to operate hotels and serviced apartments for the Group. Mr. Ip obtained a Higher Certificate in Civil Engineering from Hong Kong Polytechnic in 1978. Mr. Ip has more than 30 years' experience in construction and project management, of which over 20 years are in China where part of it is hotel operation related. Prior to joining the Group, he served as project manager in Shui On (China) Ltd., Goldnice Investments Corp., Tian An (China) Investment Co., Ltd. and the Kerry Group from 1986 to 2002. Mr. Ip had also been involved as project manager in a number of property projects including the Royal Garden Hotel in Hong Kong in the 1980's, Dorchester Tower and Brunswick Garden in Canada from 1989 to 1991, Wuhan Tian An Holiday Inn Hotel/ Wuhan Shangri-La Hotel/ Harbin Shangri-La Hotel/ Beijing China World Trade Center Phase III in China from 1993 to 2002. Mr. Ip was registered as a Technician Engineer (CEI) of the Council of Engineering Institutions. He was an Executive Director of Shimao International Company Ltd. from February 2004 to February 2005, and has been an Executive Director of the Company since 25 January 2006.

#### *Tung Chi Shing*

Mr. Tung Chi Shing, aged 49, was appointed an Executive Director of the Company on 1 January 2008. He is responsible for the monitoring of project management for the Group's development projects and quality assurance. Mr. Tung graduated from The Hong Kong Polytechnic University and has worked in the Public Works Department of the Hong Kong Government, Dragages et Travaux Publics, FJT (HK) Ltd. and HCCM Nuclear Power Construction Joint Venture Company as quantity surveyor and was involved in a number of projects including Island Shangri-La and Conrad Hong Kong in Pacific Place, Hong Kong, Phase 1B of the University of Hong Kong, Stanley Fort Married Quarters, the Pumping Station Areas of the Daya Bay Nuclear Power Station and a five-star hotel in Xian, PRC. He was an executive director of Shimao International Holdings Limited from February 2005 to December 2007.

### Non-executive Director

#### *Tang Ping Fai*

Mr. Tang Ping Fai, aged 56, has been the Group contracts controller since March 2002. Mr. Tang is responsible for monitoring construction budgets, tendering, cost control and contract administration for the Group's projects. He obtained a masters degree in project management from the University of New South Wales in Australia in 1994. Mr. Tang has more than 29 years' experience in the construction industry. He was a project surveyor of Langdon Every and Seah (Hong Kong) Limited from 1978 to 1988, chief quantity surveyor of China Overseas Building Development Co. Ltd. in 1988, a team leader of Davis Langdon and Seah (China) Limited from 1989 to 1991 and contracts manager of China World Trade Centre Ltd. from 1993 to 2000. Mr. Tang was in charge of a number of property projects as project surveyor, including the Swire Hall of the University of Hong Kong, Sir Run Run Shaw Hall of the Chinese University of Hong Kong, the Hong Kong Convention and Exhibition Centre (Phase I) and China World Trade Centre (Phases I and II) in Beijing. He was an executive director of Shimao International Holdings Limited from February 2004 to February 2005. Mr. Tang is a chartered project management surveyor, a chartered quantity surveyor, a property and facility management surveyor and a fellow member of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors. Mr. Tang was an executive director of the Company since 25 January 2006 and has been re-designated to a non-executive director of the Company with effect from 12 June 2009. Mr. Tang is entitled to a director's fee of HK\$240,000 per annum in accordance with his service contract entered with the Company.

# Corporate Governance and Other Information

## DIRECTORS PROFILE (continued)

### Independent Non-executive Directors

#### *Kan Lai Kuen, Alice*

Ms. Kan Lai Kuen, Alice, aged 54, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 17 years' experience in corporate finance. She is a shareholder, managing director and responsible officer of two licensed corporations under the Securities and Futures Ordinance, Asia Investment Management Limited and Asia Investment Research Limited. She is also responsible officer of Lotus Asset Management Limited. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on The Stock Exchange of Hong Kong Limited: Shougang Concord Technology Holdings Limited, Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, G-Vision International (Holdings) Limited, Sunway International Holdings Limited and China Energin International (Holdings) Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Ms. Kan held various senior positions in international and local banks and financial institutions.

#### *Lu Hong Bing*

Lu Hong Bing, aged 42, has been an Independent Non-executive Director of the Company since 17 November 2004. He obtained a Masters Degree in law from the East China University of Politics and Law in 1991 and has more than 16 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director on the boards of the following companies which are listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange: Shanghai Pudong Road & Bridge Construction Co., Ltd (上海浦東路橋建設股份有限公司), Shanghai Aerospace Automobile Electromechanical Co., Ltd (上海航天汽車機電股份有限公司), Shanghai Jiaoda Onlly Co., Ltd (上海交大昂立股份有限公司), Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司), Shanghai DaZhong Public Utilities (Group) Co., Ltd (上海大眾公用事業(集團)股份有限公司). Mr. Lu is an executive partner of the Grandall Legal Group, a vice-president of the Executive Council of the All China Lawyers Association, an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of the East China University of Policies and Law and the Shanghai Institute of Foreign Trade and a commissioner of the public offering commission of the Shanghai Stock Exchange and the Shenzhen Stock Exchange. He was an Independent Non-executive Director of the Shimao International Holdings Limited from October 2001 to February 2005.

# Corporate Governance and Other Information

## DIRECTORS PROFILE (continued)

### Independent Non-executive Directors (continued)

#### *Gu Yunchang*

Gu Yunchang, aged 65, has been an Independent Non-executive Director of the Company since April 2006. He joined the Ministry of Construction in 1979 and has over 28 years' experience in market theory and policy research, including research and analysis of the PRC property market. In 1983, he was appointed as the Secretary-General of the China Residential Property Issues Research Institute (中國住宅問題研究會) and held this position for a period of 10 years. Between 1986 and 1998, he participated in the research and formulation of the national housing policy reform and in 1998, served as one of the main draftsman for the national housing reform program in the PRC. Mr. Gu has participated in state level research projects such as "2000 China" (《2000年中國》) and "National Xiaokang Residential Property Technological Industry Project" (《小康住宅科技產業工程》). Mr. Gu has been awarded the First Class National Science Technology Advance Award (國家科技進步一等獎) in China twice. Mr. Gu was appointed Vice-President and Secretary-General of the China Real Estate Association (中國房地產業協會) from August 1998 to March 2006, and since 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the China real estate market. He is also the main organizer and writer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu is currently the Vice President of China Real Estate and Housing Research Association and an independent non-executive director of Sino-Ocean Holdings Limited, a company listed on the Stock Exchange.

#### *Lam Ching Kam*

Mr. Lam Ching Kam, aged 48, has been an Independent Non-executive Director of the Company since June 2006. He is currently a fellow member and the committee member of the PRC committee (Quantity Surveying Division) of the Hong Kong Institute of Surveyors. Mr. Lam obtained a Masters Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Building and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a qualified China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 6 years. Mr. Lam has been in the property development and construction industry for 25 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co. Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing.

