



SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755



Interim Report 2010

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The Board of Directors of Shanghai Zendai Property Limited (the “Company”) is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended	
		30 June 2010 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Unaudited)
Turnover	3	2,792,937	963,133
Cost of sales		(1,771,991)	(420,750)
Gross profit		1,020,946	542,383
Other income and gains		17,576	32,178
Distribution expenses		(36,958)	(24,650)
Administrative expenses		(137,299)	(79,135)
Reversal of impairment loss on property, plant and equipment		5,457	–
Reversal of impairment loss on payment for leasehold land held for own use under operating leases		39,148	–
Change in fair value of investment properties		7,231	122,847
Share of results of associates		40,324	(10,052)
Share of result of a jointly controlled entity		(1,020)	–
Finance costs		(105,869)	(85,824)
Profit before tax expenses	4	849,536	497,747
Tax expenses	5	(463,086)	(216,790)
Profit for the period		386,450	280,957
Other comprehensive income			
Exchange differences arising on translation of foreign operations		22,273	18,167
Release of other revaluation reserve on disposal of properties for sales		(14,018)	(21,052)
Tax expenses related to release of other revaluation reserve		2,103	3,158
Other comprehensive income for the period, net of tax		10,358	273
Total comprehensive income for the period		396,808	281,230

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		Six months ended	
		30 June 2010	30 June 2009
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
Profit/(loss) for the period attributable to:			
Owners of the Company		386,640	281,471
Non-controlling interests		(190)	(514)
		<u>386,450</u>	<u>280,957</u>
Total comprehensive income attributable to:			
Owners of the Company		395,635	281,342
Non-controlling interests		1,173	(112)
		<u>396,808</u>	<u>281,230</u>
Earnings per share			
Basic	7	<u>HK3.17 cents</u>	<u>HK2.74 cents</u>
Diluted		<u>HK3.17 cents</u>	<u>HK2.74 cents</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	8	386,594	379,356
Investment properties		1,711,650	1,686,900
Payment for leasehold land held for own use under operating leases		574,826	539,639
Goodwill		146,236	145,605
Interests in associates	9	1,161,057	544,525
Interest in a jointly controlled entity	10	4,690	–
Available-for-sale investments		27,422	14,765
Other receivable		63,278	62,776
Total non-current assets		4,075,753	3,373,566
Current assets			
Properties under development and for sales		3,564,148	4,714,268
Inventories		1,422	1,119
Trade and other receivables	11	1,043,807	167,811
Deposits for property development	12	5,335,175	685,716
Financial assets at fair value through profit or loss		11,901	46,992
Available-for-sale investments		572	567
Amounts due from associates		249,043	68,131
Amount due from a jointly controlled entity		201,734	–
Amounts due from related companies		12,894	12,731
Tax prepayment		32,686	27,459
Pledged bank deposits	13	490,291	–
Cash and cash equivalents		949,324	599,949
		11,892,997	6,324,743
Assets classified as held for sales		–	19,704
Total current assets		11,892,997	6,344,447
Total assets		15,968,750	9,718,013

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	<i>Notes</i>	30 June 2010 <i>HK\$'000</i> (Unaudited)	31 December 2009 <i>HK\$'000</i> (Audited)
Liabilities			
Current liabilities			
Trade and other payables	14	823,481	732,577
Receipts in advance from customers		1,023,975	828,487
Amount due to an associate	15	4,127,043	–
Amounts due to related companies		50	5,018
Amount due to a minority owner of a subsidiary		18,796	53,016
Bank loans		720,247	282,014
Tax payable		1,424,196	1,070,653
Total current liabilities		<u>8,137,788</u>	<u>2,971,765</u>
Net current assets		<u>3,755,209</u>	<u>3,372,682</u>
Total assets less current liabilities		<u>7,830,962</u>	<u>6,746,248</u>
Non-current liabilities			
Bank loans		1,215,274	1,108,580
Senior loan notes	16	1,069,757	1,065,908
Deferred tax liabilities		617,868	665,140
Other payables		127,832	122,397
Total non-current liabilities		<u>3,030,731</u>	<u>2,962,025</u>
Total liabilities		<u>11,168,519</u>	<u>5,933,790</u>
TOTAL NET ASSETS		<u>4,800,231</u>	<u>3,784,223</u>
Capital and reserves attributable to owners of the Company			
Share capital	17	249,838	208,188
Reserves		4,356,833	3,383,648
Equity attributable to owners of the Company		4,606,671	3,591,836
Non-controlling interests		<u>193,560</u>	<u>192,387</u>
TOTAL EQUITY		<u>4,800,231</u>	<u>3,784,223</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital	Share premium	Capital		Special capital reserve	Statutory surplus reserve	Share option reserve	Retained profits	Foreign exchange reserve	Other revaluation reserve	Equity	Non-controlling interests	Total
			redemption reserve	Contributed surplus							attributable to owners of the Company		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010 (Audited)	208,188	1,283,855	1,074	157,315	68,541	246,121	21,908	1,240,938	317,736	46,160	3,591,836	192,387	3,784,223
Total comprehensive income for the period	-	-	-	-	-	-	-	386,640	20,910	(11,915)	395,635	1,173	396,808
Issuance of ordinary shares (note 17(a))	39,000	565,500	-	-	-	-	-	-	-	-	604,500	-	604,500
Exercise of share options (note 17(b))	2,650	29,150	-	-	-	-	-	-	-	-	31,800	-	31,800
Equity settled share – based transactions (note 18)	-	-	-	-	-	-	25,372	-	-	-	25,372	-	25,372
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(42,472)	-	-	(42,472)	-	(42,472)
At 30 June 2010 (Unaudited)	<u>249,838</u>	<u>1,878,505</u>	<u>1,074</u>	<u>157,315</u>	<u>68,541</u>	<u>246,121</u>	<u>47,280</u>	<u>1,585,106</u>	<u>338,646</u>	<u>34,245</u>	<u>4,606,671</u>	<u>193,560</u>	<u>4,800,231</u>

	Share capital	Share premium	Capital		Special capital reserve	Statutory surplus reserve	Retained profits	Foreign exchange reserve	Other revaluation reserve	Equity	Non-controlling interests	Total
			redemption reserve	Contributed surplus						attributable to owners of the Company		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (Audited)	205,825	1,258,444	1,074	157,315	68,541	141,493	924,373	294,422	80,724	3,132,211	167,831	3,300,042
Total comprehensive income for the period	-	-	-	-	-	-	281,471	17,765	(17,894)	281,342	(112)	281,230
At 30 June 2009 (Unaudited)	<u>205,825</u>	<u>1,258,444</u>	<u>1,074</u>	<u>157,315</u>	<u>68,541</u>	<u>141,493</u>	<u>1,205,844</u>	<u>312,187</u>	<u>62,830</u>	<u>3,413,553</u>	<u>167,719</u>	<u>3,581,272</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended	
	30 June 2010 <i>HK\$'000</i> (Unaudited)	30 June 2009 <i>HK\$'000</i> (Unaudited)
Net cash from operating activities	630,364	3,870
Net cash (used in)/from investing activities	(541,083)	25,889
Net cash from financing activities	255,756	66,996
Net increase in cash and cash equivalents	345,037	96,755
Cash and cash equivalents at beginning of period	599,949	384,405
Effect of foreign exchange rate changes	4,338	11,700
Cash and cash equivalents at end of period	949,324	492,860

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2009.

