

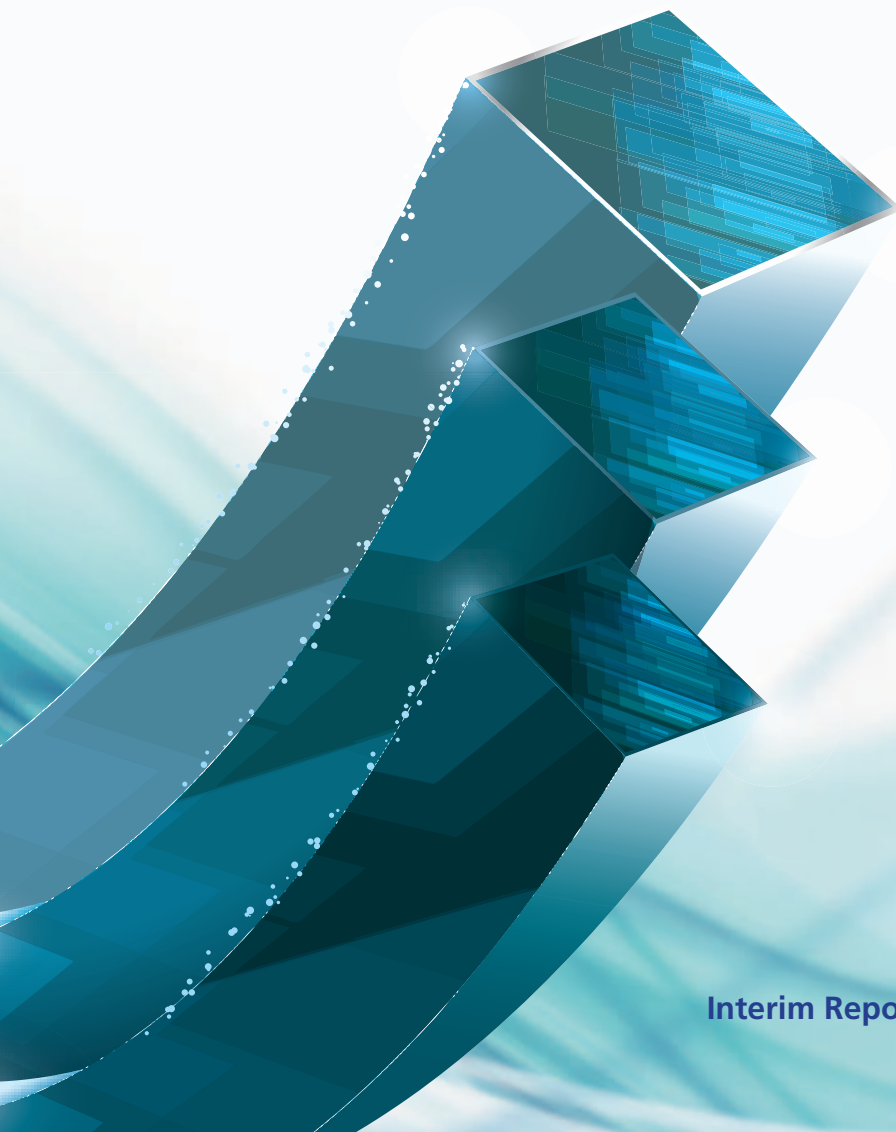


SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755



Interim Report 2012

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The Board of Directors of Shanghai Zendai Property Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended	
		30 June 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Turnover	4	464,283	1,322,680
Cost of sales		(254,959)	(601,454)
Gross profit		209,324	721,226
Other income and gains	5	1,041,034	117,791
Distribution costs		(50,891)	(58,489)
Administrative expenses		(180,906)	(137,008)
Change in fair value of investment properties		–	9,295
Impairment loss on goodwill		–	(1,040)
Share of results of associates		(9,257)	(54,583)
Share of result of a jointly controlled entity		(4,461)	(1,710)
Finance costs		(104,995)	(238,180)
Profit before tax expenses	6	899,848	357,302
Tax expenses	7	(340,782)	(255,367)
Profit for the period		559,066	101,935
Other comprehensive income			
Exchange differences arising on translation of foreign operations		36,400	115,156
Release of other revaluation reserve on disposal of properties for sales held by associates		2,819	(9,902)
Tax (credit)/expense related to release of other revaluation reserve		(423)	1,485
Release of foreign exchange reserve upon disposal of subsidiaries		(539,506)	(25,644)
Other comprehensive income for the period, net of tax		(500,710)	81,095
Total comprehensive income for the period		58,356	183,030