# Corporate Governance and Other Information

## INFORMATION ON SHARE OPTIONS

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

### (1) Pre-IPO Share Option Scheme

- (a) Movement of share options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2009 was as follows:

Name of Directors	Date of grant (DD/MM/YY)	Exercise price per share (HK\$)	Number of share options				Exercise period (DD/MM/YY)	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
			As at 1 January 2009	Exercised	Lapsed	As at 30 June 2009		
Hui Sai Tan, Jason	09/06/06	5.625	1,056,000	—	(528,000)	528,000	01/04/07– 08/06/12	—
Yao Li	09/06/06	5.625	1,452,000	—	(528,000)	924,000	01/04/07– 08/06/12	—
Ip Wai Shing, Andy	09/06/06	5.625	1,734,400	—	(512,000)	1,222,400	01/04/07– 08/06/12	—
Tang Ping Fai	09/06/06	5.625	1,788,600	—	(528,000)	1,260,600	01/04/07– 08/06/12	—
			6,031,000	—	(2,096,000)	3,935,000		—
Senior management and employees of the Group	09/06/06	5.625	29,499,850	(5,073,450)	(5,779,800)	18,646,600	01/04/07– 08/06/12	12.26
			35,530,850	(5,073,450)	(7,875,800)	22,581,600		

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

# Corporate Governance and Other Information

## INFORMATION ON SHARE OPTIONS (continued)

### (2) Share Option Scheme

- (a) The purpose of the Share Option Scheme is to provide the participants the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.
- (b) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.
- (c) The total number of shares which may be issued upon exercise of all options (the "Share Options") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.
- (d) The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue and any further grant of Share Options which would result in the number of shares of the Company issued as aforesaid exceeding the said 1% limit must be approved by the shareholders of the Company.
- (e) The exercise price of the Share Options shall be no less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.
- (f) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (g) Performance targets have been imposed as conditions for the grant of options under the Share Option Scheme.
- (h) The Share Option Scheme will expire on 8 June 2016.
- (i) No share options was granted under the Share Option Scheme during the six months ended 30 June 2009, nor was there any share option outstanding as at 1 January 2009 and 30 June 2009.

Other details of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in notes 10(b) and 10(c) to the condensed consolidated financial statements.



# Corporate Governance and Other Information

## DISCLOSURE OF INTERESTS IN SECURITIES

### Directors' and chief executive's interests and short position in the share capital of the Company

As at 30 June 2009, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

#### (1) Long position in the shares of the Company

Name of Directors	Capacity/Nature of Interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	2,044,206,000 <sup>(Note)</sup>	57.82%
Hui Sai Tan, Jason	Beneficial owner	1,584,000	0.04%
Yao Li	Beneficial owner	1,188,000	0.03%
Ip Wai Shing, Andy	Beneficial owner	438,000	0.01%
Tang Ping Fai	Beneficial owner	600,000	0.02%

Note:

These 2,044,206,000 shares represents the interest in the Company held by Gemfair Investments Limited and Shiyang Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.

#### (2) Long position in the underlying shares of the Company

Details of the interests of Directors in the share options were stated in the section under the heading "Information on Share Options".

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

### Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# Corporate Governance and Other Information

## DISCLOSURE OF INTERESTS IN SECURITIES (continued)

### Interests of substantial shareholders

As at 30 June 2009, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

### Long/short position in the shares or underlying shares of the Company

Name	Nature of interest	Number of shares or underlying shares held	Approximate percentage of issued share capital
<b>Long position</b>			
Gemfair Investments Limited ("Gemfair")	(Note 1)	1,947,984,000	55.10%
Overseas Investment Group International (PTC) Limited ("Overseas Investment")	(Note 2)	1,947,984,000	55.10%

Notes:

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

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

## CORPORATE GOVERNANCE

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

### Board of Directors

The board of directors of the Company comprises five executive directors, one non-executive director and four independent non-executive directors. The list of directors is set out in the "Company Information" section under this interim report. The Company benefits from the collective experience of its Directors, who come from a variety of different backgrounds. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs.

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board is committed to the Company's objective of consistent growth and development and increase in shareholder value. The Board sets strategies for the Company and monitors the performance and activities of the executive management.

# Corporate Governance and Other Information

## **CORPORATE GOVERNANCE** (continued)

### **Audit Committee**

The audit committee of the Company consists of four members, namely Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam. All of them are independent non-executive Directors. The chairman of the Audit Committee is Ms. Kan Lai Kuen, Alice.

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

The audit committee meets the external auditors at least once a year to discuss any areas of concerns during the audits. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2009 have been reviewed by the Audit Committee and the auditor of the Company.

### **Remuneration Committee**

The remuneration committee of the Company consists of five members, comprising Mr. Hui Wing Mau and the four independent non-executive Directors. The chairman of the remuneration committee is Mr. Hui Wing Mau.

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

### **Nomination Committee**

The nomination committee of the Company consists of five members, comprising Mr. Hui Wing Mau and the four independent non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Wing Mau.

The primary function of the nomination committee is to identifying and nominating suitable candidates for Board's consideration and recommendation to stand for election by shareholders at annual general meeting, or when necessary, make recommendations to the Board regarding candidates to fill vacancies on the Board.

# Corporate Governance and Other Information

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2009 except for one deviation as set out below.

The roles of the chairman and chief executive officer of the Company have not been segregated as required by the provision A.2.1 of the Code.

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

## COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors of the Company confirmed they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

## CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This interim report is now available in printed form and on the website of the Company.

If shareholders who have received or chosen to receive this interim report by electronic means and (i) wish to receive a printed copy; or (ii) for any reason have difficulty in receiving or gaining access to this report on the Company's website, they may obtain a printed copy free of charge by sending a request to the Company's Registrars by email at [is-ecom@hk.tricorglobal.com](mailto:is-ecom@hk.tricorglobal.com) or by post to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications, free of charge, they could at any time notify the Company's Registrars by email or by post.

# Corporate Governance and Other Information

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has today declared an interim dividend of HK10 cents per ordinary share for the six months ended 30 June 2009. The dividend will be payable on 10 November 2009 to shareholders whose names appear on the register of members of the Company on 3 November 2009.

The register of members of the Company will be closed on Monday, 2 November 2009 and Tuesday, 3 November 2009. During these two days no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 30 October 2009.

On behalf of the Board

**Hui Wing Mau**

*Chairman*

Hong Kong, 17 September 2009

# Condensed Consolidated Balance Sheet

As at 30 June 2009

		<b>Unaudited</b>	Audited
	Note	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	<b>5,236,243</b>	5,403,356
Investment properties	4	<b>6,151,263</b>	6,050,000
Land use rights	4	<b>2,529,407</b>	6,179,952
Intangible assets	4	<b>2,129,566</b>	424,394
Associated companies		—	255,785
Available-for-sale financial assets		<b>593,687</b>	—
Jointly controlled entities	6	<b>1,721,770</b>	1,721,197
Deferred income tax assets		<b>645,686</b>	437,847
Other non-current assets	5	<b>5,058,605</b>	4,309,904
		<b>24,066,227</b>	24,782,435
<b>Current assets</b>			
Land use rights under development	4	<b>13,538,127</b>	8,973,518
Properties under development		<b>7,419,067</b>	4,175,745
Completed properties held for sale		<b>3,096,816</b>	4,681,419
Trade and other receivables and prepayments	7	<b>2,549,844</b>	1,633,727
Prepaid income taxes		<b>285,885</b>	148,174
Amounts due from related companies	8	<b>4,120</b>	84,915
Restricted cash	9	<b>937,680</b>	186,961
Cash and cash equivalents		<b>8,973,913</b>	1,814,447
		<b>36,805,452</b>	21,698,906
<b>Total assets</b>		<b>60,871,679</b>	46,481,341
<b>OWNERS' EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	10	<b>361,335</b>	336,015
Reserves			
— Proposed dividend		<b>311,650</b>	404,742
— Others		<b>20,592,758</b>	17,955,062
		<b>21,265,743</b>	18,695,819
<b>Minority interests in equity</b>		<b>2,376,652</b>	341,600
<b>Total equity</b>		<b>23,642,395</b>	19,037,419