The following new standards and amendments to standards are mandatory for the financial year beginning on 1 January 2010 which are relevant to the Group:

- HKAS 27 (revised), 'Consolidated and Separate Financial Statements' – effective from 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interest (previously minority interest) 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. As the Group had already adopted such approach in the past, this revised standard does not have any material impact on the Group's financial statements for the period.
- HKFRS 3 (revised), 'Business Combinations' – effective from 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-measuring through profit or loss. 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. All acquisition related costs should be expensed. The Group applied HKFRS 3 (revised) prospectively to the business combinations from 1 January 2010.

2. **PRINCIPAL ACCOUNTING POLICIES – Continued**

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2010, but are not currently relevant to the Group.

HKFRS (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Amendment to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners

The following new standards, amendments to standards and interpretations which are relevant to the Group have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
Amendment to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 9	Financial Instruments ⁴

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

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

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3. SEGMENT INFORMATION

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

Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision maker for assessment of segment performance.

Segment information is presented below:

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

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Reportable segment revenue – external sales	2,636,739	815,985	70,182	50,377	80,656	93,163	5,360	3,608	2,792,937	963,133
Reportable segment profit/(loss) before tax expenses	919,403	417,182	58,617	3,707	15,239	141,895	16	(148)	993,275	562,636
Interest income	3,262	1,161	–	29	317	73	–	–	3,579	1,263
Depreciation of property, plant and equipment	(1,618)	(1,730)	(8,562)	(7,659)	(37)	(419)	(21)	(22)	(10,238)	(9,830)
Amortisation of payments for leasehold land held for own use under operating leases	–	–	(8,452)	(8,261)	–	–	–	–	(8,452)	(8,261)
Reversal of impairment loss on property, plant and equipment	–	–	5,457	–	–	–	–	–	5,457	–
Reversal of impairment loss on payments for leasehold land held for own use under operating leases	–	–	39,148	–	–	–	–	–	39,148	–
Change in fair value of investment properties	–	–	–	–	7,231	122,847	–	–	7,231	122,847
Gain on disposal of a subsidiary	2,632	–	–	–	–	–	–	–	2,632	–
Share of results of associates	40,324	(10,052)	–	–	–	–	–	–	40,324	(10,052)
Share of result of a jointly controlled entity	(1,020)	–	–	–	–	–	–	–	(1,020)	–

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3. SEGMENT INFORMATION – Continued

(b) Reconciliation of reportable segment profit or loss

	Six months ended	
	30 June 2010 <i>HK\$'000</i> (Unaudited)	30 June 2009 <i>HK\$'000</i> (Unaudited)
Reportable segment profit before tax expenses	993,275	562,636
Interest income	434	28
Dividend income from available-for-sale investments	40	–
Gain on disposal of available-for-sale investments	–	442
Gain on repurchase of senior loan notes	–	17,846
Gain on disposal of financial assets at fair value through profit or loss	–	5,028
(Loss)/gain on fair value changes of financial assets at fair value through profit or loss	(2,202)	4,050
Finance costs	(105,869)	(85,824)
Unallocated head office and corporate expenses	(36,142)	(6,459)
	849,536	497,747
Profit before tax expenses	849,536	497,747

(c) Total segment assets

	30 June 2010 <i>HK\$'000</i> (Unaudited)	31 December 2009 <i>HK\$'000</i> (Audited)
Sales of properties (<i>note</i>)	12,702,148	6,883,799
Hotel operations	955,277	909,204
Properties rental, management and agency services	1,747,138	1,822,799
Travel and related services	2,367	2,487
Unallocated		
– Pledged bank deposits	490,291	–
– Available-for-sale investments	14,709	14,709
– Financial assets at fair value through profit or loss	11,901	14,101
– Unallocated head office and corporate assets	44,919	70,914
	15,968,750	9,718,013
	15,968,750	9,718,013

Note:

During the six months ended 30 June 2010, the segment assets in respect of the reportable segment of sales of properties significantly increased mainly due to deposits paid for acquisition of the land parcel mentioned in note 12.

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4. PROFIT BEFORE TAX EXPENSES

	Six months ended	
	30 June 2010 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Unaudited)
Profit before tax expenses has been arrived at after charging:		
Depreciation on property, plant and equipment	10,238	9,830
Amortisation of payment for leasehold land held for own use under operating leases	8,452	8,261
Loss on fair value changes of financial assets at fair value through profit or loss	2,202	–
Exchange losses, net	121	579
	<u> </u>	<u> </u>
and after crediting:		
Interest income	4,013	1,291
Gain on disposal of a subsidiary	2,632	–
Gain on disposal of available-for-sale investments	–	442
Gain on disposal of financial assets at fair value through profit or loss	–	5,028
Gain on fair value changes of financial assets at fair value through profit or loss	–	4,050
Dividend income from financial assets at fair value through profit or loss	40	–
Gain on repurchase of senior loan notes	–	17,846
	<u> </u>	<u> </u>

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5. TAX EXPENSES

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

	Six months ended	
	30 June 2010 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Unaudited)
Current tax – PRC Enterprise Income Tax (“EIT”)		
– tax for the period	260,660	97,639
– under provision in respect of prior years	918	2,913
	261,578	100,552
Current tax – Land Appreciation Tax (“LAT”)		
– tax for the period	242,345	108,580
– under/(over) provision in respect of prior years	10,108	(9,771)
	252,453	98,809
Deferred tax		
– current period	(50,945)	17,429
	463,086	216,790

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit in Hong Kong for the current and prior periods.

EIT

PRC subsidiaries of the Company are subject to EIT at rates ranging from 22% to 25% (six months ended 30 June 2009: 20% to 25%).

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 costs of land and development and construction expenditures.

Dividend withholding tax

In accordance with the PRC Enterprise Income Tax Law and the “Implementation Rules of the People’s Republic of China on the Enterprise Income Tax Law” promulgated by the State Council on 6 December 2007 and effective 1 January 2008, an income tax rate of 10% (unless reduced by treaty) shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises. Provision for withholding tax is included in deferred taxation.

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6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2009: Nil).

7. EARNINGS PER SHARE

(a) Basic

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

	Six months ended	
	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	386,640	281,471
Weighted average number of ordinary shares in issue (<i>thousands</i>)	12,179,851	10,291,273
Basic earnings per share (<i>HK cents per share</i>)	3.17	2.74

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period after adjusting for the number of dilutive potential ordinary shares arising from shares options granted.