		Six months ended	
	<i>Notes</i>	30 June 2012 <i>HK\$'000</i> (Unaudited)	30 June 2011 <i>HK\$'000</i> (Unaudited)
Profit/(loss) for the period attributable to:			
– Owners of the Company		561,601	108,251
– Non-controlling interests		(2,535)	(6,316)
		<u>559,066</u>	<u>101,935</u>
Total comprehensive income attributable to:			
– Owners of the Company		60,850	182,896
– Non-controlling interests		(2,494)	134
		<u>58,356</u>	<u>183,030</u>
Earnings per share			
– Basic	9	<u>HK4.51 cents</u>	<u>HK0.87 cents</u>
– Diluted		<u>HK4.51 cents</u>	<u>HK0.87 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Notes</i>	30 June 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	384,335	387,019
Investment properties		2,343,210	2,564,824
Payment for leasehold land held for own use under operating leases		638,980	642,794
Goodwill		101,953	101,763
Interests in associates		777,470	842,307
Interest in a jointly controlled entity		48,483	52,614
Available-for-sale investments		40,677	35,648
Total non-current assets		<u>4,335,108</u>	<u>4,626,969</u>
Current assets			
Properties under development and for sales		4,871,800	4,346,035
Inventories		1,774	1,887
Trade and other receivables	11	924,094	650,583
Deposits for property development	12	379,460	90,557
Amounts due from associates		745,553	660,086
Amount due from a jointly controlled entity		536,892	535,984
Available-for-sale investments		1,967	1,957
Amounts due from related companies		26,238	15,954
Pledged bank deposits	13	732,424	224,749
Tax prepayments		33,705	39,400
Entrusted loans receivables		368,868	293,542
Cash and cash equivalents		1,123,042	888,224
		<u>9,745,817</u>	<u>7,748,958</u>
Assets classified as held for sale		–	15,456,736
Total current assets		<u>9,745,817</u>	<u>23,205,694</u>
Total assets		<u><u>14,080,925</u></u>	<u><u>27,832,663</u></u>

	<i>Notes</i>	30 June 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade, notes and other payables	14	772,878	1,029,434
Receipts in advance from customers		1,410,137	1,283,397
Entrusted loans payables		73,774	73,386
Amounts due to associates		–	10,447,186
Amounts due to related companies		50	55,089
Amounts due to minority owners of subsidiaries		179,202	173,310
Bank loans		1,698,796	754,648
Senior loan notes	15	–	1,078,964
Tax payable		1,390,468	1,626,279
		<hr/>	<hr/>
		5,525,305	16,521,693
Liabilities associated with assets classified as held for sale		–	2,850,453
		<hr/>	<hr/>
Total current liabilities		5,525,305	19,372,146
Net current assets		<hr/>	<hr/>
		4,220,512	3,833,548
Total assets less current liabilities		<hr/>	<hr/>
		8,555,620	8,460,517
Non-current liabilities			
Bank loans		1,858,318	1,806,183
Deferred tax liabilities		675,323	692,810
Other payables		154,160	148,599
		<hr/>	<hr/>
Total non-current liabilities		2,687,801	2,647,592
Total liabilities		<hr/>	<hr/>
		8,213,106	22,019,738
TOTAL NET ASSETS		<hr/>	<hr/>
		5,867,819	5,812,925
Capital and reserves attributable to owners of the Company			
Share capital		248,747	249,276
Reserves		5,358,071	5,300,154
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,606,818	5,549,430
Non-controlling interests		<hr/>	<hr/>
		261,001	263,495
TOTAL EQUITY		<hr/>	<hr/>
		5,867,819	5,812,925

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special capital reserve	Statutory surplus reserve	Share option reserve	Retained profits	Foreign exchange reserve	Other revaluation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total
	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 2012 (Audited)	249,276	1,874,593	1,074	157,315	68,541	411,883	39,378	2,060,330	674,098	12,942	5,549,430	263,495	5,812,925
Profit for the period	-	-	-	-	-	-	-	561,601	-	-	561,601	(2,535)	559,066
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	36,359	-	36,359	41	36,400
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	-	-	-	-	-	-	-	-	-	2,396	2,396	-	2,396
Release of foreign exchange reserve upon disposal of subsidiaries (note 17)	-	-	-	-	-	-	-	-	(539,506)	-	(539,506)	-	(539,506)
Total comprehensive income for the period	-	-	-	-	-	-	-	561,601	(503,147)	2,396	60,850	(2,494)	58,356
Cancellation upon repurchase of own shares	(529)	(2,019)	-	-	-	-	-	-	-	-	(3,448)	-	(3,448)
Transaction costs attributable to repurchase of shares	-	(14)	-	-	-	-	-	-	-	-	(14)	-	(14)
Release upon lapse of share options (note 16)	-	-	-	-	-	-	(2,891)	2,891	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	-	-	28,370	-	(28,370)	-	-	-	-	-
At 30 June 2012 (Unaudited)	248,747	1,871,660	1,074	157,315	68,541	440,253	36,487	2,596,452	170,951	15,338	5,606,818	261,001	5,867,819

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special capital reserve	Statutory surplus reserve	Share option reserve	Retained profits	Foreign exchange reserve	Other revaluation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total
	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 2011 (Audited)	249,838	1,878,505	1,074	157,315	68,541	349,746	46,642	1,665,317	493,479	19,972	4,930,429	196,305	5,126,734
Profit for the period	-	-	-	-	-	-	-	108,251	-	-	108,251	(6,316)	101,935
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	108,706	-	108,706	6,450	115,156
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	-	-	-	-	-	-	-	-	-	(8,417)	(8,417)	-	(8,417)
Release of foreign exchange reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	-	(25,644)	-	(25,644)	-	(25,644)
Total comprehensive income for the period	-	-	-	-	-	-	-	108,251	83,062	(8,417)	182,896	134	183,030
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	58,212	58,212
Release upon lapse of share options	-	-	-	-	-	-	(7,264)	7,264	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	-	-	31,519	-	(31,519)	-	-	-	-	-
At 30 June 2011 (Unaudited)	249,838	1,878,505	1,074	157,315	68,541	381,265	39,378	1,749,313	576,541	11,555	5,113,325	254,651	5,367,976