# Condensed Consolidated Balance Sheet

As at 30 June 2009

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	14,673,309	10,895,097
Deferred income tax liabilities		1,736,964	1,605,101
		<b>16,410,273</b>	12,500,198
<b>Current liabilities</b>			
Trade and other payables	13	5,363,886	6,747,126
Advanced proceeds received from customers		6,411,351	1,534,690
Income tax payable		4,171,269	2,958,002
Borrowings	11	4,525,668	3,538,906
Amounts due to related companies	14	181,837	—
Deferred income		165,000	165,000
		<b>20,819,011</b>	14,943,724
<b>Total liabilities</b>		<b>37,229,284</b>	27,443,922
<b>Total equity and liabilities</b>		<b>60,871,679</b>	46,481,341
<b>Net current assets</b>		<b>15,986,441</b>	6,755,182
<b>Total assets less current liabilities</b>		<b>40,052,668</b>	31,537,617

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Note	Unaudited Six months ended 30 June	
		2009 RMB'000	2008 RMB'000
<b>Revenue</b>	3(a)	<b>4,967,684</b>	1,841,771
Cost of sales	17	<b>(3,538,987)</b>	(760,025)
<b>Gross profit</b>		<b>1,428,697</b>	1,081,746
Gains on deemed disposal to minority interests	15	<b>1,395,849</b>	—
Fair value gains on investment properties		<b>54,544</b>	805,380
Other gains	16	<b>73,295</b>	404,275
Selling and marketing costs	17	<b>(156,757)</b>	(113,159)
Administrative expenses	17	<b>(568,928)</b>	(506,178)
Other operating expenses	17	<b>(9,246)</b>	(37,619)
<b>Operating profit</b>		<b>2,217,454</b>	1,634,445
Finance costs — net	18	<b>(185,413)</b>	(158,306)
Share of results of			
— Associated companies		<b>19,926</b>	(13,478)
— Jointly controlled entities		<b>641</b>	7,721
<b>Profit before income tax</b>		<b>2,052,608</b>	1,470,382
Income tax expense	19	<b>(798,711)</b>	(551,809)
<b>Profit for the period</b>		<b>1,253,897</b>	918,573
<b>Other comprehensive income:</b>			
Fair value gains on available-for-sale financial assets, net of tax		<b>62,240</b>	—
<b>Total comprehensive income for the period</b>		<b>1,316,137</b>	918,573
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		<b>1,198,724</b>	919,099
Minority interests		<b>55,173</b>	(526)
		<b>1,253,897</b>	918,573
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		<b>1,238,696</b>	919,099
Minority interests		<b>77,441</b>	(526)
		<b>1,316,137</b>	918,573
<b>Dividends</b>	20	<b>311,650</b>	—
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
— basic (RMB cents)	21	<b>35.6</b>	27.9
— diluted (RMB cents)	21	<b>35.5</b>	27.7



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Note	Unaudited			Total RMB'000
		Attributable to the equity holders of the Company		Minority interests RMB'000	
		Share capital RMB'000	Reserves RMB'000		
<b>Balance at 1 January 2009</b>		336,015	18,359,804	341,600	19,037,419
Total comprehensive income for the period		—	1,238,696	77,441	1,316,137
Issue of shares for placement	10(a)(i)	24,873	1,682,890	—	1,707,763
Minority interests arising on acquisition of subsidiaries	15, 24	—	—	1,995,531	1,995,531
Employee share option scheme — value of employee services		—	2,808	—	2,808
— proceeds from shares issued		447	24,708	—	25,155
2008 final dividend	20	—	(404,498)	(37,920)	(442,418)
<b>Balance at 30 June 2009</b>		361,335	20,904,408	2,376,652	23,642,395
<b>Balance at 1 January 2008</b>		340,382	18,107,802	364,024	18,812,208
Total comprehensive income/(loss) for the period		—	919,099	(526)	918,573
Minority interest arising on acquisition of a subsidiary		—	—	10,680	10,680
Employee share option scheme — value of employee services		—	50,523	—	50,523
— proceeds from shares issued		435	24,041	—	24,476
2007 final dividend		—	(464,936)	(28,463)	(493,399)
<b>Balance at 30 June 2008</b>		340,817	18,636,529	345,715	19,323,061
Total comprehensive (loss)/income for the period		—	(77,940)	19,635	(58,305)
Repurchase and cancellation of shares		(4,949)	(182,051)	—	(187,000)
Acquisition of additional interests in subsidiaries		—	—	(23,750)	(23,750)
Employee share option scheme — value of employee services		—	(24,790)	—	(24,790)
— proceeds from shares issued		147	8,056	—	8,203
<b>Balance at 31 December 2008</b>		336,015	18,359,804	341,600	19,037,419

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Unaudited Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Net cash inflow/(outflow) from operating activities	1,772,225	(405,139)
Net cash inflow/(outflow) from investing activities	132,380	(3,655,039)
Net cash inflow from financing activities	5,259,430	2,091,423
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>7,164,035</b>	<b>(1,968,755)</b>
Cash and cash equivalents at 1 January	1,814,447	4,596,378
Effect of foreign exchange rate changes	(4,569)	(22,023)
<b>Cash and cash equivalents at 30 June</b>	<b>8,973,913</b>	<b>2,605,600</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006.

In May 2009, the Group completed the injection of a number of retail and commercial properties in the PRC, most of which through equity transfers, into Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a company listed on the Shanghai Stock Exchange, satisfied by issuance of 630,000,000 shares of Shanghai Shimao. In addition, the Group also subscribed for new shares of Shanghai Shimao Enterprises Development Co., Ltd. ("Shimao Enterprises"), which previously held approximately 37% interest in Shanghai Shimao, for RMB749,992,000. Shimao Enterprises then subscribed for 62,240,000 shares of Shanghai Shimao using the proceeds received of RMB749,992,000 (collectively the "Transaction").

After the completion of the Transaction, the Group owns an effective equity interest of 64.22% in Shanghai Shimao and a direct equity interest of 50.9% in Shimao Enterprises. Mr. Hui Wing Mau, Chairman of the Company, is also the Chairman of Shanghai Shimao. Shimao Enterprises was 93.33% owned by the nephew of Mr. Hui Wing Mau prior to the Transaction.

The Transaction had resulted in a gain of RMB1,395,849,000 (Note 15) and goodwill of RMB1,709,730,000 to the Group. Details of the Transaction are set out in Note 24.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 are prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair values, and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

These condensed consolidated interim financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated and were approved by the Company's board of directors on 17 September 2009.

These condensed consolidated interim financial statements have not been audited.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 2 ACCOUNTING POLICIES

Except as described below which are newly adopted for this period, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements for the year ended 31 December 2008.

### Available-for-sale financial assets

The Group is in possession of available-for-sale financial assets during this period through acquisition of Shanghai Shimao. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement.

