



Cultivating **Lifestyle**  
Realising Urban **Dreams**  
締造 **生活** 品位 成就城市 **夢想**

**SHIMAO PROPERTY HOLDINGS LIMITED**  
**世茂房地產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
*(於開曼群島註冊成立的有限公司)*  
Stock Code 股份代號：813

INTERIM REPORT **2010** 中期報告

# Contents

- 4 *Corporate Information*
- 5 *Chairman's Statement*
- 9 *Management Discussion and Analysis*
- 23 *Corporate Governance and Other Information*
- 35 *Condensed Consolidated Balance Sheet*
- 37 *Condensed Consolidated Statement of Comprehensive Income*
- 39 *Condensed Consolidated Statement of Changes in Equity*
- 41 *Condensed Consolidated Cash Flow Statement*
- 42 *Notes to the Condensed Consolidated Interim Financial Statements*

# The Location of Our Current Projects

Attributable land bank: 32.8 million sq.m.



24  
Chengdu



# 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  
Liu Sai Fei

### 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  
China Construction Bank Corporation  
Industrial and Commercial Bank of China  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited

## 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, 43rd 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

Investor Relations Department  
Email: [ir@shimaoproperty.com](mailto:ir@shimaoproperty.com)  
Tel: (852) 2511 9968  
Fax: (852) 2511 0278

# CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the interim results report of Shimao Property Holdings Limited ("Shimao Property" or the "Company" and together with its subsidiaries, the "Group") for the six months ended 30 June 2010.

## 2010 INTERIM RESULTS

Since the beginning of 2010, the housing prices and land prices of some cities in China went up on the basis of the rise in 2009 due to the on-going tense demand and supply situation. Panic home buying re-emerged in some cities of focus. The rise in speculative home buying activities drew the central government's serious attention. On 17 April 2010, the State Council issued the Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) (Guo Fa [2010] No. 10), which requested curbing the soaring of housing prices. Affected by the central government's regulatory measures on the property market, the property market fell into a period of deep sluggishness with reduced transactions. In contrast, the property market of many second and third-tier cities where most of the demand was for self-use was generally stable.

As early as 2006, Shimao Property turned its strategic focus to second and third-tier cities. It exploited the potential of the second and third-tier cities in the course of urbanization and avoided the business concentration risk associated with a single district or city. Accordingly, the results of the first half of 2010 were better than those of the corresponding period of last year despite the new regulatory measures on the property market by the central government.

During the period under review, we reported recognized revenue of RMB10.02 billion, representing an increase of 102% over the same period of 2009. Operating profit increased by 72% to approximately RMB3.81 billion. Profit attributable to shareholders amounted to RMB2.11 billion, a significant increase of 76% compared with last year. Excluding after-tax-and-minority-interests of fair value gains on the investment properties of RMB539 million (1H 2009: such fair value gains was RMB40 million and another deemed gain on disposal of minority interests net of taxes of RMB860 million), core profit attributable to shareholders amounted to approximately RMB1.57 billion (1H 2009: RMB299 million), representing a year-on-year increase of 425%.

As a token of gratitude to our shareholders' support, the board of directors (the "Board") declared the payment of an interim dividend of HK15 cents (1H 2009: HK10 cents) per share for the six months ended 30 June 2010.



# CHAIRMAN'S STATEMENT

## MARKET REVIEW AND OUTLOOK

Continuing the uprising trend of end of last year, the overall operating environment of the real estate market of China saw a growth along with the steady economic growth at the beginning of the year, witnessing a massive release of the suppressed purchasing power with rising prices. According to the National Bureau of Statistics of China, RMB1.9747 trillion was invested on property development in the first six months of 2010, representing a year on year increase of 38.1%, of which investment on commercial and residential units amounted to RMB1.3692 trillion, representing a year on year growth of 34.4%. During that period, the sales of new housing was better than expected with areas sold amounting to 394 million sq.m., representing a year on year growth of 15.4%. Property prices continued to grow on a year on year basis. In June 2010, the housing sales prices of the 70 large and medium cities rose by 11.4% year on year.

Due to such rapid rise of property prices, the central government was left with no choice but to issue a series of regulatory measures in mid-April to implement the toughest contractionary housing mortgage policies ever to curb soaring prices. The measures aimed at implementing macro control over the property market were designed to primarily address the supply-side issues, including gradual increase of land supply and houses for the low-income group by administrative means. Consequently, the market saw a sharp decline in property sales with stagnant though not significantly falling prices. At present, there are numerous speculations over whether the central government will further tighten housing credit.

Looking at the GDP for the first six months of the year, the growth of the second quarter GDP slowed down to 10.3% from the 11.9% year on year growth of the first quarter, which was lower than expected and indicated a significant downside risk to economic growth. In the meantime, inflation was mild. The CPI in June was lower than expected standing at 2.9% and is estimated to go further down in the fourth quarter. PPI also peaked and went down to 6.4%. On 20 July, the CPC Central Committee convened a forum with attendants from outside the Communist Party. During the forum, Premier Wen Jiabao emphasized that no matter they were long-standing institutional or structural problems, or outstanding, acute problems arising from the economy, all must be dealt with under the premise that the economic development must be maintained steady and relatively fast, and that a foundation must be laid for the steady and relatively fast development of the economy in the coming year and an even longer time. The Politburo of the Communist Party convened a meeting on 22 July and emphasized that the prevailing proactive fiscal policy and moderately lax monetary policy must be continued, the continuity and stability of the macro-economic policy must be maintained and in the meantime, the relevancy and flexibility of the macro-control must be enhanced. It should be noted that the central government's view on "continuity of policies" remains unchanged and amid slowing economic growth, both maintenance and enhancement of economic growth are expected to be continued. Consequently, we can see that China's primary task is to maintain steady and relatively fast economic growth.

# CHAIRMAN'S STATEMENT

## TO IMPLEMENT GEOGRAPHIC AND PRODUCT DIVERSIFICATION AND SEIZE ALL OPPORTUNITIES

China's urbanization ratio is approximately 47% and is expected to reach 55% in 2020, this entails tremendous demand for new housing as well as upgrading of infrastructure and environment in various cities. Among first-tier cities, Beijing and Shanghai have reached an urbanization ratio of approximately 70% while the average ratio of second- and third-tier cities is only 40%. This implies that there is still significant demand for residential housing and thus there is considerable room for further development. In addition, due to the fact that different regions exhibit different development conditions, development levels of property markets and directions of the flow of hot money, property prices in most second- and third-tier cities are relatively reasonable and even inexpensive when comparing with first-tier cities. Following a surge in prices last year, signs of residential property bubble in first-tier cities became more obvious. We believe that governments of different levels will respect the market and use their administrative tools in a reasoned and reasonable manner so as to allow for the continuous and steady development of the market.

In the short run, the regulatory control might have a psychological effect on the market and deter some buyers from purchasing property for some time. But in the meantime, it is probable that more real estate developers and investment money will be forced to turn to second- and third-tier cities for higher investment value due to such severe measures prevailing in first-tier markets. In such event, the price differential between those cities will be narrowed. Currently, second- and other more affluent non first-tier cities have become an important focus of development for Shimao Property.

We believe that the regulatory control over the property market will be a long-term and permanent policy and will continuously play an integral role throughout the entire course of development of the market. Besides, it is impossible to predict the life-span of each new round of policies. What real estate policymakers should do is to closely monitor the development of the national economy, including the movements and trends of the property market, and to make reasoned and well thought-out consideration and judgment in order to make necessary adjustments to the targets and pace of the current round of control.

In the first half of 2010, many real estate developers were rushing to pay very high prices to bid for land. However, it is never a sustainable way to replenish land banks. While actively taking part in land auctions, we continued our practical land replenishment strategy through diversified channels such as mergers, acquisitions and land development. We completed the arrangement of a US\$460 million equivalent syndicated loan and the issuance of US\$500 million high-yield notes on 14 May and 28 July 2010, respectively, both significantly helped reinforce our financial strength. In the second half of 2010, we will conscientiously replenish our land reserve with focus on the commercial property, entertainment, education, hotel, tourism and convention and exhibition sectors.

For sales, we will continue our flexible marketing strategy and adjust the pace of sales according to the specific conditions of individual markets. The Company will do its best to strike the most desirable balance between asset turnover and profits for our ready for sale projects. We expect that the real estate market will perform relatively better in the second half of the year. To grasp this anticipated opportunity, we will continuously concentrate on developing medium- to high-end products to meet the needs of the emerging middle class and the rich. Currently, China is witnessing an unprecedented urbanization, which will definitely drive the development of the real estate market in the long run. We will not miss and will certainly seize any development opportunities that are arising during such course.



# CHAIRMAN'S STATEMENT

Moving forward in the ocean of market, Shimao Property is being exposed to various kinds of risks. How to avert and diversify risks has been a long standing topic of Shimao Property. As early as 2005, Shimao Property started to diversify its businesses into the development of property held for long-term purposes such as hotels and commercial buildings to ensure the long-term cash flows of the Company regardless of any economic conditions. Such move ultimately evolved into our three-pronged business strategy of having eco-friendly residential; travellers' hotel and commercial-entertainment buildings as our core businesses, significantly diffused the potential risks associated with the residential property market due to policy change and market climate. For instance, during the Shanghai Expo, our three five-star hotels achieved an occupancy rate of approximately 80%, making steady financial contribution to the Group.

For the corporate strategy level, the Company also closely follows the State's policy and launches innovative products from time to time. Our geographic development strategy is drawn upon closely based on the State's geographic economic development plans such as the West Coast of the Straits strategy, Yangtze River Delta region strategy, and middle and western China strategy, which aims to match up with the development plans of different regions in China. In the meantime, we also develop our own product models like "low-carbon emission eco-friendly homes", "Shimao Carnival Project" and "Urban Complex" according to the national development trends and following the thriving factors of our economy, in a bid to achieve win-win situation.

We believe that the current policies and subsequent ones will turn a new historical page in China's real estate market. The development of the real estate market, especially that of policies, is expected to be more certain, reasonable and consistent along time in the future, and consequently the market will become more mature and stable.