	Six months ended	
	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)
Profit attributable to owners of the Company for basic and diluted earnings per share (<i>HK\$'000</i>)	386,640	281,471
Weighted average number of ordinary shares in issue (<i>thousands</i>)	12,179,851	10,291,273
Effect of dilutive potential ordinary shares on share options (<i>thousands</i>)	9,467	—
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	12,189,318	10,291,273
Diluted earnings per share (<i>HK cents per share</i>)	3.17	2.74

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8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$10,292,000 (six months ended 30 June 2009: HK\$7,484,000) on acquisition of property, plant and equipment.

9. INTERESTS IN ASSOCIATES

As disclosed in the Company's announcement on 27 April 2010, the Group entered into agreements with Shanghai Forte Land Co., Ltd. ("Shanghai Forte Land"), Hangzhou Greentown Land Investment Co., Ltd. ("Greentown") and Shanghai Panshi Investment Management Co., Ltd. ("Panshi") to establish a project company for property development. The project company, namely 上海海之門房地產投資管理有限公司("海之門"), was registered with paid up capital of RMB1,000 million. The Group, Shanghai Forte Land, Greentown and Panshi will hold 50%, 30%, 10% and 10% of the total registered capital of 海之門 respectively.

As also disclosed in the Company's announcement dated 27 April, 2010, the Group, Shanghai Forte Land, Greentown and Panshi would provide shareholders' loans to 海之門 in the amount of RMB1,000 million, RMB2,572 million, RMB858 million and RMB187 million respectively. In this connection, the Group would pledge its entire interests in Shanghai Zendai Himalayas Real Estate Company Limited ("Zendai Himalayas"), an associate of the Group, to Shanghai Forte Land. As at 30 June 2010, the interests in Zendai Himalayas with carrying amount of HK\$313,621,000 was pledged to Shanghai Forte Land.

10. INTEREST IN A JOINTLY CONTROLLED ENTITY

During the period, the Group entered into an agreement with an independent third party to form a 50% equity jointly controlled entity, 文廣証大南通文化投資發展有限公司. The jointly controlled entity has registered capital of RMB10 million and is principally engaged in property development and accounted for using the equity method.

11. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables of the Group are trade receivables of HK\$837,307,000 (31 December 2009: HK\$40,279,000). The aging analysis of trade receivables at the end of reporting period is as follows:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Current	801,003	22,428
Less than 1 month past due	25,272	11,182
1 to 3 months past due	7,084	2,139
More than 3 months but less than 12 months past due	2,197	346
More than 12 months past due	1,751	4,184
Amount past due at end of reporting period but not impaired (<i>note</i>)	36,304	17,851
	<u>837,307</u>	<u>40,279</u>

Note:

The balance of HK\$36,304,000 (31 December 2009: HK\$17,851,000) was past due but not impaired. For past due but not impaired receivables relating to sales of properties, the Group has the right to cancel the sales contracts and take over the legal title and possession of the underlying properties for re-sales. For past due but not impaired receivables relating to properties rental, management and agency services, they related to a number of customers with good repayment history. Therefore, the management considered that no impairment loss is required to be recognised.

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12. DEPOSITS FOR PROPERTY DEVELOPMENT

Included in deposits for property development of the Group are deposits paid for acquisition of land use rights in the PRC of HK\$5,323,866,000 (31 December 2009: HK\$676,360,000).

On 1 February 2010, the Group succeeded in the bid for acquisition of a land parcel in Shanghai from 上海市黃浦區規劃和土地管理局 (Shanghai Huangpu District Bureau of Planning and Land Resources), a PRC Governmental Bureau in charge of management of the land resources in Shanghai, the PRC, at consideration of RMB9.22 billion (equivalent to approximately HK\$10.49 billion). During the period ended 30 June 2010, the Group has paid 50% of the consideration as deposit for the land parcel.

13. PLEDGED BANK DEPOSITS

The Group's pledged bank deposits represented deposits pledged to banks to secure a bank loan of RMB410,000,000 (approximately HK\$468,732,000). The pledged bank deposits of HK\$200,168,000 and HK\$290,123,000 carry interest at 0.79% and 0.25% per annum respectively.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$408,608,000 (31 December 2009: HK\$466,593,000). The aging analysis of trade payables at the end of reporting period is as follows:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Current or less than 1 month	25,608	3,050
1 – 3 months	224,341	287,780
More than 3 months but less than 12 months	20,897	20,271
More than 12 months	108,620	109,897
	<hr/>	<hr/>
Retention money	379,466	420,998
	29,142	45,595
	<hr/>	<hr/>
	408,608	466,593
	<hr/>	<hr/>

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

15. AMOUNT DUE TO AN ASSOCIATE

The balance was unsecured, interest-free and repayable on demand.

16. SENIOR LOAN NOTES

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

During the period ended 30 June 2010, the Group did not repurchase any of the Notes.

17. SHARE CAPITAL

- (a) On 7 January 2010, the Company entered into subscription agreements with China Alliance Properties Limited ("China Alliance") and Grand Link Finance Limited ("Grand Link"), whereby China Alliance and Grand Link subscribed for 1,550,000,000 and 400,000,000 new ordinary shares of the Company respectively at HK\$0.31 per share, raising approximately HK\$604,500,000 working capital. The details of the transaction were disclosed in the Company's announcement dated 8 January 2010.
- (b) On 18 February 2010, a share option holder, which was a former holder of the Company's convertible notes, exercised its remaining 132,500,000 share options to subscribe for 132,500,000 ordinary shares of the Company at HK\$0.24 per share with a total consideration of HK\$31,800,000.

18. SHARE OPTION SCHEME

During the period ended 30 June 2010, 9 options were granted to the Company's employees and directors on 30 March 2010 under the Company's share options scheme to subscribe for up to 187,000,000 ordinary shares of the Company. The estimated fair value of the options granted on that date is approximately HK\$25,372,000.

The fair value was calculated using Binomial Option Pricing Model. The inputs into the model were as follows:

Grant date	30 March 2010
Vesting date	30 March 2010
Grant date share price	HK\$0.3750
Exercise price	HK\$0.3840
Expected life	4 years
Expected volatility	66.89%
Expected dividend yield	–
Risk-free interest rate	1.61%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK\$25,372,000 which was included in staff costs for the period, of which approximately HK\$4,304,000 and HK\$21,068,000 related to options granted to the Group's employees and directors of the Company respectively.

On 30 March 2010, the number of shares in respect of which options had been granted under the Company's share option scheme was 187,000,000, representing 1.5% of the shares of the Company in issue at that date. Total consideration of HK\$9 was received by the Company during the period ended 30 June 2010 on acceptance of the grants. The share options are fully vested upon issue.