### New/revised standards, amendments to standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2009 that are relevant to the Group's operations

- HKAS 1 (Revised), "Presentation of Financial Statements"
- HKAS 23 (Revised), "Borrowing Costs"
- HKAS 40 (Amendment), "Investment Property"
- HKFRS 8, "Operating Segments"
- HKFRS 7 (Amendment), "Financial Instruments: Disclosures"
- HK(IFRIC) – Int 15, "Agreements for Construction of Real Estates"
- HK(IFRIC) – Int 13, "Customer Loyalty Programmes"
- HKFRS 2, "Share-based Payment"
- HKAS 1 (Amendment), "Presentation of Financial Statements"
- HKAS 23 (Amendment), "Borrowing Costs"
- HKAS 28 (Amendment), "Investments in Associates"
- HKAS 36 (Amendment), "Impairment of Assets"
- HKAS 8 (Amendment), "Accounting Policies, Changes in Accounting Estimates and Errors"
- HKAS 10 (Amendment), "Events After the Balance Sheet Date"
- HKAS 18 (Amendment), "Revenue"
- HKAS 34 (Amendment), "Interim Financial Reporting"

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 2 ACCOUNTING POLICIES (continued)

### New standards, amendments to standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2009 that are relevant to the Group's operations (continued)

The adoption of the above new/revised standards, amendments to standards and interpretations in 2009 has no significant impact on the Group's financial statements except for the following presentational changes and added disclosures:

- HKAS 1 (Revised), "Presentation of Financial Statements", introduces a number of changes to the presentation of the financial statements, including the requirement for certain items of income and expenses (that is "non-owner changes in equity") previously presented in the consolidated statement of changes in equity to be presented in a new performance statement.

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 to present one performance statement (the consolidated statement of comprehensive income). The condensed consolidated interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating Segments", replaces HKAS 14, "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM makes strategic decisions.

The adoption of this Standard has resulted in a change of reportable segments. Following the completion of the Transaction, the CODM views Shanghai Shimao as a separate operating segment from the previous property development and investment segment while the hotel operation segment is maintained. Comparatives for 2008 have been restated.

- HKFRS 7 (Amendment), "Financial Instruments: Disclosures", increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The Group will make additional relevant disclosures in its consolidated financial statements for the year ending 31 December 2009.

The Group has not early adopted any new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but are not yet effective for financial year ending 31 December 2009.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 3 SEGMENT INFORMATION

The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

Following the completion of the Transaction, the CODM views Shanghai Shimao as a separate operating segment from the previous property development and investment segment while the hotel operation segment is maintained.

### (a) Revenue

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

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Sales of properties	<b>4,573,113</b>	1,363,788
Hotel operating income	<b>288,128</b>	389,861
Rental income from investment properties	<b>106,443</b>	88,122
	<b>4,967,684</b>	1,841,771

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 3 SEGMENT INFORMATION (continued)

### (b) Segment information

The unaudited segment results for the six months ended 30 June 2009 are as follows:

	Property development and investment		Hotel operation RMB'000	Unallocated* RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000			
Revenue					
— Sales of properties	150,167	4,422,946	—	—	4,573,113
— Hotel operating income	—	—	288,128	—	288,128
— Rental income from investment properties	4,713	101,730	—	—	106,443
<b>Total revenue</b>	<b>154,880</b>	<b>4,524,676</b>	<b>288,128</b>	<b>—</b>	<b>4,967,684</b>
Operating profit	23,106	2,248,785	(38,866)	(15,571)	2,217,454
Finance costs — net	(12,204)	(96,415)	(40,227)	(36,567)	(185,413)
Share of results of					
— Associated companies	—	19,926	—	—	19,926
— Jointly controlled entities	—	72	—	569	641
<b>Profit/(loss) before income tax</b>	<b>10,902</b>	<b>2,172,368</b>	<b>(79,093)</b>	<b>(51,569)</b>	<b>2,052,608</b>
Income tax expense					(798,711)
<b>Profit for the period</b>					<b>1,253,897</b>
Other segment items are as follows:					
Capital and property development expenditure	381,123	3,812,301	39,723	112,076	4,345,223
Gains on deemed disposal to minority interests	—	1,395,849	—	—	1,395,849
Fair value gains on investment properties	30,444	24,100	—	—	54,544
Impairment of intangible assets	(3,821)	(737)	—	—	(4,558)
Depreciation	(950)	(27,029)	(99,665)	(3,150)	(130,794)
Amortisation of land use rights as expenses	(424)	(13,376)	(14,227)	—	(28,027)
Impairment losses on completed properties held for sale	—	(57,935)	—	—	(57,935)
Provision for impairment of receivables	(316)	(7,208)	(40)	—	(7,564)

\* Unallocated mainly represent corporate level activities

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 3 SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

The unaudited segment results for the six months ended 30 June 2008 are as follows:

	Property development and investment		Hotel operation	Unallocated*	Total
	Shanghai Shimao	Others			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
— Sales of properties	—	1,363,788	—	—	1,363,788
— Hotel operating income	—	—	389,861	—	389,861
— Rental income from investment properties	—	88,122	—	—	88,122
Total revenue	—	1,451,910	389,861	—	1,841,771
Operating profit	—	1,639,540	33,129	(38,224)	1,634,445
Finance costs — net	—	(81,043)	(32,183)	(45,080)	(158,306)
Share of results of					
— Associated companies	—	(13,478)	—	—	(13,478)
— Jointly controlled entities	—	7,345	—	376	7,721
Profit/(loss) before income tax	—	1,552,364	946	(82,928)	1,470,382
Income tax expense					(551,809)
Profit for the period					918,573
Other segment items are as follows:					
Capital and property development expenditure	—	11,231,281	223,898	14,117	11,469,296
Fair value gains on investment properties	—	805,380	—	—	805,380
Impairment of intangible assets	—	(4,345)	—	—	(4,345)
Depreciation	—	(15,193)	(95,946)	(1,867)	(113,006)
Amortisation of land use rights as expenses	—	(1,708)	(13,755)	—	(15,463)
Provision for impairment of receivables	—	(2,405)	—	—	(2,405)

\* Unallocated mainly represent corporate level activities



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 3 SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

The segment assets and liabilities as at 30 June 2009 are as follows:

	Property development and investment			Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	
Jointly controlled entities	—	1,717,748	—	1,717,748
Intangible assets	1,715,954	282,684	130,928	2,129,566
Other segment assets	12,456,260	36,424,715	6,531,858	55,412,833
<b>Total segment assets</b>	<b>14,172,214</b>	<b>38,425,147</b>	<b>6,662,786</b>	<b>59,260,147</b>
Deferred income tax assets				645,686
Available-for-sale financial assets				593,687
Other assets				372,159
<b>Total assets</b>				<b>60,871,679</b>
Borrowings	2,615,157	8,025,356	3,034,172	13,674,685
Other segment liabilities	1,671,584	14,050,440	547,973	16,269,997
<b>Total segment liabilities</b>	<b>4,286,741</b>	<b>22,075,796</b>	<b>3,582,145</b>	<b>29,944,682</b>
Corporate borrowings				5,524,292
Deferred income tax liabilities				1,736,964
Other liabilities				23,346
<b>Total liabilities</b>				<b>37,229,284</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 3 SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

The segment assets and liabilities as at 31 December 2008 are as follows:

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	—	255,785	—	255,785
Jointly controlled entities	—	1,717,744	—	1,717,744
Intangible assets	—	293,466	130,928	424,394
Other segment assets	—	36,939,780	6,619,623	43,559,403
<b>Total segment assets</b>	<b>—</b>	<b>39,206,775</b>	<b>6,750,551</b>	<b>45,957,326</b>
Deferred income tax assets				437,847
Other assets				86,166
<b>Total assets</b>				<b>46,481,339</b>
Borrowings	—	5,744,730	2,099,900	7,844,630
Other segment liabilities	—	10,349,502	464,696	10,814,198
<b>Total segment liabilities</b>	<b>—</b>	<b>16,094,232</b>	<b>2,564,596</b>	<b>18,658,828</b>
Corporate borrowings				6,589,373
Deferred income tax liabilities				1,605,101
Other liabilities				590,620
<b>Total liabilities</b>				<b>27,443,922</b>

Total segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised under intangible assets arising from acquisition of subsidiaries relating to respective segments. They exclude corporate assets, deferred income tax assets and available-for-sale financial assets.