## CORPORATE GOVERNANCE

The Group will continue its efforts in maintaining high standards of corporate governance in order to better protect shareholders' interests. Given the diverse backgrounds of our shareholders, transparency of governance needs to be enhanced to balance the interests of different groups of shareholders. We keep updating our Group's website to facilitate the effective communication with our shareholders. The timely and most updated corporate information such as FAQs and quarterly disclosures can be obtained via our website. We will continue to adhere to the Group's corporate governance policies and ensure the appropriate utilization of our precious resources so as to create and enhance shareholder value.

## APPRECIATION

On behalf of the Board, I would like to thank our shareholders, partners, local governments and customers for their tremendous support. At the same time, I would like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for their enormous contribution. Their support and concern has enabled the Group to achieve its success and goals.

**Hui Wing Mau**

*Chairman*

Hong Kong, 24 August 2010

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Property Development

#### 1) Recognized Sales Revenue

The turnover of the Group mainly included the businesses of property development, property investment and hotel operations. As of 30 June 2010, the turnover of the Group increased by 102% to RMB10.02 billion from RMB4.97 billion in the corresponding period of 2009. During the period, property sales revenue was RMB9.42 billion, accounting for 94% of total revenue and representing a growth of 106% over the corresponding period of 2009. The average recognized selling price (including sales of associated companies) increased to RMB9,344 per sq.m. in the first half of 2010 by 39% from RMB6,704 per sq.m. in the first half of 2009. Higher unit price was recorded for the sales of most individual projects when compared with the corresponding period of last year. Despite the much higher proportion in the sales of projects in second-tier cities, the concurrent increase in selling prices since mid-2009 resulted in the surge in the average recognized selling price. In the first half of 2010, projects recognized by the Group totalled 23, representing an increase over the 19 projects recognized in 2009.

#### 2) Steady Sales Growth Meeting Annual Sales Target

In the first half of 2010, contracted sales of the Group amounted to RMB11.3 billion, representing a decrease of 13.9% over the corresponding period of last year. Of the 25 projects available for sale, the contracted sales contribution from Kunshan Shimao Butterfly Bay and Beijing Shimao Gongsan Plaza amounted to over RMB1 billion, with total contracted sales area of 1 million sq.m., this represent a decrease of 30.8% over the corresponding period of last year. The decline in sales was mainly attributable to the introduction of new real estate policy, which led to the adoption of a wait-and-see attitude among buyers in China's real estate market. The Company therefore slowed down the launch of new projects, which caused slight impacts on sales. Nevertheless, management is optimistic that sales would pick up in the second half of 2010 with successive launches of new projects across the country. The Group expects to launch 34 projects in the second half of 2010, including Tianjin Shimao Ecology City Project, Xiamen Shimao Riverside Capital Project, Dalian Jinzhou Shimao Carnival Project, Ningbo Shimao Beilun Project, Chengdu Longquanyi Project, Wuhan Shimao Carnival Project, Wuhan Shimao Splendid River, Hangzhou Shimao Riviera Garden, Yantai Shimao No.1 The Harbour, Kunshan Shimao East No.1 New City and Changshu Shimao The Centre. The Group's total saleable GFA in the second half of 2010 is estimated to be 2.3 million sq.m.

# MANAGEMENT DISCUSSION AND ANALYSIS

Details of estimated GFA of saleable projects for the second half of 2010 are as follows:

<b>Project</b>	<b>GFA (Sq.m)</b>	<b>% of total</b>
<b>Shimao Property</b>		
Tianjin Shimao Ecology City Project*	200,000	12.3%
Yantai Shimao No.1 The Harbour	106,708	6.5%
Dalian Jinzhou Shimao Carnival Project *	100,000	6.1%
Ningbo Shimao Beilun Project*	100,000	6.1%
Chengdu Longquanyi Project*	100,000	6.1%
Hangzhou Shimao Riviera Garden	100,000	6.1%
Wuhan Shimao Splendid River	100,000	6.1%
Wuhan Shimao Carnival Project*	80,000	4.9%
Xuzhou Shimao Dongdu	71,388	4.4%
Kunshan Shimao East No.1	68,264	4.2%
Suzhou Shimao Canal Scene	66,299	4.1%
Changshu Shimao The Center	63,093	3.9%
Xiamen Shimao Riverside Capital Project *	55,000	3.4%
Dalian Lvshunkou Shimao Project*	50,000	3.1%
Fuzhou Shimao Skyscrapers	50,000	3.1%
Shenyang Shimao Wulihe	49,211	3.0%
Beijing Shimao Royal Garden	49,000	3.0%
Shaoxing Shimao Dear Town	45,098	2.8%
Changzhou Shimao Champagne Lakeside Garden	31,988	1.9%
Others	144,912	8.9%
<b>Sub-total</b>	<b>1,630,961</b>	<b>100.0%</b>
<b>Shanghai Shimao</b>		
Changshu Shimao The Center (Commercial)	270,000	38.3%
Hangzhou Shimao XiaSha Project	130,000	18.5%
Kunshan Shimao East No.1 (Commercial)	81,000	11.5%
Xuzhou Shimao Dongdu (Commercial)	74,000	10.5%
Nanjing Shimao Bund New City	68,000	9.7%
Beijing Shimao Gongsan Plaza	34,111	4.8%
Shaoxing Shimao Dear Town (Commercial)	15,000	2.1%
Shenyang Shimao Wulihe (Commercial)	26,192	3.7%
Others	6,231	0.9%
<b>Sub-total</b>	<b>704,534</b>	<b>100.0%</b>
<b>Total (Shimao Property + Shanghai Shimao)</b>	<b>2,335,495</b>	

\* *New projects*

# MANAGEMENT DISCUSSION AND ANALYSIS

### 3) Development Projects and Plans Progressing on Schedule

The total GFA completed by the Group in the first half of 2010 amounted to approximately 1.3 million sq.m., representing an increase of 334% over the corresponding period of 2009. During the period, smooth progress was made in the Group's projects across the country, floor areas under construction amounted to 7.7 million sq.m. As at 30 June 2010, the Group had a total of 32 projects under development across 23 cities. The increase in the number of projects under construction laid a solid foundation for the future development of the Group. Looking forward to the end of 2010, the floor area planned to be completed by the Group is approximately 3 million sq.m., representing a growth of 50% over 2009. This increase in the development areas mainly corresponds to the increase in the floor area due for delivery in 2010, which ultimately serves to sustain the growth momentum in the Group's turnover. Nevertheless, the Group would adjust its target should there be any material changes in the market conditions.

Details of the completion breakdown in the first half of 2010:

Projects	GFA Completed (sq.m.)	Group's interest in Project
<b>Shimao Property</b>		
Kunshan Shimao Butterfly Bay	169,258	100%
Changshu Shimao The Centre	149,402	100%
Shenyang Shimao Wulihe	142,940	100%
Fuzhou Shimao Skyscrapers	109,418	100%
Suzhou Shimao Canal Scene	88,887	100%
Shaoxing Shimao Dear Town	60,213	100%
Hangzhou Shimao Riviera Garden	53,000	100%
Changzhou Shimao Champagne Lakeside Garden	45,094	100%
<b>Sub Total</b>	<b>818,212</b>	
<b>Shanghai Shimao</b>		
Shaoxing Shimao Dear Town (Commercial)	188,125	64%
Suzhou Shimao Canal Scene (Commercial)	104,266	64%
Nanjing Shimao Bund New City	103,895	82%
Changshu Shimao The Centre (Commercial)	101,705	64%
<b>Sub Total</b>	<b>497,991</b>	
<b>Total (Shimao Property + Shanghai Shimao)</b>	<b>1,316,203</b>	

# MANAGEMENT DISCUSSION AND ANALYSIS

Details of the estimated completion breakdown in the second half of 2010:

Project	GFA (sq.m.)	Group's Interest in project
<b>Shimao Property</b>		
Hangzhou Shimao Riviera Garden	290,020	100%
Kunshan Shimao East No. 1 New City	198,739	100%
Ningbo Shimao World Gulf	150,000	100%
Wuhan Shimao Splendid River	120,000	96%
Suzhou Shimao Canal Scene	112,662	100%
Shaoxing Shimao Dear Town	90,000	100%
Fuzhou Shimao Skyscrapers	75,327	100%
Changzhou Shimao Champagne Lakeside Garden	69,906	100%
Taizhou Shimao Riverside Garden	66,000	100%
Shanghai Shimao Emme Country	59,150	100%
Yantai Shimao No. 1 The Harbour	57,808	100%
Wuhu Shimao Riviera Garden	49,900	100%
Beijing Shimao Royal Garden	49,000	100%
Jiaxing Shimao Century Garden	40,000	100%
Mudanjiang Shimao Beishan Project	32,630	100%
Kunshan Shimao Butterfly Bay	13,463	100%
Shanghai Shimao Sheshan Villas	1,824	100%
<b>Sub Total</b>	<b>1,476,429</b>	
<b>Shanghai Shimao</b>		
Shaoxing Shimao Dear Town (Commercial)	78,890	64%
Beijing Shimao Gongsan Plaza	69,278	64%
Changshu Shimao The Center	40,000	64%
Xuzhou Shimao Dongdu (Commercial)	14,000	64%
<b>Sub Total</b>	<b>202,168</b>	
<b>Total (Shimao Property + Shanghai Shimao)</b>	<b>1,678,597</b>	

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4) Steady Expansion of Land Bank Reserve Ensuring Sustainable Development

Shimao Property as a real estate developer has earned a reputation for its unparalleled expertise in identifying sites with great potential for development. The Group's strategy to acquire high quality and large parcels of lands at reasonable costs has endowed it with competitive advantage over industry counterparts. In times of dim market outlook, the Group has all along been quick to adjust its strategy by conscientiously acquiring lands in the Yangtze River Delta Region, Bohai Bay Region, Cross-Straits and other regions/cities with rapid economic growth, thereby securing the development rights of various parcels of land. As at 30 June 2010, Shimao Property had an attributable land bank reserve of 32.8 million sq.m., and is one of the leading real estate developers with substantial land reserves in China. In terms of geographical distribution, the land parcels newly acquired by Shimao Property in 2010 are mainly situated in second-tier provincial cities with solid economic foundation and enormous development potential, and where real estate market has not yet reached saturation, such as Hangzhou, Dalian, Qingdao, Wuhan and Chengdu, thereby ensuring room for development and capability to withstand risks for relevant projects. In the first half of this year, the Group also initiated the development of Guangzhou Asian Games Project in collaboration with a number of major property developers, marking the Group's historical step to tap the market in southern China, thereby further consolidating its presence across the whole country.