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18. SHARE OPTION SCHEME – Continued

The following table discloses the movements of share options during the period:

Date of grant	Exercisable period	Exercise price HK\$	Number of shares in respect of the options granted		
			Outstanding at 1 January 2010	Granted during the period	Outstanding at 30 June 2010
Options granted to directors					
12 November 2009	12 November 2010 – 11 November 2013	0.3850	47,000,000	–	47,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	29,000,000	–	29,000,000
12 November 2009	12 November 2012 – 11 November 2013	0.3850	24,000,000	–	24,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	–	73,000,000	73,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	–	46,000,000	46,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	–	36,000,000	36,000,000
			<u>100,000,000</u>	<u>155,000,000</u>	<u>255,000,000</u>
Options granted to employees					
12 November 2009	12 May 2010 – 11 November 2013	0.3850	8,000,000	–	8,000,000
12 November 2009	12 November 2010 – 11 November 2013	0.3850	40,000,000	–	40,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	10,000,000	–	10,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	–	15,000,000	15,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	–	11,000,000	11,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	–	6,000,000	6,000,000
			<u>58,000,000</u>	<u>32,000,000</u>	<u>90,000,000</u>
			<u>158,000,000</u>	<u>187,000,000</u>	<u>345,000,000</u>

The details of movements of share options granted to other party and the number of share options outstanding at the end of the reporting period were disclosed in note 17(b) to the financial statements.

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19. CAPITAL COMMITMENTS

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Commitments for property development – contracted but not provided	6,703,324	786,404
Shareholders' loan to an associate	800,000	–

20. CONTINGENT LIABILITIES

The Group provided guarantees to the extent of HK\$530,011,000 at 30 June 2010 (31 December 2009: HK\$273,771,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

21. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

	Six months ended	
	30 June 2010 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Unaudited)
Short-term benefits	30,646	1,432
Post-employment benefits	174	147
	<u>30,820</u>	<u>1,579</u>

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

- (b) On 11 May 2010, the Group entered into a sale and purchase agreement with a director, Mr. Dai Zhikang ("Mr. Dai"), for the sale of a villa developed by the Group to Mr. Dai at a consideration of RMB37,500,000. The details of the transaction were disclosed in the Company's announcement dated 11 May 2010.
- (c) Balances with related parties as at 30 June 2010 and 31 December 2009 are set out in the condensed consolidated statement of financial position and related notes to the financial statements.
- (d) During the period, the Company together with two other independent third parties formed an associate with Shanghai Forte Land, one of the substantial shareholders of the Company, as disclosed in note 9 to the financial statements.

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22. DISPOSAL OF A SUBSIDIARY

On 20 May 2010, the Group disposed of its entire interest in a subsidiary, 海南華僑會館有限公司, to two independent third parties at a total consideration of RMB11,562,000 (approximately HK\$13,204,000).

	Carrying amount before disposal HK\$'000
Net assets disposed of	
Property under development	32,592
Other receivables	44
Trade and other payables	(21,792)
Tax payable	(306)
Cash and cash equivalents	34
	<hr/>
Net assets disposed of	10,572
Gain on disposal	2,632
	<hr/>
	13,204
	<hr/> <hr/>
Total consideration satisfied by:	
Cash	13,204
	<hr/> <hr/>
Net cash inflow/(outflow) arising on disposal	
Cash consideration obtained from disposal	13,204
Cash and bank balances disposed of	(34)
	<hr/>
	13,170
	<hr/> <hr/>

23. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure the credit facilities granted to the Group, the carrying amount of the assets were analysed below:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Property, plant and equipment	351,206	348,417
Payment for leasehold land held for own use under operating leases	574,826	539,639
Investment properties	1,319,127	1,332,653
Properties under development and for sales	365,063	1,322,803
Pledged bank deposits	490,291	–
	<hr/>	<hr/>
	3,100,513	3,543,512
	<hr/> <hr/>	<hr/> <hr/>

During the period ended 30 June 2010, the Group also pledged its entire interests in Zendai Himalayas. Details of which are disclosed in note 9 to the financial statements.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation. Amortisation of issue costs of senior loan notes of HK\$3,849,000 for the prior period has been reclassified from administrative expenses to finance costs.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SHANGHAI ZENDAI PROPERTY LIMITED

Introduction

We have reviewed the interim financial information set out on pages 2 to 20 which comprises the condensed consolidated statement of financial position of Shanghai Zendai Property Limited as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

BDO Limited
Certified Public Accountants

Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 19 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The board of directors of Shanghai Zendai Property Limited (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010.

During the period under review, turnover of the Group amounted to approximately HK\$2,792,937,000, an increase of 190% against approximately HK\$963,133,000 last year. Profit attributable to shareholders of the Company increased by 37% to approximately HK\$386,640,000 as compared with approximately HK\$281,471,000 last year. Basic earnings per share of shares were HK3.17 cents (2009: HK2.74 cents). The Group’s turnover and profit were mainly come from:

- delivery of office buildings in “Wu Dao Kou Financial Center”, Shanghai
- delivery of office buildings in “Zendai Yuanshen Financial Building”, Shanghai
- delivery of residential properties and ancillary commercial space in “Zendai Quantland”, Shanghai
- delivery of residential properties in Haimen, Changchun and Jilin

Business Review

In early 2010, the global economy continued what was a modest recovery, while the People’s Republic of China (the “PRC”) was one of the first countries to see a robust rebound. Local property markets in the PRC recorded notable growth in transaction volume and prices to the extent that there was widespread concern about the market overheating. Hence, the PRC government launched policies to restrict credit and combat property speculation in the second quarter to cool down the property market. However, overall sales of the property market in the PRC still recorded satisfactory growth in the first half year.

During the period, the Group continued to enhance its position as an integrated property developer via the introduction of residential and commercial property projects, with its commercial property business achieving a more significant growth.

Commercial Property Projects

Shanghai

Wu Dao Kou Financial Centre

“Wu Dao Kou Financial Centre”, a grade A commercial project of the Group in Pudong, Shanghai comprises a south tower and a north tower, with a total saleable area of 83,265 square metres. The south tower, with a total floor area of 25,865 square metres, was acquired by Evergreen Group of Taiwan as its Asia Pacific headquarters and was delivered; while the north tower, with a total floor area of 57,400 square metres together with its ancillary commercial space, had 51,492 square metres sold as at 30 June 2010, among which 51,492 square metres were delivered. 20,021 square metres of which were delivered during the period. The contract value, totaling RMB717,083,000 (equivalent to HK\$815,238,000) was recognised as turnover.

Zendai Yuanshen Financial Building

“Zendai Yuanshen Financial Building” of the Group, located in Pudong, Shanghai, has a total saleable area of approximately 47,400 square metres. It comprised a 17-storey office building with two additional floors of commercial space, two 18-storey serviced apartments with the first floor serving as a commercial area, and two floors underground serving entertainment and leisure-related purposes and used as a car park. “Zendai Yuanshen Financial Building” was completed at the end of 2009. The office building has started sales this financial year. A cumulative floor area of 15,992 square metres was sold and delivered in the first half year, and a contract value totaling RMB498,868,000 (equivalent to HK\$564,879,000) was recognised as turnover.

Zendai Cube Tower

“Zendai Cube Tower”, another grade A office building of the Group in Pudong, Shanghai comprises office and commercial space with a total floor area of 33,149 square metres. As at 30 June 2010, a cumulative floor area of 31,447 square metres was sold and delivered, and 972 square metres were delivered during the period. A contract value totaling RMB36,507,000 (equivalent to HK\$41,504,000) was recognised as turnover.