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 4 CAPITAL EXPENDITURE

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2009	5,403,356	15,153,470	6,050,000	424,394	27,031,220
Acquisition of subsidiaries (Note 24)	366,630	704,467	265,368	1,709,730	3,046,195
Additions	361,998	1,243,756	—	—	1,605,754
Land use rights amortisation capitalised to property, plant and equipment	59,617	(59,617)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(80,499)	—	—	(80,499)
Transfer to properties under development	(818,020)	—	—	—	(818,020)
Transfer to investment properties	(5,351)	—	5,351	—	—
Transfer to completed properties held for sale	—	—	(224,000)	—	(224,000)
Transfer to cost of sales	—	(866,016)	—	—	(866,016)
Fair value gains	—	—	54,544	—	54,544
Impairment	—	—	—	(4,558)	(4,558)
Depreciation/amortisation charged to the consolidated income statement	(130,794)	(28,027)	—	—	(158,821)
Disposals	(1,193)	—	—	—	(1,193)
Closing net book amount as at 30 June 2009	5,236,243	16,067,534	6,151,263	2,129,566	29,584,606
Representing:					
Non-current		2,529,407			
Current		13,538,127			
		16,067,534			

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 4 CAPITAL EXPENDITURE (continued)

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2008	4,990,516	13,852,055	5,852,000	415,995	25,110,566
Additions	297,342	1,581,725	5,620	—	1,884,687
Land use rights amortisation capitalised to property, plant and equipment	45,728	(45,728)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(61,815)	—	—	(61,815)
Transfer to property, plant and equipment	34,000	—	(34,000)	—	—
Transfer to cost of sales	—	(62,521)	—	—	(62,521)
Fair value gains	—	—	805,380	—	805,380
Impairment	—	—	—	(4,345)	(4,345)
Depreciation/amortisation charged to the consolidated income statement	(113,006)	(15,463)	—	—	(128,469)
Disposals	(1,966)	—	—	—	(1,966)
Closing net book amount as at 30 June 2008	5,252,614	15,248,253	6,629,000	411,650	27,541,517
Representing:					
Non-current		6,104,465			
Current		9,143,788			
		15,248,253			
Closing net book amount as at 1 July 2008	5,252,614	15,248,253	6,629,000	411,650	27,541,517
Additions	460,225	720,493	28,180	—	1,208,898
Acquisition of subsidiaries	864	—	—	17,597	18,461
Land use rights amortisation capitalised to property, plant and equipment	43,309	(43,309)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(56,171)	—	—	(56,171)
Transfer from properties under development	—	—	39,054	—	39,054
Transfer to investment properties	(194,479)	(87,416)	281,895	—	—
Transfer to cost of sales	—	(608,453)	—	—	(608,453)
Fair value losses	—	—	(928,129)	—	(928,129)
Impairment	—	—	—	(4,853)	(4,853)
Depreciation/amortisation charged to the consolidated income statement	(111,216)	(19,927)	—	—	(131,143)
Disposals	261	—	—	—	261
Cost adjustments	(48,222)	—	—	—	(48,222)
Closing net book amount as at 31 December 2008	5,403,356	15,153,470	6,050,000	424,394	27,031,220
Representing:					
Non-current		6,179,952			
Current		8,973,518			
		15,153,470			

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 4 CAPITAL EXPENDITURE (continued)

Except for investment properties which are carried at fair value, all of the above are stated at historical cost less depreciation/amortisation and impairment losses (if any). The investment properties were revalued on an open market value and existing use basis as at 30 June 2009 by DTZ Debenham Tie Leung Limited (“DTZ”) and Shanghai Yinxin Huiye Appraisal Co., Ltd., (“Shanghai Yinxin Huiye”) and as at 31 December 2008 by DTZ. Both DTZ and Shanghai Yinxin Huiye are independent professional qualified valuers.

Intangible assets comprise goodwill from acquisitions.

## 5 OTHER NON-CURRENT ASSETS

As at 30 June 2009, the Group has made prepayments of RMB4,330,755,000 (31 December 2008: RMB3,525,804,000) for certain land use rights, the ownership certificates of which have not been obtained. As at 30 June 2009, RMB727,850,000 (31 December 2008: RMB784,100,000) have been advanced to certain local government authorities for land resettlement and site formation. These amounts are included in other non-current assets.

## 6 JOINTLY CONTROLLED ENTITIES

The Group and China Overseas Land & Investment Ltd. (“COLI Group”) formed two jointly controlled entities to hold two pieces of land in the city of Hangzhou. As at 30 June 2009, a total of RMB1,709,150,000 (31 December 2008: RMB1,709,149,000) was advanced to these two jointly controlled entities, of which RMB1,708,969,000 (31 December 2008: RMB1,709,037,000) was included in interests in jointly controlled entities and RMB181,000 (31 December 2008: RMB112,000) was included in amounts due from related companies (Note 8) respectively.

## 7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Trade receivables — net of provision for impairment (note)	<b>1,152,578</b>	809,587
Deposits for resettlement costs	<b>258,847</b>	208,748
Other receivables	<b>385,199</b>	247,342
Prepayments for construction costs	<b>429,596</b>	279,455
Prepaid business taxes on pre-sale proceeds	<b>323,624</b>	88,595
	<b>2,549,844</b>	1,633,727

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Note:

Trade receivables are mainly arisen from sales of properties and operating lease rental. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The aging analysis of trade receivables net of provision for impairment at respective balance sheet dates is as follows:

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Within 90 days	<b>862,830</b>	567,132
Over 90 days and within 365 days	<b>209,483</b>	201,068
Over 365 days	<b>80,265</b>	41,387
	<b>1,152,578</b>	809,587

As at 30 June 2009, provision for impairment of receivables was approximately RMB9,878,000 (31 December 2008: RMB2,314,000).

As at 30 June 2009, the fair value of trade receivables, deposits for resettlement costs, and other receivables of the Group approximate their carrying amounts.

## 8 AMOUNTS DUE FROM RELATED COMPANIES

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
<b>Common directors</b>		
Shanghai Shimao	—	542
Shimao International Holdings Limited ("Shimao International")	<b>529</b>	529
Shimao Enterprises	—	81,129
Shanghai Mason Club Co., Ltd.	<b>108</b>	60
<b>Associated companies (note)</b>		
Nanjing Shimao Real Estate Development Co., Ltd. ("Nanjing Shimao")	—	626
Fujian Shimao Investment Development Co., Ltd. ("Fujian Shimao")	—	1,324
<b>Jointly controlled entities</b>		
Shanghai Shimao Savills Property Management Co., Ltd. ("Shimao First Pacific")	<b>3,302</b>	593
Hai Shu Investment Management (Hangzhou) Co., Ltd.	<b>181</b>	112
	<b>4,120</b>	84,915

Note:

Following the completion of the Transaction during the period described in Note 1, Nanjing Shimao and Fujian Shimao, the two subsidiaries of Shanghai Shimao and the then associated companies of the Group, become subsidiaries of the Group.