In terms of gross floor area, the total planned GFA of the 11 parcels of land newly acquired by the Group in the first half of 2010 is approximately 6.6 million sq.m. In terms of land price, the average accommodation value of the new land reserve acquired in the first half of 2010 was approximately RMB2,366 per sq.m. The above figures highlighted the Group's approach to expand land bank reserve in a discipline manner and adherence to prudent management, thereby enabling it to strike a balance between achieving rapid development and managing risks effectively. The acquisition of a large number of high quality lands at low costs has reinforced Shimao Property's core competitiveness and capability to withstand risks. As at 30 June 2010, the Group's average land cost was RMB1,865 per sq.m. The relatively low cost land helps ensure a higher profit margin in future.



# MANAGEMENT DISCUSSION AND ANALYSIS

Details of new land acquisitions in the first half of 2010:

Projects	Acquisition		Attributable	Attributable	Attributable	Cost
	Date	Usage	Land cost (RMB billion)	Interest	Planned GFA ('000 sq.m)	per sq.m. (RMB)
1. Guangzhou Asian Game City	June	Residential	5.1	20%	876	5,822
2. Beijing Shimao Royal Garden	January	Residential	0.811	100%	49	16,551
3. Dalian Lvshunkou Shimao Project II	January	Residential and Retail	0.68	50%	350	1,943
4. Chengdu Longquanyi Project	January	Residential	2.0	100%	1,200	1,667
5. Ningbo Shimao Beilun Project	January	Residential	0.406	100%	480	846
6. Wuhan Shimao Carnival Project	January	Residential, Retail and Hotel	0.357	100%	420	850
7. Dalian Jinzhou Shimao Carnival Project II	April	Residential, Office, Retail and Hotel	1.25	100%	750	1,667
8. Qingdao National High-tech Development Zone Project	May	Residential and Retail	1.98	100%	1,394	1,420
9. Nanchang Honggutan Project	June	Residential and Retail	1.331	100%	331	4,022
10. Changsha Hexi Project	June	Residential and Retail	1.275	100%	554	2,302
11. Hangzhou Shimao Yuhang Project II	June	Residential	0.468	100%	213	2,197
<b>Total (Approximately)</b>			<b>15.658</b>		<b>6,617</b>	<b>2,366</b>

## Property Investment

During the period under review, turnover of the Group from leasing of investment properties and others amounted to RMB159 million, representing an increase of 49% over the corresponding period of last year. Commercial properties of the Group continued to report satisfactory results and contribute stable return to the Group, reflecting the success of our property portfolio diversification strategy.

# MANAGEMENT DISCUSSION AND ANALYSIS

Shimao Property developed commercial properties through its 64% owned subsidiary, Shanghai Shimao Co., Ltd. (“Shanghai Shimao”). In the first half of 2010, Shanghai Shimao contributed revenue of RMB1.84 billion and net profit of RMB963 million to Shimao Property. At present, Shanghai Shimao has a attributable land reserve of approximately 8 million sq.m., and is one of the top listed real estate developers in China with substantial land reserve for commercial usage, and was named as one of the “Top Ten Most Influential Real Estate Enterprises (Commercial category) in China 2009”. Shanghai Shimao has established long-term and stable co-operation relationships with over 380 quality business partners. Meanwhile, Shimao Department Store and Shimao International Studio, will become the perfect complements to the product portfolio of Shanghai Shimao. They have started to generate revenue in the first half of 2010 and will serve to further strengthen the industry chain of development and operation and consolidate the competitive advantage of Shanghai Shimao from diversification. Currently, the Shimao Department Stores in Fuzhou, Shenyang and Shaoxing have commenced operations, while the Shimao Department Stores in Yantai, Wuhu and Beijing will commence operations in the next two years. As for its cinema development plan, 15 Shimao International Studios will be built within three years with 100 new cinema screens, and will increase to 40 Studios with 300 new cinema screens within five years.

## **Hotel Operations**

During the period under review, turnover of the Group’s hotel business amounted to RMB449 million, representing an increase of 56% over the corresponding period of last year; earnings before interest, tax, depreciation and amortization amounted to RMB193 million, representing an increase of RMB105 million from same period of 2009. The increase was mainly due to the hosting of the World Expo 2010 in Shanghai, which boosted the demand for Shanghai’s high-end hotel accommodations. As at the end of June 2010, the three hotels in Shanghai registered an average occupancy rate of approximately 80%. We are optimistic about the global economic outlook and the future development of China’s travel industry, and are confident of the prospects of our hotel operations. Holiday Inn Shimao Mudanjiang will be completed by the end of September this year, and will commence soft opening in the fourth quarter.

The three Shimao hotels currently operating in Shanghai saw a continued enhancement in brand awareness and recognition. As at the end of June 2010, Shimao offered a total of over 1,700 guest rooms and continued to command leading market share in Shanghai’s international top-class hotel market. Apart from establishing long-term strategic co-operation relationships with internationally renowned hotel groups, the Group successfully launched its self-operated “S-Suites” brand serviced apartments in 2009 to provide hotel-style services.

## **Broadened Funding Sources Ensuring Sound Financial Position**

In 2010, the aftermath of the sovereign debt crisis in a number of European countries has shrouded the global stock market and the Euro exchange market in uncertainty. Nevertheless, given its sound credit standing, Shimao Property signed a 3-year guaranteed term loan facility of US\$460 million equivalent with a syndicate formed by 14 international and local financial institutions, including The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank on 14 May 2010, with interest calculated at LIBOR or HIBOR plus 2.55% per annum. Moreover, the Group successfully issued its second high-yield notes of US\$500 million on 28 July 2010. Both candidly illustrated the full confidence that international banks and financial investors have in the future development of the Group and its management. We believe the recognition of the Group by the international capital market will form an essential element to the long-term success of Shimao Property.

# MANAGEMENT DISCUSSION AND ANALYSIS

In spite of signs indicating the tightening of credit policy by the PRC government, Shimao Property was still granted large credit facilities by China's Big Four State-owned banks, large and medium-sized joint-stock commercial banks and foreign-funded banks were also enthusiastic in extending credit facilities to the Group. The fund thus secured not only met the financing need of the Group's various projects, it also served as the funding pool for the on-going development of new projects and expansion of land bank reserve. Meanwhile, the extension of large credit facilities by banks at the time of global economic restructuring also demonstrated the banking sector's confidence in our long-term stable development.

Apart from striving to broaden its funding sources, the Group also reinforced its financial management by applying a combination of financial instruments, thereby enhancing the efficiency in fund utilization and liquidity to ensure steady and rapid corporate growth. As at 30 June 2010, the Group had bank balances and cash (including restricted cash) of RMB9.33 billion. Moreover, the Group has adhered to prudent financial strategies by maintaining its net gearing ratio at a reasonable level in the mid to long term, with a view to minimizing its financial risks.

Hotel properties are stated at cost less accumulated depreciation and impairment losses (carrying amount) rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the Directors have appointed an independent valuer DTZ Debenhan Tie Leung Limited to perform a valuation of the Group's hotel properties as at 30 June 2010. Had the three completed hotels, Shanghai Le Meridien Sheshan, Le Royal Meridien Shanghai and Shanghai Hyatt on the Bund and Hilton Nanjing which is under interior renovation and Shaoxing Crown Plaza, which is under construction, been restated at fair value, the net assets value of the Group would have increased by RMB5.53 billion. In light of the fair value of these hotels, the adjusted Group gearing ratio would be:

	<b>As at 30 June 2010 RMB million</b>
Fair value of above-mentioned hotels	<b>12,785</b>
Less: Carrying amount	<b>(5,411)</b>
	<hr/>
Amounts to adjust from carrying amount to fair value	<b>7,374</b>
Less: Deferred income taxes	<b>(1,844)</b>
	<hr/>
Increase in net assets value if the above-mentioned hotels are stated at fair value	<b>5,530</b>
Net assets value per condensed consolidated balance sheet	<b>27,126</b>
	<hr/>
Adjusted net assets value	<b>32,656</b>
	<hr/> <hr/>
Net debt per condensed consolidated balance sheet	<b>20,236</b>
	<hr/>
Adjusted gearing ratio	<b>62%</b>
	<hr/> <hr/>

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL ANALYSIS

Key condensed consolidated income statement figures are set out below:

	<b>1H 2010</b> <b>RMB million</b>	1H 2009 RMB million
Revenue	<b>10,024.5</b>	4,967.7
Gross profit	<b>3,322.6</b>	1,428.7
Operating profit	<b>3,807.0</b>	2,217.5
Profit attributable to shareholders	<b>2,109.8</b>	1,198.7
Earnings per share - Basic (RMB)	<b>0.595</b>	0.356

### Revenue

For the six months ended 30 June 2010, the revenue of the Group was approximately RMB10.0 billion (1H 2009: RMB5.0 billion), representing an increase of 102% over 2009. 94% (1H 2009: 92%) of the revenue was generated from the sales of properties and 6% (1H 2009: 8%) from hotel operation and leasing of commercial properties. The components of the revenue are analysed as follows:

	<b>1H 2010</b> <b>RMB million</b>	1H 2009 RMB million
Sales of properties	<b>9,416.7</b>	4,573.1
Hotel operating income	<b>449.3</b>	288.1
Rental income from investment properties	<b>132.1</b>	106.5
Others	<b>26.4</b>	—
Total	<b>10,024.5</b>	4,967.7

# MANAGEMENT DISCUSSION AND ANALYSIS

## (i) Revenue recognised from sales of properties

Revenue recognised from sales of properties for the six months ended 30 June 2010 and 2009 are shown below:

	1H 2010		1H 2009	
	Area (Sq.m.)	RMB million	Area (Sq.m.)	RMB million
Beijing Shimao Olive Garden	240	2	621	7
Wuhan Shimao Splendid River	3,996	36	102,406	730
Shaoxing Shimao Dear Town	88,041	718	10,208	69
Harbin Shimao Riviera New City	13,380	81	124,010	427
Changshu Shimao The Center	95,417	739	44,470	287
Kunshan Shimao Butterfly Bay	141,790	998	41,490	196
Shanghai Shimao Sheshan Villas	18	29	6,366	228
Shanghai Shimao Riviera Garden	4,358	323	443	4
Kunshan Shimao East No. 1 New City	174	2	38,501	218
Hangzhou Shimao Riviera Garden	53,796	502	74,763	549
Shanghai Shimao Emme Country	6,396	75	32,549	264
Wuhu Shimao Riviera Garden	14,147	103	46,083	357
Fuzhou Shimao Skyscrapers	103,150	1,415	22,608	336
Shenyang Shimao Wulihe	138,207	1,120	8,625	38
Suzhou Shimao Canal Scene	126,327	1,126	26,758	173
Jiaxing Shimao Century Park	1,656	9	31,185	110
Changzhou Shimao Champagne Lakeside Garden	87,938	564	74,720	508
Nanjing Shimao Bund New City (note 1)	74,266	1,194	2,632	34
Fuzhou Shimao Bund Garden (note 1)	—	5	4,158	38
Yantai Shimao No.1 The Harbour	10,730	130	—	—
Xuzhou Shimao Dongdu	8,288	52	—	—
Taizhou Shimao Riverside Garden	29,619	125	—	—
Ningbo Shimao World Gulf	5,535	69	—	—
Sub-total (a)	<b>1,007,469</b>	<b>9,417</b>	692,596	4,573
Nanjing Shimao Bund New City (note 1)	—	—	20,453	205
Fuzhou Shimao Bund Garden (note 1)	—	—	301	4
Sub-total (b)	—	—	20,754	209
Sub-total (c) - attributable	—	—	10,377	104
Total (a) + (b)	<b>1,007,469</b>	<b>9,417</b>	713,350	4,782
Total (a) + (c)	<b>1,007,469</b>	<b>9,417</b>	702,973	4,677

# MANAGEMENT DISCUSSION AND ANALYSIS

*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 was not consolidated in the consolidated financial statements. After the completion of acquisition of Shanghai Shimao and Suifenhe Shimao Enterprises Development Co. Ltd (formerly name as Shanghai Shimao Enterprises Co. Ltd), these associated companies became our subsidiaries and the revenue thereafter was consolidated in our consolidated financial statements.

## (ii) Hotel income

Hotel operating income are analysed below:

	<b>1H 2010</b>	1H 2009
	<b>RMB million</b>	RMB million
Shanghai Le Méridien Sheshan	<b>58.5</b>	46.8
Le Royal Méridien Shanghai	<b>205.1</b>	139.6
Hyatt on the Bund Shanghai	<b>185.7</b>	101.7
	<hr/>	<hr/>
Total	<b>449.3</b>	288.1
	<hr/> <hr/>	<hr/> <hr/>

Hotel operating income increased approximately 56% to RMB449.3 million from RMB288.1 million of 1H 2009. Increase was mainly attributable to the tourism boom caused by Shanghai World Expo 2010.

## (iii) Rental income and others

Rental income from investment properties amounted to RMB132.1 million. The rental income increased by 24% mainly due to the growth in number of units rented in Beijing Shimao Tower, as well as the commencement of lease of Shanghai Shimao Shangdu Tower and commercial part of Suzhou Shimao Canal Scene.

Other income amounted to RMB26.4 million was derived from operation of two new department stores in Fuzhou and Shenyang as well as one new cinema in Shaoxing.

	<b>1H 2010</b>	1H 2009
	<b>RMB million</b>	RMB million
Shanghai Shimao International Plaza	<b>76.7</b>	78.6
Beijing Shimao Tower	<b>37.6</b>	21.5
Changshu Shopping Mall	<b>6.4</b>	6.4
Shanghai Shimao Shangdu Tower	<b>5.9</b>	—
Suzhou Shimao Canal Scene	<b>5.5</b>	—
Others	<b>26.4</b>	—
	<hr/>	<hr/>
Total	<b>158.5</b>	106.5
	<hr/> <hr/>	<hr/> <hr/>



# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of sales

The cost of sales are analysed as follows:

	<b>1H 2010</b> <b>RMB million</b>	1H 2009 RMB million
Sales taxes	<b>527.2</b>	272.8
Land costs, construction costs and capitalised borrowing costs	<b>5,981.2</b>	3,106.9
Direct operating costs for hotels and commercial properties	<b>193.5</b>	159.3
Total	<b>6,701.9</b>	3,539.0

## Fair value gains on investment properties

During the period under review, the Group recorded aggregate fair value gains of RMB1,008.4 million (1H 2009: fair value gains of RMB54.5 million).

## Other gains

Other gains of RMB194.5 million for the six months ended 30 June 2010 (1H 2009: RMB73.3 million) included mainly government grants and net foreign exchange gain. Increase was due to more government grants were received in the first half of 2010.

## Selling and marketing costs and administrative expenses

Selling and marketing costs for the period was RMB208.7 million (1H 2009: RMB156.8 million). The increase was mainly due to number of projects with selling activities increased. Administrative expenses decreased by 20% which was mainly due to write back of impairment losses on completed properties held for sale.

## Operating profit

Operating profit amounted to RMB3.8 billion for the six months ended 30 June 2010, an increase of 72% over 1H 2009.

## Finance costs - net

Net finance costs increased to RMB217.8 million (1H 2009: RMB185.4 million) mainly due to more interest expenses incurred for increased borrowing in 2010.

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

There was no share of profits of associated companies (1H 2009: share of profits of RMB20 million) in the first half of 2010, because two major associated companies became our subsidiaries since 31 May 2009. Share of profits of jointly controlled entities amounted to RMB7.8 million (1H 2009: RMB0.6 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Taxation

The Group's tax provisions amounted to RMB1,201.5 million in which LAT was RMB333.6 million (1H 2009: RMB798.7 million, in which LAT was RMB114.6 million) for the period.

## Profit attributable to shareholders

Profit attributable to shareholders for the period increased by 76% from RMB1,198.7 million in 1H 2009 to RMB2,109.8 million in 1H 2010.

## Liquidity and financial resources

As of 30 June 2010, total assets of the Group were RMB77.5 billion, of which current assets reached RMB40.8 billion. Total liabilities were RMB50.4 billion, whereas non-current liabilities were RMB26.6 billion. Equity attributable to the shareholders of the Company amounted to RMB24.6 billion.

As of 30 June 2010, the Group had aggregate cash and bank balances (including restricted cash balances for borrowings) of approximately RMB9.0 billion (31 December 2009: RMB7.3 billion), total borrowings amounted to approximately RMB29.2 billion (31 December 2009: RMB20.5 billion). Total net borrowings were RMB20.2 billion (31 December 2009: RMB13.2 billion). Net gearing ratio increased from 52% as at 31 December 2009 to 75% as at 30 June 2010.

The maturity of the borrowings of the Group as at 30 June 2010 is set out as follows:

	RMB million
<b>Bank borrowings</b>	
Within 1 year	4,580
Between 1 and 2 years	5,613
Between 2 and 5 years	10,368
Over 5 years	4,661
	<u>          </u>
<b>Senior notes</b>	
Between 1 and 2 years	1,686
Over 5 years	2,286
	<u>          </u>

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	1,025	6,960
HK\$	3,072	2,680
RMB	19,554	19,554
	<u>          </u>	<u>          </u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Financing activities**

On 14 May 2010, the Group signed a syndicated loan facility agreement of US\$460 million equivalent with several international and local financial institutions.

On 28 July 2010, the Group issued a total of US\$500 million senior notes due on 3 August 2017.

## **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 bank deposits denominated on foreign currencies and the outstanding foreign currency borrowings which include US\$460 million equivalent syndicated loans, US\$600 million senior notes and HK\$3 billion bank loans as at 30 June 2010.

## **Pledge of assets**

As of 30 June 2010, the Group had pledged property and equipment, land use rights, properties under development, completed properties held for sale, investment properties, available-for-sale-financial assets and restricted cash with a total carrying amount of RMB27.4 billion to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB22.7 billion.

## **Contingent liabilities/financial guarantees**

As of 30 June 2010, the Group had provided guarantees for approximately RMB5.0 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 2010, the Group had contracted capital and property development expenditure but not provided for amounted to RMB31.2 billion.

## **Employees and remuneration policy**

As of 30 June 2010, the Group employed a total of 5,032 employees. Total remuneration (including directors' emoluments) for the period amounted to RMB236.6 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 60, the Chairman and Executive Director of the Company and the founder of the Group. With over 20 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., a company listed on the Shanghai Stock Exchange, and Shimao International Holdings Limited. 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 33, 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 11 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 Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Masters Degree in Business Administration from the University of South Australia in 2004. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference. He has been an Executive Director and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively 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 55, has been the Group Operations Controller since November 2002. Ms. Yao is responsible for loan finance and 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 24 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 Holdings Limited 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 54, when joining the Group in July 2003, was the Group Construction Controller. Mr. Ip is 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 31 years' experience in construction and project management, of which over 21 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 and Wuhan Tian An Holiday Inn Hotel/ Wuhan Shangri-La Hotel/ Harbin Shangri-La Hotel and 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 Holdings Limited from February 2004 to February 2005. Mr. Ip has been an Executive Director of the Company since 25 January 2006.

#### **TUNG CHI SHING**

Mr. Tung Chi Shing, aged 50, 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. Mr. Tung was an executive director of Shimao International Holdings Limited from February 2005 to December 2007.

#### **LIU SAI FEI**

Mr. Liu Sai Fei, aged 48, has joined the Group since 2003 and was appointed an Executive Director of the Company on 1 February 2010. He is currently a Vice President and Regional Project Controller of the Group, responsible for project management of the Group's projects. He obtained a Masters Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 25 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 and 2003, he worked for Shanghai Merry Land Co. Ltd. as project manager.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' PROFILE (continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### KAN LAI KUEN, ALICE

Ms. Kan Lai Kuen, Alice, aged 55, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 18 years' experience in corporate finance. She is a responsible officer of three licensed corporations registered under the Securities and Futures Ordinance, Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She is also a shareholder and the managing director of Asia Investment Management Limited and Asia Investment Research 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 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

Mr. Lu Hong Bing, aged 43, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Masters Degree in law from the East China University of Politics and Law in 1991 and has more than 18 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent director on the boards of the following companies which are listed on the Shanghai 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. He was appointed as an independent non-executive director of 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

Mr. Gu Yunchang, aged 66, has been an Independent Non-executive Director of the Company since 13 April 2006. He joined the Ministry of Construction in 1979 and has over 29 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 ten 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 draftsmen 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 Land Holdings Limited, a company listed on the Stock Exchange, and independent director of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange in the United States of America.