Zendai Thumb Plaza

The area of retail shops in “Zendai Thumb Plaza” owned by the Group in Shanghai has a total floor area of 47,382 square metres with 447 underground car parking spaces. Zendai Thumb Plaza is a modern integrated commercial complex in a prime location near Century Park and the Lujiazui financial district. Since March of this year, the Group has commenced upgrade work in order to enhance its image. Construction is expected to be completed in the fourth quarter of this year. As at 30 June 2010, more than 90% of the commercial space in the plaza was leased. Rental income recognised during the period was RMB24,208,000 (equivalent to HK\$27,522,000).

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Radisson Hotel Pudong

Zendai Thumb Plaza also included the five-star hotel Radisson Hotel Pudong. The 18-storey hotel has a gross floor area of 31,826 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. It is managed under the “Radisson” brand by Carlson Companies. The average occupancy rate of the hotel was 68% in the first half of 2010. Total income of the hotel during the period reached RMB61,732,000 (equivalent to HK\$70,182,000), a gain of 39% from the last corresponding period.

Parcel of Land in Qingpu District

The Group has a parcel of land in the tourist site of Zhujiajiao Town, Qingpu District, Shanghai. This 140,099-square-metre land is to be developed as an integrated project comprising mid-to-high-end serviced apartments, retail shops, hotels and a club house, with a gross floor area of approximately 180,000 square meters. The Project will be divided into two phases. Phase I with a gross floor area of approximately 120,000 square metres will provide both residential and commercial areas as well as a business hotel. Construction is expected to start in September this year, while pre-sale will start in the second quarter of 2011 and be delivered in the second quarter of 2012. Phase II with a gross floor area of approximately 60,000 square metres has construction planned to commence in the second quarter of 2011 and with a commercial plaza and boutique hotel to be erected. Pre-sale of Phase II is expected to begin in the second quarter of 2012 and the construction will be completed by 2012.

Himalayas Center

“Himalayas Center” is an integrated commercial property project 45% owned by the Group. It is located on Fangdian Road, Pudong New Area, near the Shanghai New International Expo Center, Century Park, Metro Line 2’s Long Yang Road Station and Shanghai Maglev Train Station. The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 164,500 square metres. It is intended to be developed into a high-end complex with a hotel, a shopping centre, an office building, a theater and an art centre. Construction is expected to be completed in phases between October 2010 and the third quarter of 2011. The hotel section (named “VENU HIMALAYAS Hotel Shanghai”) with a total gross floor area of approximately 75,088 square metres, is to have 410 guest rooms. The Group has signed a hotel management contract with Jumeirah International LLC and trial operations and official launch are expected to commence in October 2010 and January 2011 respectively.

Parcel of Land in the Bund, Shanghai

The Group has succeeded in its bid for the land parcel of 外灘國際金融中心 (8-1) (the “Land Parcel”) in Shanghai this February. On 14 March 2010, the Group signed the definitive land grant contract. The Land Parcel is located at the Bund in the dynamic Huangpu District and is located between Yu Garden and the Shiliupu EXPO Pier, in the prestigious central financial and commercial district within Shanghai. The Land Parcel offers a panoramic view from the bank of the Huangpu River, the Shanghai World Financial Center and Jin Mao Tower in Pudong district. It has been designated for integrated office, commercial, financial and cultural use.

The Land Parcel has a total site area of 45,471.9 square metres with the total gross floor area in the planned above-ground spaces covering approximately 270,000 square metres and an additional 100,000 square metres of underground spaces. Upon completion of the development, the total gross floor area of office and commercial units in above-ground space is expected to be greater than 70% and 15% of the developed area respectively.

Other Cities

Qingdao “Zendai Thumb Plaza”

The Group owns a parcel of land in Laoshan District, Qingdao City, Shandong Province, in China. The approximately 38,092-square-metre site is located northwest of the junction of Haier Road and Tongan Road, and is intended to be developed into an integrated project, “Qingdao Zendai Thumb Plaza”. The project is to include retail shops, a hotel, serviced apartments and a conference centre with a gross floor area of approximately 215,678 square metres. The foundation work has begun in 2009 and the construction of the entire structure is expected to be completed in the first half of 2012. Pre-sale of the project is expected to start in the first quarter of 2011.

A Parcel of Land in Lao Shan District, Qingdao City

The Group has 45% interest in a parcel of land in Lao Shan District of Qingdao City, Shandong Province. This approximately 43,613-square-metre site in southwestern Lao Shan District of Qingdao City is bounded by Hongkong Road to its south and Songling Road to its west. The site is intended for development of an integrated project named “Qingdao Shangshi International Plaza” which comprises residential apartments, serviced apartments and an underground car park. The project with a total gross floor area of approximately 143,000 square metres is to be constructed in phases. Phase I comprising five 28- to 30-storey high-end residential buildings with a gross floor area of approximately 66,190 square metres was completed in the first quarter of 2010. The pre-sale of the residential units started in late May of 2009 and 63,686 square metres had been sold as of 30 June 2010, generating RMB1,677,021,000 (equivalent to HK\$1,906,572,000) in terms of total contract value. Of this, 49,400 square metres were delivered during the period, generating RMB1,280,548,000 (equivalent to HK\$1,455,830,000) in terms of total contract value. Other parts of the project are still under planning.

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Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City. The project has a total saleable area of approximately 81,200 square metres, including a cultural sightseeing area and a commercial district. It is to be developed in two phases. Phase I is to include 12 blocks and 243 units, which will be reserved for leasing, with a gross area of approximately 20,089 square metres. Construction of Phase I was completed in the fourth quarter of 2009. Trial operation commenced at the beginning of this year. Planning of Phase II is currently underway.

Haikou Project

The Group owns a project under development with a gross floor area of approximately 73,000 square metres and a parcel of land of approximately 7,745 square meters in Haikou City, Hainan Province. The project under development “Zendai International Financial Centre” is planned with a total saleable office and commercial spaces of approximately 55,214 square metres. Construction of the project has begun in the first quarter of 2009. It is expected to be completed and delivered at the end of this year. Pre-sale started in the second quarter of 2010. As at 30 June 2010, a total gross floor area of 13,367 square metres was sold, generating RMB204,748,000 (equivalent to HK\$232,774,000) in terms of contract value.

A Parcel of Land in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan which has a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities. Related layout and concrete design are currently on the drawing board.

“Zhongke Langfang Technology Valley” in Langfang City

The Group and Shan Shan Investment Holdings Co., Limited (“Shan Shan Investment”) are jointly developing the “Zhongke Langfang Technology Valley” in Langfang City, Hebei Province. The project has a total site area of approximately 3,100,000 square metres, around 30% of which is to be used for development of commercial properties. The project aspires to become a technology research and development centre resembling Silicon Valley in the US. Construction of infrastructure has been completed. This strategic alliance provides the Group with a foothold to seize business opportunities in the Bohai Rim.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, one of which is designated for commercial use, with a total site area of approximately 45,718 square metres. The other, with a total site area of approximately 103,750 square metres, is intended to be developed into a residential project.