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Net cash used in operating activities	(1,309,400)	(336,437)
Net cash from investing activities	2,252,445	294,929
Net cash (used in)/from financing activities	(768,971)	44,534
Net increase in cash and cash equivalents	174,074	3,026
Cash and cash equivalents at beginning of period	888,224	1,287,852
Effect of foreign exchange rate changes	60,744	22,513
Cash and cash equivalents at end of period	<u>1,123,042</u>	<u>1,313,391</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendment is relevant to the Group's condensed consolidated financial statements:

Amendments to HKAS 12

Deferred tax – Recovery of underlying assets

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property by property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In respect of the Group's investment properties located in Mainland China, the Group determined that these properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

The amendment has had no material impact on the Group's condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES – Continued

The Group has not early applied the following revised standards, amendments and interpretations that have been issued, potentially relevant to the Group, but are not yet effective.

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ¹
Amendments to HKFRS 1	Government Loan ²
Amendments to HKFRSs	Annual Improvement to HKFRSs 2009 – 2011 Cycle ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities, Transition Guidance ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2015

⁴ Effective for annual periods beginning on or after 1 January 2013 and 2014, as appropriate

Having assessed the impact of these revised standards, amendments and interpretations on the Group's financial statements, the directors of the Company have so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

4. SEGMENT INFORMATION – Continued

(b) Reconciliation of reportable segment profit before tax expenses

	Six months ended	
	30 June 2012 <i>HK\$'000</i> (Unaudited)	30 June 2011 <i>HK\$'000</i> (Unaudited)
Reportable segment profit before tax expenses	1,021,131	604,534
Unallocated bank interest income	547	2,623
Dividend income from available-for-sale investment	1,739	–
Finance costs	(104,995)	(238,180)
Unallocated head office and corporate expenses	(18,574)	(11,675)
	<hr/>	<hr/>
Profit before tax expenses	899,848	357,302

(c) Total segment assets

	30 June 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Sales of properties	11,311,167	9,515,151
Hotel operations	1,018,929	1,026,065
Properties rental, management and agency services	1,171,491	1,342,671
Travel and related services	2,419	2,651
	<hr/>	<hr/>
Total segment assets	13,504,006	11,886,538
Unallocated		
– Pledged bank deposits	303,627	224,749
– Available-for-sale investments	14,709	14,709
– Head office and corporate assets	258,583	249,931
– Assets classified as held for sale	–	15,456,736
	<hr/>	<hr/>
Total assets	14,080,925	27,832,663

5. OTHER INCOME AND GAINS

	Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Bank interest income	7,460	3,353
Interest income from entrusted loans receivables	37,106	16,087
Gain on disposal of investment properties	158,733	–
Gain on disposal of subsidiaries (<i>note 17</i>)	826,645	68,353
Gain on disposal of available-for-sale investment	–	23
Dividend income from available-for-sale investment	1,739	–
Rental income (<i>note</i>)	5,804	302
Reversal of impairment loss on other receivable	–	19,995
Exchange gain, net	1,394	–
Others	2,153	9,678
	<u>1,041,034</u>	<u>117,791</u>

Note:

Rental income was derived from certain office units included in properties for sales, which the Group intends to sell subject to the tenancy agreements.

6. PROFIT BEFORE TAX EXPENSES

	Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Profit before tax expenses has been arrived at after charging:		
Depreciation on property, plant and equipment	10,067	10,085
Amortisation of payment for leasehold land held for own use under operating leases	9,156	9,685
Impairment loss on other receivables	5,787	–
Exchange losses, net	–	181
	<u>25,010</u>	<u>20,551</u>

7. TAX EXPENSES

The amount of tax expenses in the condensed consolidated statement of comprehensive income represents:

	Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Current tax – PRC Enterprise Income Tax (“EIT”)		
– tax for the period	218,953	132,082
– under provision in respect of prior years	24,669	19,126
	243,622	151,208
Current tax – Land Appreciation Tax (“LAT”)		
– tax for the period	117,141	113,112
– under/(over) provision in respect of prior years	685	(7,481)
	117,826	105,631
Deferred tax		
– current period	(20,666)	(1,472)
	340,782	255,367

Hong Kong Profits Tax

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

EIT

PRC subsidiaries of the Company are subject to EIT at 25% (six months ended 30 June 2011: range from 24% to 25%).

Pursuant to the PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax will be levied on dividends declared to Hong Kong investor under the tax treaty arrangement between the PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

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.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2011: Nil).

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per shares is based on the Group's profit for the period attributable to owners of the Company of approximately HK\$561,601,000 (2011: HK\$108,251,000) and weighted average number of 12,438,861,000 (2011: 12,491,906,000) ordinary shares in issue during the period.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at cost of HK\$5,900,000 (six months ended 30 June 2011: HK\$52,150,000).