#### LAM CHING KAM

Mr. Lam Ching Kam, aged 49, has been an Independent Non-executive Director of the Company since 1 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 8 years. Mr. Lam has been in the property development and construction industry for 26 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

## CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the year ended 31 December 2009 required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is set out below:

<b>Name of Director</b>	<b>Detail of changes</b>
<b><i>Independent Non-executive Director</i></b>	
Ms. Kan Lai Kuen, Alice	Retired as an independent non-executive director of Shougang Concord Technology Holdings Limited, a company listed on the Stock Exchange, with effect from 8 June 2010.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

# 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 2010 was as follows:

Name of Directors	Date of grant (DD/MM/YY)	Exercise price per share (HK\$)	Number of share options				As at 30 June 2010	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 2010	Adjustment (Notes)	Exercised	Lapsed			
Hui Sai Tan, Jason	09/06/06	5.625	528,000	—	—	—	528,000	01/04/07-08/06/12	—
Yao Li	09/06/06	5.625	924,000	—	—	—	924,000	01/04/07-08/06/12	—
Ip Wai Shing, Andy	09/06/06	5.625	1,222,400	—	—	—	1,222,400	01/04/07-08/06/12	—
Tang Ping Fai*	09/06/06	5.625	760,600	(760,600)*	—	—	—	01/04/07-08/06/12	—
Liu Sai Fei**	09/06/06	5.625	—	158,600**	(158,600)	—	—	01/04/07-08/06/12	11.89
			3,435,000	(602,000)	(158,600)	—	2,674,400		—
Senior Management and Employees of the Group	09/06/06	5.625	12,307,950	760,600* (158,600)**	(1,809,350)	—	11,100,600	01/04/07-08/06/12	13.08
			15,742,950	—	(1,967,950)	—	13,775,000		

- (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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INFORMATION ON SHARE OPTIONS (continued)

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

- (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.

Notes:

- \* Mr. Tang Ping Fai resigned as a non-executive director of the Company on 1 February 2010 but remains as an employee of the Group. As at 30 June 2010, he had 760,600 share options of the Company outstanding under the Pre-IPO Share Option Scheme.
- \*\* Mr. Liu Sai Fei was appointed as an executive director of the Company on 1 February 2010 and has 158,600 share options of the Company outstanding under the Pre-IPO Share Option Scheme when he is an employee of the Company. As at 1 February 2010, he has interests, within the meaning of Part XV of the Securities and Futures Ordinance, in 460,100 shares of the Company and options to subscribe for 158,600 shares of the Company.

### (2) Share Option Scheme

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INFORMATION ON SHARE OPTIONS (continued)

### (2) Share Option Scheme (continued)

- (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 2010, nor was there any share option outstanding as at 1 January 2010 and 30 June 2010.

Other details of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in notes 11(b) and 11(c) to the "Condensed Consolidated Interim Financial Statements".

## 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 2010, 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") (Cap. 571 of the Laws of Hong Kong)) 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 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	2,087,304,500 <sup>(Note)</sup>	58.89%
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	338,000	0.01%
Liu Sai Fei	Beneficial owner	437,600	0.01%

Note:

These 2,087,304,500 shares represents the interest in the Company held by Gemfair Investments Limited and Shiyong Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DISCLOSURE OF INTERESTS IN SECURITIES (continued)

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

#### (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 six months ended 30 June 2010 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.

#### Interests of Substantial Shareholders

As at 30 June 2010, 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	54.96%
Overseas Investment Group International (PTC) Limited ("Overseas Investment")	(Note 2)	1,947,984,000	54.96%

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 AND OTHER INFORMATION

## CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into a credit agreement (the "Credit Agreement") on 14 May 2010 between, among others, the Company as borrower, certain subsidiaries of the Company as guarantors, Standard Chartered Bank (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited, Hang Seng Bank Limited and Sumitomo Mitsui Banking Corporation as mandated co-ordinating arrangers and certain financial institutions as lenders, multi-currency term loan facilities (the "Loan Facilities") in the amount of US\$440,000,000 and HK\$156,000,000 which will be made available to the Company for a term of 36 months from the date of the Credit Agreement.

Pursuant to the Credit Agreement, if Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; (iii) to have the power to direct the management of the Company, whether through the ownership of voting capital, by contract or otherwise; or (iv) to remain as the chairman of the board of directors of the Company (the "Board"), the commitments under the Loan Facilities may be cancelled and all amounts outstanding under the Loan Facilities may become immediately due and payable.

## 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 comprises six Executive Directors and four Independent Non-executive Directors. The Company benefits from the collective experience of its Directors, who come from a variety of different backgrounds. Brief biographical particulars of all the Directors, together with information relating to the relationship among them, are set out in the "Directors' Profile" section under this interim report. 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.

### 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 auditor and provide advice and comments to the Directors.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## **CORPORATE GOVERNANCE (continued)**

### **Audit Committee (continued)**

The Audit Committee meets the external auditor at least once a year to discuss any areas of concerns during the audits and considers any matters raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor. 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 2010 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 identify and nominate suitable candidates for the 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.

## **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 Listing Rules throughout the six months ended 30 June 2010 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 ("Mr. Hui") is the chairman of the Company and the 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 six Executive Directors and four Independent Non-executive Directors and therefore has a strong independence element in its composition.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 2010.

## 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 2010.

## 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 [shimao-ecom@hk.tricorglobal.com](mailto:shimao-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.

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has today declared an interim dividend of HK15 cents per ordinary share for the six months ended 30 June 2010. The dividend will be payable on 28 September 2010 to shareholders whose names appear on the register of members of the Company on 16 September 2010.

The register of members of the Company will be closed on Wednesday, 15 September 2010 and Thursday, 16 September 2010. 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 Tuesday, 14 September 2010.

On behalf of the Board

**Hui Wing Mau**

*Chairman*

Hong Kong, 24 August 2010

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	5,978,608	5,891,602
Investment properties	4	9,269,700	6,372,600
Land use rights	4	2,890,296	3,060,382
Intangible assets	4	2,339,061	2,348,261
Associated companies	6	520,880	4,899
Available-for-sale financial assets		326,896	692,399
Jointly controlled entities	7	2,557,400	2,338,244
Deferred income tax assets		892,769	750,080
Other non-current assets	5	11,987,794	10,182,146
		<b>36,763,404</b>	<b>31,640,613</b>
<b>Current assets</b>			
Properties under development		22,120,035	18,899,789
Completed properties held for sale		4,239,431	5,198,628
Trade and other receivables and prepayments	8	4,495,706	2,998,042
Prepaid income taxes		577,812	310,472
Amounts due from related companies	9	533	698
Restricted cash	10	672,373	560,383
Cash and cash equivalents		8,657,471	6,918,958
		<b>40,763,361</b>	<b>34,886,970</b>
<b>Total assets</b>		<b>77,526,765</b>	<b>66,527,583</b>
<b>OWNERS' EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	11	362,111	361,938
Reserves			
– Proposed dividend		463,801	717,366
– Others		23,750,836	22,268,570
		<b>24,576,748</b>	<b>23,347,874</b>
<b>Non-controlling interests</b>		<b>2,548,830</b>	<b>2,169,211</b>
<b>Total equity</b>		<b>27,125,578</b>	<b>25,517,085</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	24,613,758	16,594,590
Deferred income tax liabilities		1,950,975	1,824,947
		<u>26,564,733</u>	<u>18,419,537</u>
<b>Current liabilities</b>			
Trade and other payables	14	6,898,014	7,038,928
Advanced proceeds received from customers		7,278,254	6,502,855
Income tax payable		4,924,409	4,944,610
Borrowings	12	4,580,050	3,932,306
Amounts due to related parties	15	32,664	31,101
Amount due to a non-controlling interest		7,696	7,696
Deferred income		115,367	133,465
		<u>23,836,454</u>	<u>22,590,961</u>
<b>Total liabilities</b>		<u>50,401,187</u>	<u>41,010,498</u>
<b>Total equity and liabilities</b>		<u>77,526,765</u>	<u>66,527,583</u>
<b>Net current assets</b>		<u>16,926,907</u>	<u>12,296,009</u>
<b>Total assets less current liabilities</b>		<u>53,690,311</u>	<u>43,936,622</u>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2010</b>	2009
		<b>RMB'000</b>	RMB'000
	Note		
<b>Revenue</b>	3(a)	<b>10,024,469</b>	4,967,684
Cost of sales	18	<b>(6,701,905)</b>	(3,538,987)
<b>Gross profit</b>		<b>3,322,564</b>	1,428,697
Gains on deemed disposal to non-controlling interests	16	—	1,395,849
Fair value gains on investment properties		<b>1,008,429</b>	54,544
Other gains	17	<b>194,460</b>	73,295
Selling and marketing costs	18	<b>(208,725)</b>	(156,757)
Administrative expenses	18	<b>(457,461)</b>	(568,928)
Other operating expenses	18	<b>(52,265)</b>	(9,246)
<b>Operating profit</b>		<b>3,807,002</b>	2,217,454
Finance income		<b>27,353</b>	9,837
Finance costs		<b>(245,136)</b>	(195,250)
Finance costs – net	19	<b>(217,783)</b>	(185,413)
Share of results of			
– Associated companies		—	19,926
– Jointly controlled entities		<b>7,796</b>	641
		<b>7,796</b>	20,567
<b>Profit before income tax</b>		<b>3,597,015</b>	2,052,608
Income tax expense	20	<b>(1,201,503)</b>	(798,711)
<b>Profit for the period</b>		<b>2,395,512</b>	1,253,897
<b>Other comprehensive (loss)/income:</b>			
– Fair value (losses)/gains on available-for-sale financial assets, net of tax		<b>(274,127)</b>	62,240
<b>Total comprehensive income for the period</b>		<b>2,121,385</b>	1,316,137