Land Parcels in Nantong City, Jiangsu

The Group has formed a joint venture with Shanghai Media & Entertainment Group (“SMEG”) through its wholly-owned subsidiary Shanghai Zendai Land to acquire and develop two parcels of land in Nantong City, Jiangsu Province, the PRC, in December 2009. The total site area of the land parcels is 281,912 square metres. Shanghai Zendai Land is to assume a leading role in the management of the project. The joint venture was named 文廣証大南通文化投資發展有限公司 and was incorporated in March 2010 with a registered capital of RMB10,000,000. It is owned in equal parts by Shanghai Zendai Land and Shanghai Jingwen Land (a subsidiary of SMEG).

The two parcels of land are located in the southern part of Chongchuan District in Nantong City, Jiangsu Province and is adjacent to the east side of Langshan Scenic Region, one of the major tourist sites in Jiangsu Province, and is within close proximity to the major commercial and government administration districts of Nantong City. A number of high-end entertainment facilities and a golf course are located in this area. This part of Chongchuan District is expected to be developed into a prestigious commercial area and residential community in Nantong City. The Group is planning to develop the land parcels into a large scale commercial and residential project modeled after Shanghai Zendai Thumb Plaza with a total gross floor area of approximately 201,680 square metres. Construction is to be divided into three phases. The first phase, with a total commercial area of approximately 51,680 square metres, has started construction early of this year and is to be completed in stages between October 2010 and June 2011. The second phase is intended to be a residential project with a total gross floor area of approximately 109,200 square metres. Construction is to start in the fourth quarter of this financial year and is expected to be completed by the end of 2011. Pre-sale of the project is planned to start in June 2011. The third phase is a commercial area of approximately 40,800 square metres, with construction to start in 2012.

Residential Projects

Shanghai

Mandarin Palace

“Mandarin Palace”, the Group’s premium residential project in Shanghai, comprises 54 villas with a total saleable area of approximately 39,696 square metres. As at 30 June 2010, 46 villas with total saleable area of 33,037 square metres had been sold, generating RMB1,571,345,000 (equivalent to approximately HK\$1,786,431,000) of total contract value for the Group. During the period, two villas with a total saleable area of 1,232 square metres have been delivered and a total contract value of RMB97,500,000 (equivalent to HK\$110,846,000) has been recorded in the period.

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Zendai Yuanshen Financial Building – Zendai Quantland

“Zendai Yuanshen Financial Building” is located in Pudong, Shanghai. It has a total saleable area of approximately 47,400 square metres, which is planned to be developed into an office building of 17 floors with two levels of commercial space and two 18-storey serviced apartment blocks with the ground floor as commercial space. In addition, there will be two levels of underground space for entertainment and leisure-related uses and car parking space. The “Zendai Quantland” residential units in Zendai Yuanshen Financial Building have total residential and commercial saleable areas of approximately 22,100 square metres and 9,377 square metres respectively. Construction of the building was completed at the end of 2009 and the pre-sale commenced in January 2009. As at 30 June 2009, a cumulative area of 28,956 square metres was sold. Approximately 9,333 square metres was sold during the period, generating RMB218,908,000 (equivalent to HK\$248,872,000) in terms of contract value. During the period, 14,750 square metres were delivered and a total contract value of RMB372,296,000 (equivalent to HK\$423,256,000) was recognised as turnover.

Other Cities

“Valley International” in Jilin

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

“楓林別墅”, the first phase of the project, comprises 118 town houses and 11 villas with a saleable area of 39,252 square metres. As at 30 June 2010, a total saleable area of 38,636 square metres were sold, among which 1,629 square metres were delivered during the period, carrying a total contract value of RMB14,393,000 (HK\$16,363,000) which was recognised as turnover during the period.

The second phase of the project will comprise four low-rise blocks and seven high-rise residential blocks, providing 503 residential units and ancillary commercial facilities in aggregate, with a saleable area of approximately 83,357 square metres, (79,552 square metres of which will be for residential use and 3,805 square metres will be for commercial use). Construction of the 11 buildings is scheduled to be delivered in three batches:

Construction of the first batch, comprising four low-rise blocks with residential units and ancillary commercial units of a saleable area measuring 22,996 square metres, has been completed. Sale of the units commenced in November 2007 and the units were all sold out as at 30 June 2010, generating total sales of RMB82,488,000 (equivalent to HK\$93,779,000). During the period under review, the Group has delivered units with total area of 21,766 square metres, generating RMB78,221,000 (equivalent to HK\$88,928,000) of total contract value.

Construction of the second batch, comprising five high-rise blocks and providing 250 residential units with a saleable area of 42,258 square metres, is expected to be completed by the end of 2010. Pre-sale has already started in October 2009. A total saleable area of 10,307 square metres has been sold, carrying a total contract value of RMB49,707,000 (equivalent to HK\$56,511,000). During the period under review, a saleable area of approximately 7,697 square metres was sold, generating RMB37,558,000 (equivalent to HK\$42,699,000) of contract value.

The third batch is to comprise two high-rise blocks with 44 residential units of saleable area of approximately 14,298 square metres. Construction has commenced in the second quarter of 2009. Pre-sale of the units is planned to commence in the second quarter of 2011 and the units are to be delivered in the fourth quarter of 2011.

The third phase of the project is to provide 117 villas and town houses with a saleable area of approximately 44,500 square metres. Construction has started in May 2008 and was completed in the second quarter of 2010. Pre-sale has begun in October 2008. As at 30 June 2010, 105 units with a total saleable area of 39,288 square metres were sold, generating a total contract value of RMB219,199,000 (equivalent to HK\$249,203,000) for the Group. During the period under review, a saleable area of approximately 8,852 square metres was sold, generating RMB49,894,000 (HK\$56,724,000) of contract value. 25,205 square metres were delivered during the period. A contract value totaling RMB138,819,000 (equivalent to HK\$157,821,000) was recognised as turnover.

Specific planning is still under progress for phase four of the project. It offers the potential to be developed into villas with a saleable area of approximately 34,920 square metres.

“Zendai Ideal City” In Changchun

Located in Changchun, “Zendai Ideal City” is to comprise residential properties and ancillary commercial spaces on a 308,800 square-metre site, with a total saleable area of 413,000 square metres. The project is being constructed in five phases. The first phase is to have a total saleable area of approximately 111,500 square metres on an approximately 77,300-square-metre site. It is to include 23 multi-storey residential buildings and three high-rise residential buildings, offering a total of 1,210 units and related ancillary commercial facilities. Construction was completed in October 2009. As at 30 June 2010, 1,199 residential units with total saleable area of 105,032 square metres in the first phase were sold, generating a total contract value of RMB355,783,000 (equivalent to HK\$404,483,000). During the period under review, the Group delivered 56 residential units with an area of 3,967 square metres and a contract value of RMB14,406,000 (HK\$16,378,000) was recognised as turnover.