The amounts due from related companies are unsecured, interest-free and have no fixed repayment terms.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 9 RESTRICTED CASH

As at 30 June 2009, the Group's cash of approximately RMB219,566,000 (31 December 2008: RMB75,395,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 22). The Group's cash of approximately RMB682,851,000 (31 December 2008: RMB111,566,000) were pledged as collateral for the Group's borrowings (Note 12) and cash of RMB35,263,000 (31 December 2008: Nil) were placed as guarantee deposits for bank acceptance bill.

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

## 10 SHARE CAPITAL

(a) Details of share capital of the Company are as follows:

	Par value HK\$	Number of shares '000	Nominal value of ordinary shares	
			HK\$'000	RMB'000
Authorised:				
At 30 June 2008, 31 December 2008 and 30 June 2009	0.1	5,000,000	500,000	
Issued and fully paid:				
At 1 January 2008		3,297,792	329,779	340,382
Employee share option scheme — Shares issued (b)		4,876	488	435
At 30 June 2008		3,302,668	330,267	340,817
Employee share option scheme — Shares issued (b)		1,663	166	147
Repurchases and cancellation of shares (d)		(56,185)	(5,618)	(4,949)
At 31 December 2008		3,248,146	324,815	336,015
Issue of shares for placement (i)	0.1	282,229	28,223	24,873
Employee share option scheme — Shares issued (b)		5,074	507	447
At 30 June 2009		3,535,449	353,545	361,335

Note:

- (i) On 9 April 2009, the Company completed a placing and subscription of 282,229,000 new ordinary shares of the Company, representing about 8% of the then enlarged capital of the Company, at HK\$6.95 per share or a total consideration, net of related expenses of approximately HK\$1,937,777,000 (equivalent to RMB1,707,763,000).

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 10 SHARE CAPITAL (continued)

### (b) Pre-IPO share option scheme

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

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

	Six months ended 30 June		1 July 2008 to
	2009 '000	2008 '000	31 December 2008 '000
Balance at beginning of the period	35,531	43,767	37,194
Lapsed	(7,875)	(1,697)	—
Exercised	(5,074)	(4,876)	(1,663)
Balance at end of the period	22,582	37,194	35,531

Out of the 22,581,600 outstanding options (31 December 2008: 35,530,850 options), 13,911,000 options (2008: 11,908,250 options) were vested and exercisable. During the period, 5,073,450 options have been exercised (year ended 31 December 2008: 6,539,400 options) at exercise price of HK\$5.625 per share, totalling HK\$28,538,000 (equivalent to RMB25,155,000).

The fair value of the options granted determined using the binomial model was HK\$92,324,000 at the grant date. The significant inputs to the model were share price of HK\$6.25 at the grant date, exercise price of HK\$5.625, volatility of 30.5%, expected dividend yield of 3.3%, an expected option life of 6 years and an annual risk-free interest rate of 4.7%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past one year of the grant date of similar listed companies.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 10 SHARE CAPITAL (continued)

### (c) Share Option Scheme

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

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

Pursuant to the board resolution, options for a total of 15,350,000 ordinary shares of the Company under this scheme have been granted to independent non-executive directors, an executive director and selected employees on 4 February 2008. The exercise price is HK\$16.24 per share. The options are to be partially vested on 31 March 2008 and partially on 31 March 2009, and are conditional on the employee performance and become exercisable immediately after each vesting date. As at 31 December 2008, all 15,350,000 options were forfeited or cancelled, of which 9,718,500 ordinary shares due to be vested on 31 March 2009 were cancelled by forfeiture as the vesting conditions are not satisfied.

The fair value of the options granted determined using the binomial model was HK\$84,681,000 at the grant date. The significant inputs to the model were share price of HK\$16.24 at the grant date, exercise price of HK\$16.24, volatility of 56.14%, expected dividend yield of 2.16%, an expected option life of about 4 years and an annual risk-free interest rate ranged from 1.47% to 1.95%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical daily share prices of the Company over an 80-week period.

### (d) Repurchase of own shares

During the six months ended 30 June 2009, there have been no repurchase of own shares.

During the year ended 31 December 2008, the Company repurchased its own shares of 56,184,500, in aggregate, on the Stock Exchange at a total price of HK\$211,360,730 (equivalent to RMB187,000,000).

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of RMB4,949,000 was transferred from the retained earnings to the capital redemption reserve during the year ended 31 December 2008.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 11 BORROWINGS

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings — secured by assets (notes (i) and (iv))	<b>12,485,287</b>	8,993,056
Long-term bank borrowings — unsecured	<b>750,000</b>	800,000
Senior notes — secured (note (iii))	<b>4,029,208</b>	4,023,997
	<b>17,264,495</b>	13,817,053
Less: Amounts due within one year	<b>(2,591,186)</b>	(2,921,956)
	<b>14,673,309</b>	10,895,097
Borrowings included in current liabilities		
Short-term bank borrowings — secured by assets (note (i))	<b>871,796</b>	564,037
Short-term bank borrowings — unsecured	<b>552,686</b>	52,913
Short-term bank borrowings — secured by shares of a listed subsidiary (note (ii))	<b>510,000</b>	—
Current portion of long-term bank borrowings	<b>2,591,186</b>	2,921,956
	<b>4,525,668</b>	3,538,906

Movement of bank borrowings is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2009 RMB'000</b>	2008 RMB'000
Opening balance at 1 January	<b>14,434,003</b>	11,636,488
Additions of borrowings	<b>7,866,286</b>	5,014,252
Acquisition of subsidiaries (Note 24)	<b>990,000</b>	—
Amortisation of issue expenses	<b>25,585</b>	25,967
Repayments of borrowings	<b>(4,085,006)</b>	(1,507,739)
Foreign exchange gains	<b>(31,891)</b>	(496,769)
Closing balance at 30 June	<b>19,198,977</b>	14,672,199

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 11 BORROWINGS (continued)

Notes:

- (i) As at 30 June 2009, the Group's total secured bank borrowings of RMB13,357,083,000 (31 December 2008: RMB9,557,093,000) were secured by mortgages of certain property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, restricted cash and available-for-sale financial assets (Note 12).
- (ii) As at 30 June 2009, 110,000,000 shares of Shanghai Shimao held by the Group have been pledged for a total bank borrowings of RMB510,000,000 for group companies.
- (iii) On 29 November 2006, the Company issued a total of US\$600,000,000 senior notes, including US\$250,000,000 at a floating rate of interest due on 1 December 2011 and US\$350,000,000 at a fixed rate of interest due on 1 December 2016. The Company may at its option redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain subsidiaries other than those established under the laws of the PRC ("Subsidiary Guarantors"), and secured by a pledge of the shares of these Subsidiary Guarantors.
- (iv) On 13 August 2007, the Company entered into a bank facility agreement with a syndicate of 20 international and local banks. Pursuant to the agreement, the Company obtained a 3-year extendible syndicated loan facility amounting to US\$328,000,000 at a floating rate of interest, due on 13 August 2010. The Company repaid US\$230,000,000 on 4 May 2009, and the remaining amount of US\$98,000,000 was repaid on 31 July 2009.