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2010</b>	2009
Note		<b>RMB'000</b>	RMB'000
<b>Profit for the period attributable to:</b>			
		<b>2,109,760</b>	1,198,724
		<b>285,752</b>	55,173
		<b><u>2,395,512</u></b>	<u>1,253,897</u>
<b>Total comprehensive income for the period attributable to:</b>			
		<b>1,933,711</b>	1,238,696
		<b>187,674</b>	77,441
		<b><u>2,121,385</u></b>	<u>1,316,137</u>
<b>Dividends</b>	21	<b><u>463,801</u></b>	<u>311,650</u>
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– basic (RMB cents)	22	<b>59.5</b>	35.6
– diluted (RMB cents)	22	<b><u>59.4</u></b>	<u>35.5</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

		Unaudited			
		Attributable to the equity holders of the Company		Non-controlling interests	Total
	Note	Share capital RMB'000	Reserves RMB'000	interests RMB'000	RMB'000
<b>Balance at 1 January 2010</b>		<b>361,938</b>	<b>22,985,936</b>	<b>2,169,211</b>	<b>25,517,085</b>
Profit for the period		—	2,109,760	285,752	2,395,512
Other comprehensive loss					
– Fair value losses on available-for-sale financial assets, net of tax		—	(176,049)	(98,078)	(274,127)
Total comprehensive income for the period		—	1,933,711	187,674	2,121,385
Acquisition of additional interests in subsidiaries		—	—	(1,055)	(1,055)
Capital contribution from non-controlling interests of subsidiaries		—	—	193,000	193,000
Employee share option scheme					
– Proceeds from shares issued		173	9,555	—	9,728
2009 final dividend	21	—	(714,565)	—	(714,565)
<b>Balance at 30 June 2010</b>		<b>362,111</b>	<b>24,214,637</b>	<b>2,548,830</b>	<b>27,125,578</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Note	Unaudited			Total RMB'000
		Attributable to the equity holders of the Company		Non-controlling	
		Share capital RMB'000	Reserves RMB'000	interests RMB'000	
<b>Balance at 1 January 2009</b>		336,015	18,359,804	341,600	19,037,419
Profit for the period		—	1,198,724	55,173	1,253,897
Other comprehensive income					
– Fair value gains on available-for-sale financial assets, net of tax		—	39,972	22,268	62,240
Total comprehensive income for the period		—	1,238,696	77,441	1,316,137
Issue of shares for placement	11(a)	24,873	1,682,890	—	1,707,763
Non-controlling interests arising on acquisition of subsidiaries		—	—	1,995,530	1,995,530
Employee share option scheme					
– Value of employee services		—	2,808	—	2,808
– Proceeds from shares issued		447	24,708	—	25,155
2008 final dividend		—	(404,498)	(37,920)	(442,418)
<b>Balance at 30 June 2009</b>		361,335	20,904,408	2,376,651	23,642,394
Profit for the period		—	2,312,477	36,610	2,349,087
Other comprehensive income					
– Fair value gains on available-for-sale financial assets, net of tax		—	47,617	26,529	74,146
Total comprehensive income for the period		—	2,360,094	63,139	2,423,233
Non-controlling interests change					
on deemed disposal		—	—	(105,244)	(105,244)
Acquisition of additional interests in subsidiaries		—	—	(299,396)	(299,396)
Capital contribution from non-controlling interests of subsidiaries		—	—	128,850	128,850
Disposal of interests in a subsidiary		—	—	5,211	5,211
Employee share option scheme					
– Proceeds from shares issued		603	33,294	—	33,897
2009 interim dividend	21	—	(311,860)	—	(311,860)
<b>Balance at 31 December 2009</b>		361,938	22,985,936	2,169,211	25,517,085

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Net cash (outflow)/inflow from operating activities	<b>(6,034,139)</b>	1,772,225
Net cash (outflow)/inflow from investing activities	<b>(786,590)</b>	132,380
Net cash inflow from financing activities	<b>8,576,239</b>	5,259,430
	<hr/>	<hr/>
<b>Increase in cash and cash equivalents</b>	<b>1,755,510</b>	7,164,035
Cash and cash equivalents at 1 January	<b>6,918,958</b>	1,814,447
Effect of foreign exchange rate changes	<b>(16,997)</b>	(4,569)
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June</b>	<b>8,657,471</b>	8,973,913
	<hr/> <hr/>	<hr/> <hr/>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (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 KY1-1111, 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 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 2009, 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 24 August 2010.

These condensed consolidated interim financial statements have not been audited.

## 2 ACCOUNTING POLICIES

Except as described below which are newly adopted for the 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 2009.

### **New/revised standards, amendments to standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2010 that are relevant to the Group's operations**

- HKFRS 3 (Revised), "Business Combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognizing a gain/loss in the consolidated income statement. All acquisition-related costs should be expensed.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 2 ACCOUNTING POLICIES (continued)

### **New/revised standards, amendments to standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2010 that are relevant to the Group's operations** (continued)

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
- HKICPA's annual improvements project published in May 2009
  - > HKAS 1 (Amendment), "Presentation of Financial Statements" (effective from annual periods beginning on or after 1 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
  - > HKAS 7 (Amendment), "Statement of Cash Flows" (effective from annual periods beginning on or after 1 January 2010). The amendment clarifies that only expenditures that result in a recognised asset are eligible for classification as investing activities.
  - > HKFRS 8 (Amendment), "Operating Segments" (effective from annual periods beginning on or after 1 January 2010). The amendment clarifies that disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker.
  - > HKAS 36 (Amendment), "Impairment of Assets" (effective from annual periods beginning on or after 1 January 2010). The amendment clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8.

The adoption of the above new/revised standards, amendments to standards and interpretations in 2010 does not have any significant impact on the Group's financial statements.

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 the financial year ending on 31 December 2010.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 3 SEGMENT INFORMATION

The chief operation decision-maker (the "CODM") has been identified as the management committee. 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.

### (a) Revenue

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sales of properties	9,416,742	4,573,113
Hotel operating income	449,278	288,128
Rental income from investment properties	132,024	106,443
Others	26,425	—
	<u>10,024,469</u>	<u>4,967,684</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 3 SEGMENT INFORMATION (continued)

### (b) Segment information

The unaudited segment results for the six months ended 30 June 2010 are as follows:

	Property development and investment		Hotel		Total
	Shanghai Shimao	Others	operation	Unallocated*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
– Sales of properties	1,759,015	7,657,727	—	—	9,416,742
– Hotel operating income	—	—	449,278	—	449,278
– Rental income from investment properties	56,117	75,907	—	—	132,024
– Others	22,016	4,409	—	—	26,425
Total revenue	<u>1,837,148</u>	<u>7,738,043</u>	<u>449,278</u>	<u>—</u>	<u>10,024,469</u>
Operating profit/(loss)	1,455,884	2,317,804	54,949	(21,635)	3,807,002
Finance costs – net	(54,586)	(92,154)	(42,717)	(28,326)	(217,783)
Share of results of jointly controlled entities	—	7,796	—	—	7,796
Profit/(loss) before income tax	<u>1,401,298</u>	<u>2,233,446</u>	<u>12,232</u>	<u>(49,961)</u>	<u>3,597,015</u>
Income tax expense					<u>(1,201,503)</u>
Profit for the period					<u>2,395,512</u>
Other segment items are as follows:					
Capital and property development expenditure	5,329,707	9,006,901	348,710	14,892	14,700,210
Fair value gains on investment properties	808,429	200,000	—	—	1,008,429
Impairment of intangible assets	—	9,200	—	—	9,200
Depreciation	3,211	10,626	120,226	6,940	141,003
Amortisation of land use rights	—	814	12,397	—	13,211
Write back of impairment losses on completed properties held for sale	—	(144,856)	—	—	(144,856)
Write back of provision for impairment of receivables	—	(318)	—	—	(318)

\* Unallocated mainly represent corporate level activities

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 3 SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

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

	Property development and investment		Hotel operation	Unallocated*	Total
	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
Total revenue	<u>154,880</u>	<u>4,524,676</u>	<u>288,128</u>	<u>—</u>	<u>4,967,684</u>
Operating profit/(loss)	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
Profit/(loss) before income tax	<u>10,902</u>	<u>2,172,368</u>	<u>(79,093)</u>	<u>(51,569)</u>	2,052,608
Income tax expense					<u>(798,711)</u>
Profit for the period					<u>1,253,897</u>
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 non-controlling 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	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 2010 (Unaudited)

## 3 SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

The segment assets and liabilities as at 30 June 2010 are as follows:

	Property development and investment		Hotel operation	Total
	Shanghai Shimao	Others		
	RMB'000	RMB'000	RMB'000	RMB'000
Associated companies	—	520,880	—	520,880
Jointly controlled entities	—	2,557,400	—	2,557,400
Intangible assets	1,709,730	498,403	130,928	2,339,061
Other segment assets	18,989,154	43,604,083	7,151,046	69,744,283
Total segment assets	<u>20,698,884</u>	<u>47,180,766</u>	<u>7,281,974</u>	<u>75,161,624</u>
Deferred income tax assets				892,769
Available-for-sale financial assets				326,896
Other assets				1,145,476
Total assets				<u>77,526,765</u>
Borrowings	5,419,145	12,469,522	1,617,000	19,505,667
Other segment liabilities	3,846,082	14,692,093	683,931	19,222,106
Total segment liabilities	<u>9,265,227</u>	<u>27,161,615</u>	<u>2,300,931</u>	<u>38,727,773</u>
Corporate borrowings				9,688,141
Deferred income tax liabilities				1,950,975
Other liabilities				34,298
Total liabilities				<u>50,401,187</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 3 SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

The segment assets and liabilities as at 31 December 2009 are as follows:

	Property development and investment			Hotel operation	Total RMB'000
	Shanghai	Others			
	Shimao RMB'000	Others RMB'000			
Associated companies	—	4,899	—	—	4,899
Jointly controlled entities	—	2,338,244	—	—	2,338,244
Intangible assets	1,709,730	507,603	130,928	—	2,348,261
Other segment assets	13,640,243	38,748,405	7,485,609	—	59,874,257
Total segment assets	<u>15,349,973</u>	<u>41,599,151</u>	<u>7,616,537</u>	—	64,565,661
Deferred income tax assets					750,080
Available-for-sale financial assets					692,399
Other assets					519,443
Total assets					<u>66,527,583</u>
Borrowings	3,341,055	8,587,297	1,915,931	—	13,844,283
Other segment liabilities	3,312,303	14,774,763	546,915	—	18,633,981
Total segment liabilities	<u>6,653,358</u>	<u>23,362,060</u>	<u>2,462,846</u>	—	32,478,264
Corporate borrowings					6,682,613
Deferred income tax liabilities					1,824,947
Other liabilities					24,674
Total liabilities					<u>41,010,498</u>