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The second phase of the project is planned to be developed into 19 multi-storey residential buildings, 10 high-rise residential buildings and ancillary commercial facilities, with a total saleable area of about 114,074 square metres. (Of this, 102,371 square metres would be for residential use and 11,703 square metres would be for commercial use). Construction is to be completed and delivered in batches within 2010. Pre-sale has commenced in the first quarter of 2009. As at 30 June 2010, a total area of 94,860 square metres was completed, generating a total contract value of RMB369,687,000 (equivalent to HK\$420,290,000) for the Group. An area of approximately 40,120 square metres was sold during the period, bringing a total contract value of RMB167,281,000 (equivalent to HK\$190,178,000). During the period, 63,443 square metres has been delivered and a contract value of RMB245,283,000 (equivalent to HK\$278,857,000) was recognised as turnover.

The third phase of the project will develop into 16 multi-storey and 8 high rise residential complexes with retail shops and a total saleable area of about 126,238 square metres (of which residential area accounts for 112,769 square metres and commercial space accounts for 13,469 square metres). The construction has commenced in May 2010, while pre-sale is expected to start in the fourth quarter of 2010 to be delivered in batches during 2011.

“Zendai Garden-Riverside Town” in Haimen

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

The first parcel has an area of 577,336 square metres and is to be developed into two parts. “Zendai-Dong Zhou Mansion”, the first part of the parcel, is being developed in three phases with Phase I offering 52 villas with a saleable area of approximately 17,457 square metres. As at 30 June 2010, a cumulative 50 units with a total saleable area of 16,847 square metres were sold, generating RMB84,838,000 (equivalent to HK\$96,451,000) of contract value. Seven blocks with an area of 2,181 square metres were sold during the period, generating a total contractual value of RMB15,475,000 (equivalent to HK\$17,593,000). During the period under review, the Group delivered four units with an area of 1,220 square metres and recognised from them a total contract sum of RMB8,023,000 (equivalent to HK\$9,121,000). Phases II and III of the “Zendai-Dong Zhou Mansion” are still in the planning stage. “Multiflora Garden”, on the second part of the parcel of land, is to be developed in three phases into an integrated residential area comprising low density town houses. Phase I and II offer 212 units with a saleable area of approximately 57,500 square metres. As at 30 June 2010, a cumulative 196 units with a total saleable area of 52,523 square metres were sold, generating a total contract value of RMB245,035,000 (equivalent to HK\$278,575,000). During the period under review, the Group delivered 19 units totalling 5,010 square metres and recognised the sum total of their contracts of RMB23,719,000 (equivalent to HK\$26,957,000) as turnover. Phase III of Multiflora Garden has a total gross floor area of approximately 112,190 square metres and a saleable area of approximately 72,350 square metres. Construction has been underway since early this year while pre-sale is expected to start in September 2010.

The second parcel with an area of approximately 811,536 square metres is to be developed into residential properties in phases. The construction of the first phase, “清華園生態花園洋房”, with an area of approximately 43,551 square metres and a saleable area of approximately 65,400 square metres, has commenced and pre-sale of units started in the first quarter of 2010. During the period under review, a total of 40 units with an area of 5,210 square metres were sold, generating RMB20,164,000 (equivalent to HK\$22,856,000) of contract value. Other aspects of development for the second parcel are currently under planning.

Huzhou in Zhejiang Province

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

Prospects

The Central Government of the PRC (the “Central Government”) has initiated adjustments to macroeconomic policies in the second quarter of the year to prevent a potential property market bubble as a result of the overheating market. Policies were launched to suppress property speculation, land hoarding and property hoarding by developers, which has resulted in adjustments in transaction volume and prices of properties at the end of second quarter. As the foreign economic environment remained unstable, and further macro-economic control measures may be launched in the second half year, the PRC property market may undergo further adjustment. However, the prosperous economy and rising living standards in the PRC, on top of a rapid urbanisation of the population will continue to power a huge demand for properties. These positive factors, together with a close monitoring and flexibility in adjusting economic control measures by the Central Government to avoid instability in the property market, provide us with confidence that the PRC property market will maintain its healthy development as a whole.

The Group has formed a joint venture (“JV”) with Shanghai Forte Land Co., Ltd. (“Forte”), Hangzhou Greentown Land Investment Co., Ltd. (“Greentown”) and Shanghai Panshi Investment Management Co., Ltd. (“Panshi”) in April. The JV is to be owned 50%, 30%, 10% and 10% by the Group, Forte, Greentown and Panshi respectively. It is to be engaged in property development and investment on projects located in Shanghai recommended by Shanghai Zendai. This collaboration with these leading property developers and investors in the PRC enables the pooling of funds for projects on a larger scale, thus enhancing the Group’s scope of competence.

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The Group has also signed a letter of intent with Renown Capital Investments Limited (“RCI”) in late June to establish a fund management company to invest in high-end sports-related property projects. The target areas for investment are mainly first-tier cities in the PRC and Hainan Province in its first stage. The Group will hold a 60% interest in the fund management company. The establishment of the fund management company will enable Shanghai Zendai to further expand its business and add a profit growth driver.

The Group will adhere to the long held aggressive yet prudent development strategy and quickly adapt to market trends to launch commercial and residential projects within cities in the PRC at an opportune time. It will also strive to generate better returns for shareholders riding on its strengths, experience and advantages of its brand name.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 30 June 2010, the Group had a healthy financial position with net assets amounting to approximately HK\$4,800 million (31.12.2009: HK\$3,784 million). Net current assets increased from approximately HK\$3,373 million at 31 December 2009 to approximately HK\$3,755 million at 30 June 2010, with current ratio of approximately 1.46 times (31.12.2009: 2.13 times). The Group adopts relatively prudent financial policy and closely monitors its cash flow. As at 30 June 2010, the Group had consolidated bank loans of approximately HK\$1,936 million (all denominated in Renminbi), out of which HK\$720 million is repayable within one year and senior loan notes of HK\$1,070 million which is due in June 2012. As at 30 June 2010, the Group’s bank balances and cash were approximately HK\$1,440 million. The gearing ratio of the Group decreased from 0.70 times in 2009 to 0.6 times in 2010 (basis: total of amounts due to related companies, bank loans and notes payable divided by Shareholders’ funds).

Sale of Properties

For the six months ended 30 June 2010, the turnover of this segment reached HK\$2,636,739,000 representing an increase of HK\$1,820,754,000 or 223% as compared to HK\$815,985,000 for the six months ended 30 June 2009. The profit from this segment was HK\$919,403,000 representing an increase of HK\$502,221,000 as compared to HK\$417,182,000 for the corresponding period in 2009. The increase in turnover and profit were due to more commercial and residential properties were delivered during the period.

Travel and Related Business

For the six months ended 30 June 2010, the turnover of this segment increased from HK\$3,608,000 to HK\$5,360,000 in the current period.

Properties Rental, Management and Agency Services

For the six months ended 30 June 2010, the turnover of this segment decreased from HK\$93,163,000 to HK\$80,656,000 in the current period mainly due to decrease in rental income received as a result of upgrading construction work being undertaken in Zendai Thumb Plaza in Shanghai.

Hotel Operations

For the six months ended 30 June 2010, the turnover of this segment was HK\$70,182,000 (six months ended 30 June 2009: HK\$50,377,000). The increase was due to the increase in both occupancy and room rates in the current period.