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. 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\$110,272,000 (31 December 2011: HK\$84,510,000). The aging analysis of trade receivables at the end of reporting period is as follows:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Current	80,716	42,654
Less than 1 month past due	764	197
1 to 3 months past due	247	1,719
More than 3 months but less than 12 months past due	24,020	36,324
More than 12 months past due	4,525	3,616
Amount past due at end of reporting period but not impaired (<i>note</i>)	29,556	41,856
	<u>110,272</u>	<u>84,510</u>

Note:

The balance of HK\$29,556,000 (31 December 2011: HK\$41,856,000) 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 when the purchasers have default in repayment. 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.

Included in other receivables of the Group is a deposit of HK\$184,434,000 made to an auction house in the PRC for acquisition of an artwork. Subsequent to the end of reporting period and up to the date of the approval of the condensed consolidated financial statements, HK\$122,956,000 has been refunded to the Group from the auction house. The management expected the remaining balance will be refunded to the Group in August 2012.

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\$361,765,000 (31 December 2011: HK\$85,244,000).

13. PLEDGED BANK DEPOSITS

The Group's pledged bank deposits represented deposits pledged to banks to secure bank loans granted to the Group. The pledged bank deposits carry interest ranging from 2.85% to 3.50% per annum (31 December 2011: ranging from 0.25% to 3.50% per annum).

14. TRADE, NOTES AND OTHER PAYABLES

Included in trade, notes and other payables of the Group are trade and notes payables of HK\$440,853,000 (31 December 2011: HK\$606,233,000). The aging analysis of trade and notes payables at the end of reporting period is as follows:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Current or less than 1 month	222,521	362,710
1 to 3 months	62,210	40,137
More than 3 months but less than 12 months	7,525	19,364
More than 12 months	129,316	169,950
	<hr/>	<hr/>
	421,572	592,161
Retention money	19,281	14,072
	<hr/>	<hr/>
	440,853	606,233
	<hr/> <hr/>	<hr/> <hr/>

The trade and notes 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. 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 were payable semi-annually in arrears on 6 June and 6 December of each year, beginning on 6 December 2007. The Notes were secured by the shares of certain subsidiaries incorporated in Hong Kong and British Virgin Islands, corporate guarantees of certain subsidiaries and listed on the Singapore Exchange Securities Trading Limited. The Notes were fully repaid at the date of maturity.

16. SHARE OPTION SCHEME

During the period ended 30 June 2012, options for 23,000,000 shares (six months ended 30 June 2011: 50,000,000 shares) lapsed. The value of these lapsed options was HK\$2,891,000 (six months ended 30 June 2011: HK\$7,264,000) and was released directly to retained profits.

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 2012	Lapsed during the period	Outstanding at 30 June 2012
Options granted to directors					
12 November 2009	12 November 2010 – 11 November 2013	0.3850	22,000,000	(5,000,000)	17,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	14,000,000	(5,000,000)	9,000,000
12 November 2009	12 November 2012 – 11 November 2013	0.3850	9,000,000	–	9,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	73,000,000	(5,000,000)	68,000,000
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>200,000,000</u>	<u>(15,000,000)</u>	<u>185,000,000</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	35,000,000	–	35,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	15,000,000	–	15,000,000
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>90,000,000</u>	<u>(8,000,000)</u>	<u>82,000,000</u>
			<u>290,000,000</u>	<u>(23,000,000)</u>	<u>267,000,000</u>
Weight average exercise price			<u>HK\$0.3844</u>	<u>HK\$0.3847</u>	<u>HK\$0.3843</u>

17. DISPOSAL OF SUBSIDIARIES

- (a) On 28 October 2011, Shanghai Zendai Land Company Limited (“Shanghai Zendai Land”), a wholly-owned subsidiary of the Company, entered into an agreement with Shanghai Haizhimen Property Management Co., Ltd. (“Shanghai Haizhimen”), an associate of the Group on that date, for disposal of its 100% equity interests in and shareholder’s loan to Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited (“Shanghai Zendai Bund”), a wholly-owned subsidiary of Shanghai Zendai Land. The disposal was completed on 21 May 2012, on which date the Group lost control of Shanghai Zendai Bund. Total consideration was approximately HK\$10,547,287,000 (equivalent to approximately RMB8,578,108,000), of which approximately HK\$5,883,438,000 (equivalent to approximately RMB4,785,000,000) was received on 30 June 2012.

The net assets of Shanghai Zendai Bund at the date of disposal were as follows:

	Six months ended 30 June 2012 HK\$’000 (Unaudited)
Net assets disposed of	8,606,576
Shareholder’s loan disposed of	1,940,377
Reclassification of cumulative foreign exchange reserve upon disposal of Shanghai Zendai Bund to profit or loss	(461,108)
Gain on disposal	461,442
	<hr/>
Total consideration	10,547,287
	<hr/>
Net cash inflow/(outflow) arising on disposal:	
Cash consideration received	5,883,438
Cash and bank balances disposed of	(104,666)
	<hr/>
	5,778,772
	<hr/> <hr/>

17. DISPOSAL OF SUBSIDIARIES – Continued

- (b) On 29 December 2011, Shanghai Zendai Land entered into another agreement with an independent third party (“Purchaser”) for disposal of its 100% equity interests in and shareholder’s loan to Shanghai Zendai Wudaokou Property Company Limited (“Shanghai Zendai Wudaokou”), a wholly-owned subsidiary of Shanghai Zendai Land. Pursuant to the agreement and related supplemental agreements, Shanghai Zendai Wudaokou will transfer all of its assets and liabilities (other than its equity interests in and loan to Shanghai Haizhimen and its shareholder’s loan from Shanghai Zendai Land) to other companies in the Group (“Spin-off”) and the Spin-off can be completed after the Shanghai Zendai Wudaokou is disposed to the Purchaser. The total cash consideration was approximately HK\$3,639,493,000 (equivalent to approximately RMB2,960,000,000), of which HK\$3,516,537,000 was received on 30 June 2012. The disposal was completed on 21 May 2012, on which date the Group lost control of Shanghai Zendai Wudaokou and all conditions precedent to the agreement were satisfied.