Total segment assets consist primarily of property 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 liabilities, corporate borrowings and deferred income tax liabilities.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 4 CAPITAL EXPENDITURE

	Property 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 2010	5,891,602	3,060,382	6,372,600	2,348,261	17,672,845
Additions	376,042	99,586	—	—	475,628
Land use rights amortisation capitalised to property and equipment	28,506	(28,506)	—	—	—
Transfer to properties under development	(174,992)	(227,955)	—	—	(402,947)
Transfer from properties under development	—	—	1,888,671	—	1,888,671
Fair value gains	—	—	1,008,429	—	1,008,429
Impairment	—	—	—	(9,200)	(9,200)
Depreciation/amortisation charged to the condensed consolidated income statement	(141,003)	(13,211)	—	—	(154,214)
Disposals	(1,547)	—	—	—	(1,547)
Closing net book amount as at 30 June 2010	<u>5,978,608</u>	<u>2,890,296</u>	<u>9,269,700</u>	<u>2,339,061</u>	<u>20,477,665</u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 4 CAPITAL EXPENDITURE (continued)

	Property 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	6,179,952	6,050,000	424,394	18,057,702
Acquisition of subsidiaries	366,630	264,315	265,368	1,709,730	2,606,043
Additions	361,998	54,338	—	—	416,336
Land use rights amortisation					
capitalised to property and equipment	59,617	(59,617)	—	—	—
Transfer to properties under development	(818,020)	(3,894,380)	—	—	(4,712,400)
Transfer to investment properties	(5,351)	—	5,351	—	—
Transfer to completed properties held					
for sale	—	—	(224,000)	—	(224,000)
Fair value gains	—	—	54,544	—	54,544
Impairment	—	—	—	(4,558)	(4,558)
Depreciation/amortisation charged to the condensed consolidated income statement	(130,794)	(15,201)	—	—	(145,995)
Disposals	(1,193)	—	—	—	(1,193)
Closing net book amount as at					
30 June 2009	<u>5,236,243</u>	<u>2,529,407</u>	<u>6,151,263</u>	<u>2,129,566</u>	<u>16,046,479</u>
Opening net book amount as at					
1 July 2009	5,236,243	2,529,407	6,151,263	2,129,566	16,046,479
Additions	737,982	—	27,034	—	765,016
Acquisition of additional interests in subsidiaries	—	—	—	366,712	366,712
Land use rights amortisation					
capitalised to property and equipment	27,462	(27,462)	—	—	—
Transfer from properties under development	—	575,616	43,368	—	618,984
Transfer to completed properties held					
for sale	—	—	(8,355)	—	(8,355)
Fair value gains	—	—	159,290	—	159,290
Impairment	—	—	—	(148,017)	(148,017)
Depreciation/amortisation charged to the consolidated income statement	(108,108)	(17,179)	—	—	(125,287)
Disposals	(1,977)	—	—	—	(1,977)
Closing net book amount as at					
31 December 2009	<u>5,891,602</u>	<u>3,060,382</u>	<u>6,372,600</u>	<u>2,348,261</u>	<u>17,672,845</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (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 2010 and 31 December 2009 by DTZ Debenham Tie Leung Limited (“DTZ”) and Shanghai Yinxin Huiye Appraisal Co., Ltd. (“Shanghai Yinxin Huiye”). 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 2010, the Group has made prepayments of RMB9,217,112,000 (31 December 2009: RMB6,410,261,000) for certain land use rights, the ownership certificates of which have not been obtained.

As at 30 June 2010, the Group has made prepayments of RMB1,950,000,000 (31 December 2009: RMB2,969,207,000) for acquisition of certain equity interests.

As at 30 June 2010, RMB820,682,000 (31 December 2009: RMB802,678,000) have been advanced to certain local government authorities for land resettlement and site formation. These amounts are included in other non-current assets.

## 6 ASSOCIATED COMPANIES

As at 30 June 2010, the Group made advances of approximately RMB500,000,000 (31 December 2009: Nil) to Tianjin Jinnan New City Real Estate Development Co., Ltd., an associated company to finance its acquisition of land use rights. The advances are interest-free, unsecured and have no fixed repayment terms.

## 7 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 2010, the Group made advances of approximately RMB1,574,030,000 (31 December 2009: RMB1,536,793,000) and RMB787,441,000 (31 December 2009: RMB790,363,000) to the jointly controlled entities, namely Fast Right Investment Limited and Kingtron Enterprise Limited and their wholly-owned subsidiaries to finance their acquisition of land use rights.

As at 30 June 2010, the Group made advances of approximately RMB175,000,000 (31 December 2009: Nil) to Huizhou Fumao Real Estate Development Co., Ltd. a jointly controlled entity to finance its acquisition of land use rights.

The advances are interest-free, unsecured and have no fixed repayment terms.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Deposits for land acquisition and resettlement costs	<b>2,650,249</b>	1,458,310
Trade receivables — net (note)	<b>566,985</b>	736,146
Other receivables	<b>484,122</b>	328,456
Prepayments for construction costs	<b>375,686</b>	142,069
Prepaid business taxes on pre-sale proceeds	<b>418,664</b>	333,061
	<b><u>4,495,706</u></b>	<u>2,998,042</u>

Note:

Trade receivables are mainly arisen from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Within 90 days	<b>370,187</b>	625,447
Over 90 days and within 365 days	<b>158,596</b>	85,138
Over 365 days	<b>38,202</b>	25,561
	<b><u>566,985</u></b>	<u>736,146</u>

As at 30 June 2010, provision for impairment of receivables was approximately RMB9,891,000 (31 December 2009: RMB10,209,000).

As at 30 June 2010, the carrying amounts of trade receivables, deposits for land acquisition and resettlement costs, and other receivables of the Group approximate their fair value.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 9 AMOUNTS DUE FROM RELATED COMPANIES

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
<b>Common directors</b>		
Shimao International Holdings Limited ("Shimao International")	<b>533</b>	538
Shanghai Mason Club Co., Ltd. ("Shimao Mason")	—	160
	<hr/> <b>533</b> <hr/>	<hr/> 698 <hr/>

Note:

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

## 10 RESTRICTED CASH

As at 30 June 2010, the Group's cash of approximately RMB372,373,000 (31 December 2009: RMB203,610,000) 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. In addition, the Group's cash of approximately RMB300,000,000 (31 December 2009: RMB356,773,000) were pledged as collateral for the Group's borrowings.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 11 SHARE CAPITAL

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

		Number of shares	Nominal value of ordinary shares	
	Par value HK\$	'000	HK\$'000	RMB'000
Authorised:				
At 30 June 2009, 31 December 2009 and 30 June 2010	0.1	5,000,000	500,000	
Issued and fully paid:				
At 1 January 2009		3,248,146	324,815	336,015
Placement of shares	(note)	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
Employee share option scheme				
– Shares issued	(b)	6,838	684	603
At 31 December 2009		3,542,287	354,229	361,938
Employee share option scheme				
– Shares issued	(b)	1,968	197	173
At 30 June 2010		3,544,255	354,426	362,111

Note:

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 approximately RMB1,707,763,000).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 11 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 2009 to 31
	2010	2009	December 2009
	'000	'000	'000
Balance at beginning of the period	<b>15,743</b>	35,531	22,582
Lapsed	—	(7,875)	(1)
Exercised	<b>(1,968)</b>	(5,074)	(6,838)
Balance at end of the period	<b><u>13,775</u></b>	<u>22,582</u>	<u>15,743</u>

All of the 13,775,000 outstanding options as at 30 June 2010 (31 December 2009: 15,743,000 options) were vested and exercisable. During the period, 1,967,950 options have been exercised (year ended 31 December 2009: 11,912,000 options) at exercise price of HK\$5.625 per share, totalling HK\$11,070,000 (equivalent to RMB9,728,000).

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 2010 (Unaudited)

## 11 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 had been granted to independent non-executive directors, an executive director and selected employees on 4 February 2008. As at 31 December 2008, all options were forfeited as the vesting conditions are not satisfied. There are no outstanding options under this scheme as at 30 June 2010.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 12 BORROWINGS

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings – secured by assets (notes (i) and (iv))	<b>22,283,865</b>	14,140,466
Long-term bank borrowings – secured by shares of a listed subsidiary (note (ii))	<b>603,000</b>	—
Long-term bank borrowings – unsecured	<b>1,071,000</b>	750,000
Senior notes – secured (note (iii))	<b>3,971,693</b>	4,036,502
	<b>27,929,558</b>	18,926,968
Less: Amounts due within one year	<b>(3,315,800)</b>	(2,332,378)
	<b>24,613,758</b>	16,594,590
Borrowings included in current liabilities		
Short-term bank borrowings – secured by assets (note (i))	<b>449,250</b>	344,080
Short-term bank borrowings – unsecured	<b>515,000</b>	995,848
Short-term bank borrowings – secured by shares of a listed subsidiary (note (ii))	<b>300,000</b>	260,000
Current portion of long-term borrowings	<b>3,315,800</b>	2,332,378
	<b>4,580,050</b>	3,932,306

Movement of borrowings is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2010 RMB'000</b>	2009 RMB'000
Opening balance at 1 January	<b>20,526,896</b>	14,434,003
Additions of borrowings	<b>13,334,910</b>	7,866,286
Acquisition of subsidiaries	—	990,000
Amortisation of issue expenses	<b>9,212</b>	25,585
Repayments of borrowings	<b>(4,613,709)</b>	(4,085,006)
Foreign exchange gains	<b>(63,501)</b>	(31,891)
Closing balance at 30 June	<b>29,193,808</b>	19,198,977



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 12 BORROWINGS (continued)

Notes:

- (i) As at 30 June 2010, the Group's total secured bank borrowings of RMB22,733,115,000 (31 December 2009: RMB14,484,546,000) were secured by certain property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, available-for-sale financial assets and restricted cash (Note 13). As at 30 June 2010, secured borrowings of RMB2,327,127,000 (31 December 2009: RMB2,646,112,000) were further guaranteed by Mr. Hui Wing Mau.
- (ii) As at 30 June 2010, 16,424,000,000 shares (31 December 2009: 45,000,000 shares) of Shanghai Shimao Co., Ltd. ("Shanghai Shimao") held by the Group have been pledged for a total bank borrowings of RMB903,000,000 (31 December 2009: RMB260,000,000) 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 14 May 2010, the Company entered into a multi-currency loan facility agreement with a syndicate of 14 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US\$440,000,000 facility and a HK\$156,000,000 facility at a floating rate of interest, due on 14 May 2013. All the facilities have been drawn down as of 30 June 2010.