## 12 PLEDGED ASSETS

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Property, plant and equipment	<b>4,005,613</b>	3,727,388
Investment properties	<b>6,151,263</b>	5,646,000
Land use rights	<b>12,039,563</b>	7,190,119
Available-for-sale financial assets	<b>106,925</b>	—
Properties under development	<b>1,254,859</b>	962,867
Completed properties held for sale	<b>302,034</b>	342,370
Restricted cash	<b>682,851</b>	111,566
	<b>24,543,108</b>	17,980,310

In addition to the above, certain shares of Shanghai Shimao held by the Group have been pledged for bank borrowings (Note 11(ii)).

## 13 TRADE AND OTHER PAYABLES

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Trade payables (note (i))	<b>4,602,264</b>	5,836,441
Accrued expenses	<b>113,961</b>	109,039
Other taxes payable	<b>274,503</b>	176,888
Other payables (note (ii))	<b>337,099</b>	624,758
Dividend payable	<b>36,059</b>	—
	<b>5,363,886</b>	6,747,126

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 13 TRADE AND OTHER PAYABLES (continued)

Notes:

(i) As at 30 June 2009, the aging analysis of trade payables is as follows:

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Within 90 days	<b>3,892,511</b>	5,107,382
Over 90 days and within 180 days	<b>709,753</b>	729,059
	<b>4,602,264</b>	5,836,441

(ii) Other payables comprise:

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Excess proceeds and deposits received from customers	<b>141,555</b>	92,327
Rental deposits from tenants and hotel customers	<b>52,389</b>	66,189
Deposits and advances from constructors	<b>39,134</b>	352,701
Fees collected from customers on behalf of government agencies	<b>25,556</b>	11,157
Acquisition consideration payable	<b>17,500</b>	32,502
Service fee payables related to the Transaction	<b>5,740</b>	—
Decoration fee payables	<b>2,533</b>	35,110
Decoration fee collected from customers on behalf of decorators	<b>1,976</b>	1,976
Welfare payable	<b>1,789</b>	4,845
Miscellaneous	<b>48,927</b>	27,951
	<b>337,099</b>	624,758

## 14 AMOUNTS DUE TO RELATED COMPANIES

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
<b>Minority interests</b>		
Mr. Xu Shiyong	<b>28,970</b>	—
<b>Common directors</b>		
Gemfair Investments Limited	<b>151,265</b>	—
Vast Union Investment Limited	<b>270</b>	—
Perfect Zone International Limited	<b>1,332</b>	—
Total	<b>181,837</b>	—

The amounts due to related companies are unsecured, interest-free and have no fixed repayment terms.

## 15 GAINS ON DEEMED DISPOSAL TO MINORITY INTERESTS

As described in Note 1, the Group acquired an effective equity interest of 64.22% in Shanghai Shimao through injection of a number of retail and commercial properties, most of which through equity transfers. Such injected equities and assets were originally 100% held by the Group. After the completion of the Transaction, the Group's interests in these injected equities and assets were diluted from 100% to 64.22%. The reduction of the interests of 35.78% in these injected equities and assets constituted a deemed disposal, and resulted in a gain. The gain of RMB1,395,849,000 was calculated as 35.78% of the excess of the fair value of these equities and assets given up over their carrying amounts on the completion date of 31 May 2009.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 16 OTHER GAINS

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Subsidy income	40,385	5,203
Net exchange gain	27,316	392,765
Dividend income from available-for-sale financial assets	3,608	—
Temporary rental and advertising income	600	1,257
Gains on disposal of property, plant and equipment	17	457
Miscellaneous	1,369	4,593
	<b>73,295</b>	404,275

## 17 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Staff costs — including directors' emoluments	186,592	261,769
Depreciation	130,794	113,006
Amortisation of land use rights	28,027	15,463
Advertising, promotion and commission costs	104,999	83,340
Cost of properties sold	3,106,863	472,974
Business taxes and other levies on sales of properties	257,698	68,731
Impairment of intangible assets	4,558	4,345
Provision for impairment of receivables (Note 7)	7,564	2,405
Impairment losses on completed properties held for sale	57,935	—
Direct outgoings arising from investment properties	10,537	9,992
Auditor's remuneration	3,061	1,320
Charitable donations	1,391	22,649
Operating lease rental expenses	26,607	20,028
Direct expenses arising from hotel operation	64,585	126,182
Corporate and office expenses	135,912	144,059
Other expenses	146,795	70,718
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	<b>4,273,918</b>	1,416,981

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 18 FINANCE COSTS — NET

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Interest on bank borrowings		
— wholly repayable within five years	<b>341,089</b>	261,618
— not wholly repayable within five years	<b>47,522</b>	20,712
Interest on senior notes		
— wholly repayable within five years	<b>46,129</b>	106,512
— not wholly repayable within five years	<b>98,278</b>	95,494
	<b>533,018</b>	484,336
Less: Interest capitalised	<b>(337,768)</b>	(302,758)
Finance costs	<b>195,250</b>	181,578
Interest income	<b>(9,837)</b>	(23,272)
Finance costs — net	<b>185,413</b>	158,306

## 19 INCOME TAX EXPENSE

### (a) Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong.

### (b) PRC enterprise income tax

PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

### (c) PRC land appreciation tax ("LAT")

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

### (d) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate will be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. Such withholding income tax is included in deferred tax.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 19 INCOME TAX EXPENSE (continued)

### (d) PRC withholding income tax (continued)

Gain on disposal of an investment in the PRC by an overseas holding company may also be subject to withholding tax of 10%. Such withholding tax is included in current tax.

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Current tax		
— PRC enterprise income tax	499,707	75,613
— PRC withholding income tax	434,000	—
— PRC land appreciation tax	114,596	212,932
	<b>1,048,303</b>	288,545
Deferred tax		
— PRC enterprise income tax	(196,592)	237,128
— PRC withholding income tax	(53,000)	26,136
	<b>(249,592)</b>	263,264
	<b>798,711</b>	551,809

## 20 DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2009 of HK10 cents per ordinary share, amounting to approximately HK\$353,545,000 (equivalent to RMB311,650,000) has been declared at the Company's board meeting held on 17 September 2009 (2008: Nil).

A final dividend in respect of 2008 of HK13 cents per ordinary share, amounting to approximately HK\$459,031,000 (equivalent to RMB404,742,000) has been approved at the annual general meeting of the Company held on 2 June 2009.