	Six months ended 30 June 2012 HK\$’000 (Unaudited)
Net assets, excluding assets and liabilities under Spin-off, disposed of	443,875
Shareholder’s loan disposed of	2,908,813
Reclassification of cumulative foreign exchange reserve upon disposal of Shanghai Zendai Wudaokou to profit or loss	(78,398)
Gain on disposal	365,203
	<hr/>
Total consideration	3,639,493
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	3,516,537
	<hr/> <hr/>

18. COMMITMENTS

	30 June 2012 HK\$’000 (Unaudited)	31 December 2011 HK\$’000 (Audited)
Commitments in respect of properties under development and investment properties		
– contracted for but not provided	1,564,042	1,801,720
– authorised but not contracted for	1,149,637	–
	<hr/>	<hr/>
	2,713,679	1,801,720
	<hr/> <hr/>	<hr/> <hr/>

19. CONTINGENT LIABILITIES

The Group provided guarantees to the extent of HK\$281,731,000 at 30 June 2012 (31 December 2011: HK\$383,999,000) for customers in favour of banks in respect of 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.

20. LITIGATION

On 4 June 2012, each of Shanghai Zendai Land and Shanghai Zendai Wudaokou was served a document of summons issued by Shanghai No. 1 Intermediate People's Court in relation to disputes on asset damage and compensation and breaching of pre-emptive rights in shareholding of Shanghai Haizhimen initiated by Zhejiang Fosun Commerce Development Limited ("Zhejiang Fosun").

Pursuant to the statement of claims issued by Zhejiang Fosun as attached to the document of summons, among others, (i) Shanghai Zendai Land and Shanghai Zendai Wudaokou were named as two of the defendants to the claims; (ii) Zhejiang Fosun requested order be made to invalidate the agreement on disposal of Shanghai Zendai Wudaokou as described in note 17(b); (iii) Shanghai Fosun requested order be made to invalidate the share transfer agreement relating to the transfer of the entire equity interests of Shanghai Zendai Wudaokou to the Purchaser as described in note 17(b); and (iv) Zhejiang Fosun requested order be made such that the ownership of Shanghai Zendai Wudaokou be restated to the state prior to the transfer to the Purchaser.

The directors, after seeking advice from the Group's PRC legal adviser, believe that the disposal of the equity interests of Shanghai Zendai Wudaokou does not constitute a breach of any applicable pre-emptive rights and the claims stated above are without bases. The directors consider that the claims do not have any material adverse effect on the operation or financial position of the Group.

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

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 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
Short-term benefits	6,668	8,708

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

22. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of 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 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Property, plant and equipment	349,024	372,372
Payment for leasehold land held for own use under operating leases	638,980	642,794
Investment properties	2,279,694	2,226,027
Properties under development and for sales	972,610	2,344,002
Pledged bank deposits	732,424	224,749
	<u>4,972,732</u>	<u>5,809,944</u>

At 30 June 2012, the Group pledged its entire interests in Shanghai Zendai Himalayas Real Estate Company Limited, an associate of the Group, with carrying amount of HK\$411,552,000 (31 December 2011: HK\$418,598,000) to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), a shareholder of Shanghai Haizhimen for securing Shanghai Forte's interests in Shanghai Haizhimen.

At 31 December 2011, the Group pledged its 10% interests in Shanghai Haizhimen with carrying amount of HK\$122,369,000, and a subsidiary, 上海證大西鎮房地產開發有限公司 ("Shanghai Zendai Xi Zhen Property Development Co., Ltd") with carrying amount of HK\$482,039,000 for a borrowing of the Group. The pledged assets were released upon settlement of the borrowing during the period.

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 21 which comprises the condensed consolidated statement of financial position of Shanghai Zendai Property Limited as of 30 June 2012 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 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 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. 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

Chan Wing Fai
Practising Certificate Number P05443

Hong Kong, 28 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Board of Directors (the “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 period ended 30 June 2012 (the “period” or “period under review”).

During the period under review, turnover of the Group amounted to approximately HK\$464,283,000, a decrease of 65% against approximately HK\$1,322,680,000 in the first half of last year. Profit attributable to shareholders of the Company (the “Shareholders”) increased by 419% to approximately HK\$561,601,000 compared with approximately HK\$108,251,000 in the first half of last year. Basic earnings per share of the Company (the “Share”) were HK4.51 cents (first half of 2011: HK0.87 cents). The considerable decrease in turnover of the Group for the period were due to substantially fewer properties for delivery, and the significant increase in profit was mainly attributable to the profits arising from the completion of the sale of the Bund 8-1 land parcel in Shanghai.