## 13 PLEDGED ASSETS

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Property and equipment	<b>5,246,607</b>	4,047,849
Investment properties	<b>6,452,076</b>	6,149,700
Land use rights	<b>1,214,459</b>	1,415,099
Available-for-sale financial assets	<b>244,120</b>	518,130
Properties under development	<b>12,040,967</b>	8,242,994
Completed properties held for sale	<b>1,917,528</b>	—
Restricted cash	<b>300,000</b>	356,773
	<b><u>27,415,757</u></b>	<u>20,730,545</u>

In addition to the above, 16,424,000,000 shares of Shanghai Shimao held by the Group have been pledged for bank borrowings (Note 12(ii)).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 14 TRADE AND OTHER PAYABLES

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Trade payables (note (i))	<b>5,520,973</b>	6,134,264
Accrued expenses	<b>140,732</b>	116,024
Other taxes payable	<b>265,206</b>	350,530
Other payables (note (ii))	<b>971,103</b>	438,110
	<b>6,898,014</b>	7,038,928

Notes:

(i) As at 30 June 2010, the ageing analysis of trade payables is as follows:

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Within 90 days	<b>5,248,534</b>	5,861,550
Over 90 days and within 180 days	<b>272,439</b>	272,714
	<b>5,520,973</b>	6,134,264

(ii) Other payables comprise:

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Loan from a third party (note)	<b>500,000</b>	—
Deposits and advances from constructors	<b>93,633</b>	29,132
Acquisition consideration payable	<b>90,208</b>	10,566
Rental deposits from tenants and hotel customers	<b>79,371</b>	69,797
Deposits received from customers	<b>65,927</b>	208,276
Fees collected from customers on behalf of government agencies	<b>58,329</b>	51,916
Decoration fee collected from customers on behalf of decorators	<b>14,767</b>	29,328
Accrued selling and marketing costs	<b>6,060</b>	9,617
Miscellaneous	<b>62,808</b>	29,478
	<b>971,103</b>	438,110

Note:

The Group borrowed RMB500,000,000 from a third party during the six months ended 30 June 2010. The balance is unsecured, interest-free and has no fixed repayment terms.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 15 AMOUNTS DUE TO RELATED PARTIES

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
<b>Common directors</b>		
Perfect Zone International Limited	1,169	1,861
Vast Union Investment Limited	270	270
Shanghai Mason	2,255	—
<b>Others</b>		
Mr. Xu Shiyong and Ms. Wang Lili - relatives of Mr. Hui Wing Mau	28,970	28,970
Total	<u>32,664</u>	<u>31,101</u>

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

The carrying amounts of amounts due to related parties approximate their fair values.

## 16 GAINS ON DEEMED DISPOSAL TO NON-CONTROLLING INTERESTS

In May 2009, the Group acquired an effective equity interest of 64.2% 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 64.2%. The reduction of the interests of 35.8% 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 35.8% 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.

## 17 OTHER GAINS

	<b>Six months ended 30 June</b>	
	<b>2010 RMB'000</b>	2009 RMB'000
Subsidy income	135,906	40,385
Net exchange gain	46,508	27,316
Dividend income from available-for-sale financial assets	7,196	3,608
Miscellaneous rental income	1,551	600
Gains on disposal of property and equipment	503	17
Miscellaneous	2,796	1,369
	<u>194,460</u>	<u>73,295</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 18 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	
	2010 RMB'000	2009 RMB'000
Staff costs – including directors' emoluments	236,639	186,592
Depreciation	141,003	130,794
Amortisation of land use rights	13,211	15,201
Advertising, promotion and commission costs	145,507	104,999
Cost of properties sold	5,974,716	3,106,863
Business taxes and other levies on sales of properties	488,236	257,698
Impairment of intangible assets	9,200	4,558
(Write back of)/provision for impairment of receivables (Note 8)	(318)	7,564
(Write back of)/impairment losses on completed properties held for sale	(144,856)	57,935
Direct outgoings arising from investment properties	11,602	10,537
Auditor's remuneration	3,160	3,061
Charitable donations	32,347	1,391
Operating lease rental expenses	32,451	26,607
Direct expenses arising from hotel operation	116,984	64,585
Corporate and office expenses	183,582	135,912
Other expenses	176,892	159,621
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	<b>7,420,356</b>	<b>4,273,918</b>
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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 19 FINANCE COSTS – NET

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	434,735	341,089
– not wholly repayable within five years	129,212	47,522
Interest on senior notes		
– wholly repayable within five years	29,069	46,129
– not wholly repayable within five years	94,865	98,278
	<b>687,881</b>	533,018
Less: Interest capitalised	<b>(442,745)</b>	(337,768)
Finance costs	<b>245,136</b>	195,250
Interest income	<b>(27,353)</b>	(9,837)
Finance costs — net	<b>217,783</b>	185,413

## 20 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 cost 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 20 INCOME TAX EXPENSE (continued)

### (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 may 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.

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Current income tax		
– PRC enterprise income tax	<b>884,575</b>	499,707
– PRC withholding income tax	—	434,000
– PRC land appreciation tax	<b>333,590</b>	114,596
	<b>1,218,165</b>	1,048,303
Deferred income tax		
– PRC enterprise income tax	<b>(16,662)</b>	(196,592)
– PRC withholding income tax	—	(53,000)
	<b>(16,662)</b>	(249,592)
	<b>1,201,503</b>	798,711

## 21 DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2010 of HK15 cents per ordinary share, amounting to approximately HK\$531,638,000 (equivalent to RMB463,801,000) has been declared at the Company's board meeting held on 24 August 2010.

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) was declared at the Company's board meeting held on 17 September 2009.

A final dividend in respect of 2009 of HK23 cents per ordinary share, amounting to approximately HK\$815,156,000 (equivalent to approximately RMB714,565,000) has been approved at the annual general meeting of the Company held on 31 May 2010.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 22 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.

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
Profit attributable to the equity holders of the Company (RMB'000)	<b>2,109,760</b>	1,198,724
Weighted average number of ordinary shares in issue (thousands)	<b>3,543,499</b>	3,367,177
Basic earnings per share (RMB cents)	<b>59.5</b>	35.6

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 remaining share options granted under the share option schemes (Note 11) assuming they were exercised.

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
Profit attributable to the equity holders of the Company (RMB'000)	<b>2,109,760</b>	1,198,724
Weighted average number of ordinary shares in issue (thousands)	<b>3,543,499</b>	3,367,177
Adjustments for share options granted (thousands)	<b>7,538</b>	6,621
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>3,551,037</b>	3,373,798
Diluted earnings per share (RMB cents)	<b>59.4</b>	35.5

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 23 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2010:

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	<b><u>5,019,200</u></b>	<u>3,588,259</u>

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 at 30 June 2010 for the guarantees (2009: Nil).

## 24 COMMITMENTS

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

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Contracted but not provided for		
– Property and equipment	<b>1,833,732</b>	1,385,451
– Land use rights	<b>17,858,703</b>	13,176,415
– Properties being developed by the Group for sale	<b>8,368,691</b>	4,939,538
– Advances to government authorities for land resettlement and site formation	<b><u>3,186,822</u></b>	<u>3,077,322</u>
	<b><u>31,247,948</u></b>	<u>22,578,726</u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 24 COMMITMENTS (continued)

### (b) Operating lease commitments

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

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Within one year	<b>32,308</b>	35,269
Between two to five years	<b>247,792</b>	247,444
After five years	<b>468,904</b>	475,564
	<b>749,004</b>	758,277

### (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 2010 RMB'000</b>	31 December 2009 RMB'000
Within one year	<b>284,205</b>	136,667
Between two to five years	<b>632,320</b>	300,756
After five years	<b>916,315</b>	335,648
	<b>1,832,840</b>	773,071

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (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	
	2010 RMB'000	2009 RMB'000
Operating lease rental expense paid to a related company (note (i))	2,210	2,220
Property management fee and reimbursement of staff costs charged by a former jointly controlled entity (note (ii))	—	3,950
	<u>2,210</u>	<u>6,170</u>

Notes:

- (i) On 1 January 2009, the Group entered into a property license 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.
- (ii) Shanghai Shimao Property Services Co., Ltd. (formerly named as Shanghai Shimao Savills Property Management Co., Ltd.) ("Shimao First Pacific"), a former jointly controlled entity of the Group, provided property management services to certain properties of the Group. The Group acquired all remaining equity interests in Shimao First Pacific at the end of 2009 and Shimao First Pacific became a subsidiary of the Group since then.
- (iii) The Group had provided Shanghai Mason with the right to operate one of its clubhouses at a fee calculated based upon certain percentage of net profit of the clubhouse when it has achieved an accumulated net profit. During the period ended 30 June 2010, the clubhouse was loss making and therefore no fee had been charged (six months ended 30 June 2009: Nil). Certain directors of the Company are also directors of Shanghai Mason.

(b) Key management compensation

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Fees	—	—
Other emoluments		
– Salaries and other short-term benefits	10,694	10,212
– Employee share option scheme	—	1,063
– Retirement scheme contributions	70	77
	<u>10,764</u>	<u>11,352</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

## 26 SUBSEQUENT EVENTS

On 28 July 2010, the Company issued a total of US\$500,000,000 senior notes at a fixed rate of interest due on 3 August 2017. 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 logo for SHIMAO PROPERTY is located at the bottom center of the page. It features the word "SHIMAO" in a large, serif font, with a small globe icon integrated into the letter "O". Below "SHIMAO" is the word "PROPERTY" in a smaller, sans-serif font, enclosed within a horizontal rectangular bar with a gradient from gold to brown.

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