## 21 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2009	2008
Profit attributable to the equity holders of the Company (RMB'000)	<b>1,198,724</b>	919,099
Weighted average number of ordinary shares in issue (thousands)	<b>3,367,177</b>	3,298,891
Basic earnings per share (RMB cents)	<b>35.6</b>	27.9

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 21 EARNINGS PER SHARE (continued)

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

	Six months ended 30 June	
	2009	2008
Profit attributable to the equity holders of the Company (RMB'000)	<b>1,198,724</b>	919,099
Weighted average number of ordinary shares in issue (thousands)	<b>3,367,177</b>	3,298,891
Adjustments for share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme (thousands)	<b>6,621</b>	22,595
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>3,373,798</b>	3,321,486
Diluted earnings per share (RMB cents)	<b>35.5</b>	27.7

## 22 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2009.

	30 June 2009 RMB'000	31 December 2008 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	<b>4,385,725</b>	2,468,157

Note:

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

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made as of 30 June 2009 for the guarantees.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 23 COMMITMENTS

### (a) Commitments for capital and property development expenditure

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Contracted but not provided for		
— Property, plant and equipment	<b>1,032,825</b>	1,184,667
— Land use rights	<b>12,749,797</b>	6,133,370
— Properties being developed by the Group for sale	<b>3,783,540</b>	3,037,239
— Advances to government authorities for land resettlement and site formation	<b>2,745,250</b>	3,035,900
	<b>20,311,412</b>	13,391,176

### (b) Operating lease commitments

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

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Within one year	<b>31,119</b>	31,522
Between two to five years	<b>144,166</b>	35,253
After five years	<b>308,278</b>	2,145
	<b>483,563</b>	68,920

### (c) Operating lease rentals receivable

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

	<b>30 June 2009 RMB'000</b>	31 December 2008 RMB'000
Within one year	<b>169,443</b>	185,417
Between two to five years	<b>321,146</b>	364,439
After five years	<b>364,015</b>	410,756
	<b>854,604</b>	960,612

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 24 BUSINESS COMBINATION

Pursuant to approvals by relevant government authorities in the PRC during 2008, the Group commenced the process of the Transaction including the injections of the equities and assets and subscriptions of shares, as described in Note 1. On 4 May 2009, the Group injected RMB749,992,000 into Shimao Enterprises and Shimao Enterprises became an approximately 50.9% owned subsidiary of the Group. On 13 May 2009, the transfer of shareholding interests in the injected equities and assets from the Group to Shanghai Shimao was completed. On 13 May 2009, the Group completed subscription for 630,000,000 new shares of Shanghai Shimao and Shimao Enterprises completed subscription for 62,240,000 new shares of Shanghai Shimao. A further settlement on changes in receivables, payables and interval earnings relating to the injected equities and assets were made in cash based on net assets value as of 31 May 2009 (the "Completion Date"). Since then, the Group held a total of approximately 64.22% effective shareholding of the enlarged issued shares of Shanghai Shimao and Shanghai Shimao became a subsidiary of the Group.

The Transaction involves the acquisition of 64.22% effective interests in Shanghai Shimao and a direct interest of 50.9% interest in Shimao Enterprises, and the deemed disposal of 35.78% effective interests in the injected equities and assets. The acquisition resulted in a goodwill of approximately RMB1,709,730,000 which has been included in intangible assets (Note 4). The deemed disposal also resulted in a gain of approximately RMB1,395,849,000 (Note 15).

The acquired business contributed revenue of RMB72,601,000 and profit after income tax of approximately RMB22,974,000 to the Group for the period from 1 June 2009 to 30 June 2009. Had the acquisition occurred on 1 January 2009, the consolidated revenue of the Group for the six months ended 30 June 2009 would have been RMB5,177,185,000 and profit after income tax would have been RMB1,342,305,000.

Details of fair value of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	2,776,868
Fair value of net assets acquired — shown as below	(1,067,138)
Goodwill (Note 4)	1,709,730

Purchase consideration of approximately RMB2,776,868,000 is 35.78% of the fair value of the injected equities and assets of RMB6,982,216,000 upon Completion Date together with cash to Shimao Enterprises of RMB749,992,000, and further settlement of approximately RMB10,284,000 to Shanghai Shimao in accordance with the sales and purchase agreement.

The goodwill is attributable to the synergy effect in property development and investment businesses resulting from acquiring Shanghai Shimao.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 24 BUSINESS COMBINATION (continued)

The assets and liabilities of Shanghai Shimao and Shimao Enterprises as at Completion Date arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	763,593	763,593
Restricted cash	25,900	25,900
Land use rights (Note 4)	704,467	418,332
Property, plant and equipment (Note 4)	366,630	366,630
Investment properties (Note 4)	265,368	265,368
Available-for-sale financial assets	510,700	510,700
Long-term investments	61,213	61,213
Deferred income tax assets	20,463	20,463
Properties under development	878,338	693,010
Completed properties held for sale	169,468	169,468
Trade and other receivables	226,091	226,091
Amounts due from related parties	2,329	2,329
Advanced proceeds received from customers	(38,329)	(38,329)
Trade and other payables	(275,458)	(275,457)
Borrowings (Note 11)	(990,000)	(990,000)
Deferred income tax liabilities	(194,081)	(76,215)
Amounts due to related parties	(139,345)	(139,345)
Income tax payable	(424,374)	(424,374)
Minority interests	(293,019)	(293,019)
<b>Net assets</b>	<b>1,639,954</b>	<b>1,286,358</b>
Minority interests	(572,816)	
<b>Fair value of net assets acquired</b>	<b>1,067,138</b>	
Purchase consideration settled in cash out of the Group	—	
Cash and cash equivalents in the subsidiaries acquired	763,593	
<b>Cash inflow on acquisition</b>	<b>763,593</b>	

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 25 RELATED PARTY TRANSACTIONS

- (a) Other than those disclosed elsewhere in the interim financial statements, the Group had entered into the following major related party transactions during the period:

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Trademark fee earned from related companies (note (i))	—	680
Operating lease rental expense paid to a related company (note (ii))	2,220	2,201
Property management fee and reimbursement of staff costs charged by a jointly controlled entity (note (iii))	3,950	4,989
	<b>6,170</b>	<b>7,870</b>

Notes:

- (i) On 12 June 2006, the Group entered into a trademark framework agreement with certain related companies (including their subsidiaries), namely Shimao Enterprises, Shanghai Shimao, Shimao International and Mr. Hui Wing Mau, to use the "SHIMAO" trademarks and devices. Pursuant to the agreement, the Group agrees to grant non-exclusive licenses to these related companies at an annual royalty fee of HK\$300,000 per project from 5 July 2006 to 31 December 2008. There has been no new agreement entered into during the six months ended 30 June 2009.
- (ii) On 12 June 2006, the Group entered into a lease agreement with a wholly-owned subsidiary of Shimao International, of which certain directors of the Group are also directors, to lease part of office premises of Shimao International in Hong Kong.
- (iii) Shimao First Pacific, a jointly controlled entity of the Group, provided property management services to certain properties of the Group.

- (b) Key management compensation

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Fees	—	—
Other emoluments		
— Salaries and other short-term employee benefits	10,212	10,761
— Employee share option scheme	1,063	8,306
— Retirement scheme contributions	77	79
	<b>11,352</b>	<b>19,146</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 (Unaudited)

## 26 SUBSEQUENT EVENTS

- (a) On 13 July 2009, the board of directors of Shanghai Shimao approved the proposal of non-public issue (“Issue Proposal”) of no more than 150,000,000 new A shares, to a fixed number of investors. The Issue Proposal is conditional upon the approval of general meeting of Shanghai Shimao and obtaining the approval from China Securities Regulatory Commission (“CSRC”). Approval from the shareholders of Shanghai Shimao has been obtained on 24 August 2009, while the approval from CSRC has not yet been obtained at the date of the approval of these condensed consolidated interim financial statements.
  
- (b) On 24 August 2009, the Group entered into a sale and purchase agreement with Jade VIII, Inc. controlled by a real estate private equity fund managed by Morgan Stanley Real Estate, to purchase up to 29.99% interest in Wuhan Shimao Splendid River Real Estate Development Co., Ltd., a subsidiary of the Group. The consideration for the 29.99% interest in the subsidiary amounted to RMB750,000,000. The transaction has not yet been completed at the date of the approval of these condensed consolidated interim financial statements.