The Group’s turnover and profit for the period were mainly generated from:

- Delivery of office buildings, retail shops and parking space in “Zendai International Financial Center” in Haikou
- Delivery of residential properties in Changchun, Jilin and Haimen
- Disposal of part of a commercial area in Shanghai Zendai Thumb Plaza
- Completion of disposal of the Bund 8-1 land parcel in Shanghai

Business Review

In the previous two years, the People’s Republic of China (the “PRC”) property industry has been affected by policy controls as the Central Government imposed restrictions on property sector such as purchase limits and tightened mortgage practices, which continued to suppress both the volume of property transactions and prices. As a result, the Group’s contract sale value was also to a certain extent, affected during the period under review. However, the Central Government recently embarked on a series of economic stimulus measures. The People’s Bank of China lowered the deposit reserve ratio twice since 2012 and dropped benchmark interest rates for deposits and lending to increase liquidity. These actions, together with the strengthened support for first-time home buyers, and adjustments made by local governments have caused the volume of property transaction purchases to finally bottom out. We believe that the steadily increasing urbanisation and higher disposable income of China’s people will sustain the growth of the PRC property market in the long run.

Although the macroeconomic and market environment has brought many challenges for us, the decisive actions of our management and our clearly structured business model have enabled us to both complete and start operations on schedule across various projects, including our flagship urban integrated commercial property the Zendai Himalayas project in the new district of Pudong, and Qingdao Zendai Thumb Plaza. Seeing the growth potential of upmarket commercial and service integrated property, the Group is strengthening its development of large integrated properties under the development model of “Thumb Integrated Commercial Projects” to secure more diverse and balanced income streams.

During the period under review, the Group completed the disposal of the Bund 8-1 land parcel, and recorded substantial cash inflow, which was used to repay the trust loan and US bond due in April and June 2012 respectively. In addition, with the added cash inflow, the Group succeeded in the bid for the G15 land parcel at Nanjing South Train Station at a consideration of RMB1,169,000,000 (equivalent to approximately HK\$1,440,000,000), in July 2012. The site is to be developed into the “Nanjing South Train Station Thumb Plaza” with a total gross floor area of approximately 540,000 square metres, marking an important advance in replicating our “Thumb Integrated Commercial Projects” and in further expanding our business in major cities across China.

Commercial Property Projects

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza is a modern integrated commercial complex in a prime location near Shanghai’s Century Park and the Lujiazui financial district. During the period, the Group sold and delivered 4,286 square metres of commercial space at Shanghai Zendai Thumb Plaza generating revenue of RMB340,831,000 (equivalent to HK\$419,743,000). As at 30 June 2012, the area of retail shops in Zendai Thumb Plaza owned by the Group covers a total floor area of 41,452 square metres with 447 underground car parking spaces. As at 30 June 2012, more than 90% of the commercial space in the Plaza had been leased. Rental income recognised during the period was RMB26,302,000 (equivalent to HK\$32,392,000).

Radisson Hotel Pudong

The Group’s five-star Radisson Hotel is located in Zendai Thumb Plaza. The 18-storey hotel boasts a gross floor area of 31,529 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 65% in the first half of 2012. Total income of the hotel during the period reached approximately RMB57,707,000 (equivalent to HK\$71,068,000), a decrease of 9.6% from the last corresponding period. The decrease was mainly attributable to the opening of new hotels nearby increased the supply of guestrooms and therefore affected the occupancy rate and room rate of Radisson Hotel.

Himalayas Center

The Group's 45%-owned Zendai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Center includes the city's largest "specially contoured" building complemented by the largest sky garden in Shanghai. The unique design of the project has received numerous awards. The Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, Shopping Centre, the DaGuan Theatre and the Himalayas Art Museum. The project occupies a site area of 28,893 square metres with a total gross floor area (including underground parking space of 25,080 square metres) of approximately 164,500 square metres.

The Jumeirah Himalayas Hotel Shanghai, a five-star hotel in China managed by Jumeirah Hotel Group from Dubai boasts a total gross floor area of 66,435 square metres, providing 405 guest rooms. Trial operations commenced in March 2011 and the average occupancy rate during the period under review was 61%, generating a total income of approximately RMB84,422,000 (equivalent to HK\$102,828,000). The remaining parts of the Himalayas Center are to be completed and commenced business in phases during 2012. After its opening, the Himalayas Art Museum will be the first large outdoor museum in the world and also the arts core of the Himalayas Center, a outdoor platform of contemporary and classical art; whereas the DaGuan Theatre will be a performing stage with a seating capacity of 1,100 and the official venue of the "Shanghai International Film Festival."

Parcel of Land in Qingpu District

The Group owns a 140,099 square metre parcel of land in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It is to be developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end apartments, retail shops, hotels and a clubhouse in two phases, with a gross floor area of approximately 168,413 square metres.