Foreign Currency Exposure

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

Employees

At 30 June 2010, the Group employed approximately 1,250 (2009: 1,110) employees in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance, and share option scheme.

Charges on Assets

As at 30 June 2010, the Group's property, plant and equipment, payment for leasehold land held for own use under operating leases, investment properties, properties for development and sales and pledged bank deposits of approximately HK\$351,206,000, HK\$574,826,000, HK\$1,319,127,000, HK\$365,063,000 and HK\$490,291,000 respectively have been pledged to banks to secure credit facilities granted to the Group.

In addition, the Group also pledged its entire interests in Shanghai Zendai Himalayas Real Estate Company Limited ("Zendai Himalayas") for a shareholder's loan to 上海海之門房地產投資管理有限公司 by Shanghai Forte Land Co., Ltd. As at 30 June 2010, the carrying amount of the interests in Zendai Himalayas pledged was HK\$313,621,000.

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Contingent Liabilities

The Group provided guarantees of HK\$530,011,000 at 30 June 2010 (31.12.2009: HK\$273,771,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties, and there is no material outstanding litigation.

Interim Dividend

The board of directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

Directors' Interests in Shares

As at 30 June 2010, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were set out below:

Name of Director	Number of Shares/ underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital
Mr. Ma Chengliang	100,000,000 (L)	Beneficial owner	0.80%
Mr. Wang Fujie	10,000,000 (L)	Beneficial owner	0.08%
Mr. Dai Zhikang ("Mr. Dai") (Note 1)	6,523,240,000 (L)	Interests of controlled corporations	52.22%
Mr. Dai (Note 2)	10,000,000 (L)	Beneficial owner	0.08%
Mr. Zhu Nansong	50,000,000 (L)	Beneficial owner	0.40%
Mr. Fang Bin	55,000,000 (L)	Beneficial owner	0.44%
Mr. Wu Yang	30,000,000 (L)	Beneficial owner	0.24%
Ms. Zhou Yan	10,000,000 (L)	Beneficial owner	0.08%
Mr. Tang Jian	15,000,000 (L)	Beneficial owner	0.12%
Mr. Liu Zhiwei	400,000,000 (L)	Interests of controlled corporations	3.20%
Mr. Liu Zhiwei (Note 2)	120,000,000 (L)	Beneficial owner	0.96%
Mr. Lo Mun Lam, Raymond	5,000,000 (L)	Beneficial owner	0.04%
Mr. Lai Chik Fan	5,000,000 (L)	Beneficial owner	0.04%
Mr. Tse Hiu Tung, Sheldon	5,000,000 (L)	Beneficial owner	0.04%

(L) denotes long position

Notes:

1. Mr. Dai was deemed to be interested in an aggregate of 6,523,240,000 Shares held by Giant Glory Assets Limited, Jointex Investment Holdings Limited, Dorsing Star Limited, Shanghai Zendai Investment Development (Hong Kong) Company Limited and Gold Lucky Investment Holdings Limited, respectively, as follows:
 - (a) 2,096,165,000 Shares were held by Giant Glory Assets Limited in which is wholly-owned by Mr. Dai;
 - (b) 2,932,000,000 Shares were held by Jointex Investment Holdings Limited in which is owned as to 85% by Giant Glory Assets Limited;
 - (c) 1,000,000,000 Shares were held by Dorsing Star Limited which is wholly owned by Master Faith Group Limited. All shares of Master Faith Group Limited are held by DBS Trustee H.K. (Jersey) Limited in its capacity as trustee of the DLD Trust, the beneficiaries of which include Liu Qiong Yu and Dai Mo Cao, both are family members of Mr. Dai. Mr. Dai is the settlor of the DLD Trust and therefore is deemed to be interested in the 1,000,000,000 Shares held by Dorsing Star Limited;
 - (d) 455,175,000 Shares are held by Shanghai Zendai Investment Development (Hong Kong) Company Limited which is owned as to 60% by Mr. Dai; and
 - (e) 39,900,000 Shares are held by Gold Lucky Investment Holdings Limited which is wholly-owned by Mr. Dai.
2. Share options granted on 30 March 2010.

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO on or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as at 30 June 2010.

Share Options

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

Movements of share options during the period are detailed in note 18 to the unaudited condensed financial statements.

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Arrangements to Purchase Shares or Debentures

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

Persons having 5% or more Interests

As at 30 June 2010, the interests or short positions of any persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Giant Glory Assets Limited (<i>Note 1</i>)	The Company	Beneficial owner	2,096,165,000 Shares (L)	16.78%
Jointex Investment Holdings Limited (<i>Note 1</i>)	The Company	Beneficial owner	2,932,000,000 Shares (L)	23.47%
Shanghai Zendai Investment Development (Hong Kong) Company Limited (<i>Note 1</i>)	The Company	Beneficial owner	455,175,000 Shares (L)	3.64%
Gold Lucky Investment Holdings Limited (<i>Note 1</i>)	The Company	Beneficial owner	39,900,000 Shares (L)	0.32%
Dorsing Star Limited (<i>Note 1</i>)	The Company	Beneficial owner	1,000,000,000 Shares (L)	8.01%

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Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Liu Qiong Yu <i>(Note 1)</i>	The Company	Beneficiary of a trust	1,000,000,000 Shares (L)	8.01%
Dai Mo Cao <i>(Note 1)</i>	The Company	Beneficiary of a trust	1,000,000,000 Shares (L)	8.01%
Master Faith Group Limited <i>(Note 1)</i>	The Company	Interests of controlled corporation	1,000,000,000 Shares (L)	8.01%
DBS Trustee H.K. (Jersey) Limited <i>(Note 1)</i>	The Company	Trustee	1,000,000,000 Shares (L)	8.01%
China Alliance Properties Limited <i>(Note 2)</i>	The Company	Beneficial owner	2,431,815,000 Shares (L)	19.47%
Shanghai Forte Land Co., Ltd. <i>(Note 2)</i>	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Shanghai Fosun High Technology (Group) Company Limited <i>(Note 2)</i>	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Fosun International Limited <i>(Note 2)</i>	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Fosun Holdings Limited <i>(Note 2)</i>	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Fosun International Holdings Limited <i>(Note 2)</i>	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%
Guo Guangchang <i>(Note 2)</i>	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.47%

(L) denotes long position

Notes:

1. These Shares are the same as the deemed interest of Mr. Dai as referred to in the note under the section headed "Directors' interests" in shares or debentures above.
2. Guo Guangchang has 58% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 78.24% control of Fosun International Limited, which has 100% control of Shanghai Fosun High Technology (Group) Company Limited, which has 57.68% control of Shanghai Forte Land Co. Ltd. Fosun International Limited has a further 12.88% control of Shanghai Forte Land Co., Limited, which has 100% control of China Alliance Properties Limited.

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Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

Corporate Governance

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

Model Code for Securities Transactions by Directors

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

Review of Interim Financial Statements

The interim results for the six months ended 30 June 2010 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's auditor, whose independent review report is included in the interim report. The audit committee has also reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2010.

Appreciation

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

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

Hong Kong, 19 August 2010