Phase I with a gross floor area of approximately 99,000 square metres contains both residential (41,700 square metres) and commercial areas (57,300 square metres). The Group intends to recruit tenants for commercial space including large international cinemas, mid-range to high-end restaurants and supermarkets. Construction of Phase I has started in 2011, with the residential area of town houses and commercial area starting pre-sale in December 2011, and delivery pending in the second quarter of 2013. During the period under review, total residential and commercial saleable areas of 1,512 square metres and 2,277 square metres were sold respectively, generating a total contract value of RMB29,572,000 (equivalent to HK\$34,419,000) and RMB18,571,000 (equivalent to HK\$22,871,000) respectively. As at 30 June 2012, total residential and commercial saleable areas of 2,887 square metres and 716 square metres had been sold respectively, generating a total contract value of RMB56,214,000 (equivalent to HK\$69,229,000) and RMB54,690,000 (equivalent to HK\$67,352,000) respectively.

Construction of Phase II with a gross floor area of approximately 69,414 square metres is to be commenced in the fourth quarter of 2012 with a commercial plaza (44,975 square metres) and resort hotel (24,439 square metres) to be erected. As for the resort hotel, the Group has signed a cooperative agreement with Banyan Tree Group, a major international hotel operator, to open the first Angsance Resort Hotel (悦椿度假酒店) in Shanghai, replicating the tranquil setting of an ancient town by the riverside.

Other Cities

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central business area, Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 215,000 square metres. It includes retail shops (68,000 square metres), a hotel (20,000 square metres), serviced apartments (64,000 square metres) and a car park (63,000 square metres).

The serviced apartments have started pre-sale in June 2011 and are expected to be delivered in the third quarter of 2012. During the period under review, a total saleable area of 1,095 square metres was sold, generating a total contract value of RMB19,864,000 (equivalent to HK\$24,463,000). As at 30 June 2012, a total saleable area of 20,946 square metres had been sold, generating a contract value of RMB354,124,000 (equivalent to HK\$436,113,000) for the Group. Retail shops and car parks, which have been retained for leasing, commenced operation in May 2012. As at 30 June 2012, more than 88% of the commercial space was leased. Meanwhile construction of the hotel is already underway. It's expected to complete construction and commence operation in May and August 2013 respectively.

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza occupies a total gross floor area of 281,912 square metres. Shanghai Zendai for its part owns 50% equity of the land parcels and is to assume a leading role in the management of the project. Due to its prime location, the project has been included among the "Key Cultural Industry Projects in Nantong City". The project occupies a total gross floor area of approximately 270,464 square metres (including car parking space and ancillary facilities of 34,044 square metres).

Construction is divided into three phases. The first phase, with a total commercial area of approximately 33,704 square metres, was completed in June 2011 and is expected to commence operation in third quarter in 2012. As at 30 June 2012, the leased area of retail shops reached 18,489 square metres. The second phase is planned to be a residential project with a total gross floor area of approximately 107,853 square metres. Construction started in the fourth quarter of 2010 with pre-sale commencing in December 2011. As at 30 June 2012, a total saleable area of 12,550 square metres had been sold, generating a total contract value of RMB176,889,000 (equivalent to approximately HK\$217,844,000). During the period under review, a total saleable area of 7,291 square metres was sold, generating a total contract value of RMB101,770,000 (equivalent to approximately HK\$123,959,000). The second phase is expected to be completed and delivered in phases from December 2012 to June 2014. The third phase is to cover a gross floor area of approximately 123,454 square metres, comprising a commercial area of approximately 69,714 square metres and a residential area of 53,740 square metres with construction expected to begin in 2013.

Qingdao Shangshi International Plaza

The Group has a 45% interest in a parcel of land in the southwestern Laoshan District of Qingdao City, Shandong Province covering approximately 43,613 square metres. Bordered by the Hong Kong Road to its south and Songling Road to its west, this site is intended for the development of an integrated project “Qingdao Shangshi International Plaza” which comprises serviced apartments, residential apartments and an underground car park. The project, occupying 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 total gross floor area of approximately 66,190 square metres was completed and delivered in 2010. The other phases of the project are currently under planning.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, Jiangsu Province, including a cultural sightseeing area and a commercial district. The project, to be developed in two phases, is to have a total saleable area of approximately 81,200 square metres. Phase I including 12 blocks and 243 units was completed in 2010 and the property has been reserved for leasing, with a gross floor area of approximately 20,089 square metres. Planning of Phase II is currently underway.

Haikou Project

The Group owns the “Zendai International Financial Centre,” a project under development with a saleable area of approximately 56,136 square metres in Haikou City, Hainan Province. As at 30 June 2012, a total gross floor area of 39,828 square metres was sold, generating a total contract value of RMB783,003,000 (equivalent to HK\$964,289,000). Within this area, 1,290 square metres were sold during the period, generating a total contract value of RMB49,062,000 (equivalent to HK\$60,421,000). Of this, 1,290 square metres were delivered during the period and a total contract value of RMB49,062,000 (equivalent to HK\$60,421,000) was recognised as turnover.

“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” (“Technology Valley”) in Langfang City, Hebei Province. The project has a total site area of approximately 3,300,000 square metres, around 30% of which is to be used for development of commercial properties. The project is intended to become a technology research and development centre with Silicon Valley in the US as a role model. Construction of infrastructure has been completed and it is now launching for tenants. The first batch of tenants to be stationed in the Technology Valley includes seven research centers under the Chinese Academy of Science. The strategic alliance facilitates the Group to gain a foothold in the Bohai Rim to seize business opportunities.

A Parcel of Land in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan Province with 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 layouts and concrete design are currently on the drawing board.

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 39,352 square metres. The project is to be developed in two phases. As at 30 June 2012, the first phase, comprising 47 villas with a total saleable area of 33,636 square metres, was all sold and delivered. The second phase, comprising seven villas with a total saleable area of 5,716 square metres, started construction in early 2012 and is expected to be delivered by end of the year. As at 30 June 2012, a total of 6 villas with a total area of 5,088 square metres had been sold, generating a total contract value of RMB298,000,000 (equivalent to HK\$366,995,000).

Other Cities

“Valley International” in Jilin

Occupying a 191,100 square metres site, the total saleable area of the residential project “Valley International” is approximately 201,000 square metres. The project is currently being developed in four phases.

The first phase of the project, comprises 118 town houses and 11 villas with a saleable area of 39,252 square metres. As at 31 December 2011, all of the units had been sold.

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. Designed with a saleable area of approximately 82,189 square metres (78,384 square metres will be for residential use and 3,805 square metres will be for commercial use). A total of 11 buildings will be constructed, completed and delivered in three batches.

Construction of the first batch comprising four low-rise blocks with a saleable residential area of approximately 22,996 square metres was completed. All of the units have been sold and delivered in 2011.

The second batch comprises five high-rise blocks, with a saleable residential area of approximately 41,634 square metres. As at 30 June 2012, a total saleable area of 37,176 square metres has been sold, carrying a total contract value of RMB200,208,000 (equivalent to HK\$243,859,000). During the period, a saleable area of approximately 8,040 square metres was sold, generating a contract value of RMB39,631,000 (equivalent to HK\$48,272,000). A total area of 2,805 square metres has been delivered during the period under review and a total contract value of RMB15,880,000 (equivalent to HK\$19,342,000) was recognised as turnover.

The third batch comprises two high-rise blocks, with a saleable residential area of approximately 13,754 square metres. As at 30 June 2012, a total saleable area of 5,665 square metres had been sold, generating a total contract value of RMB37,628,000 (equivalent to HK\$45,832,000). During the period, a saleable area of 1,271 square metres was sold, generating a contract value of RMB7,463,000 (equivalent to HK\$9,090,000).

The third phase of the Jilin project is to provide 117 villas and town houses with a saleable area of approximately 44,500 square metres. As at 30 June 2012, a total saleable area of 44,939 square metres has been sold, carrying a total contract value of RMB254,028,000 (equivalent to HK\$312,812,000). During the period, a saleable area of approximately 1,256 square metres was sold at a contract value of RMB9,000,000 (equivalent to HK\$10,962,000).

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

“Zendai Ideal City” In Changchun

Located in Changchun, Liaoning Province, “Zendai Ideal City” is to comprise residential properties and ancillary commercial space on a 225,139-square metre site, with a total saleable area of 351,300 square metres. The project is to be constructed in three phases. The first phase is to have a total saleable area of approximately 112,000 square metres on a site covering approximately 77,300 square metres with 106,300 square metres for residences and 5,700 square metres for commercial use. It is to include 23 multi-storey residential buildings and three high-rise residential buildings, offering a total of 1,210 units and related commercial facilities. As at 30 June 2012, all residential units in the first phase were sold and delivered.

The second phase of the project has been 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, an area of 102,371 square metres is for residential use and 14,214 square metres for commercial use. Construction was completed in 2010. As at 30 June 2012, a total residential and commercial saleable area of 101,835 square metres and 6,333 square metres had been sold respectively, at a total contract value of RMB414,655,000 (equivalent to HK\$510,659,000) and RMB50,444,000 (equivalent to HK\$40,960,528) respectively. During the period, the Group delivered an area of 1,986 square metres and a total contract value of RMB14,999,000 (equivalent to HK\$18,472,000) was recognised as turnover.

The third phase of the project is being developed into 16 multi-storey and eight high rise residential complexes with retail shops and a total saleable area of about 124,787 square metres with the residential area and commercial space accounting for 111,972 square metres and 12,875 square metres respectively. Construction commenced in May 2010, while pre-sale started in late 2010. As at 30 June 2012, a total residential saleable area of 85,488 square metres, with a total contract value of RMB475,988,000 (equivalent to HK\$586,192,000) had been sold. During the period, a total saleable area of 19,160 square metres was sold, generating a total contract value of RMB89,333,000 (equivalent to HK\$110,016,000). A saleable area of 3,507 square metres was delivered during the period, and a contract value of RMB20,175,000 (equivalent to HK\$24,846,000) was recognised as turnover.

“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 covers 577,336 square metres and is to be developed into two parts. “Dong Zhou Mansion,” the first part of the parcel, is being developed in three phases with Phase I offering 52 villas. All of the units were sold in 2011. Phases II and III of the “Dong Zhou Mansion” are still in the planning stage.

“Multiflora Garden,” on the second part of the parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,500 square metres. As at 30 June 2012, a total saleable area of 56,638 square metres had been sold, generating a total contract value of RMB266,033,000 (equivalent to HK\$327,627,000). During the period, the Group delivered one unit totalling 291 square metres and recognised the sum total of its contract of RMB1,426,000 (equivalent to HK\$1,756,000) 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 91,979 square metres. Construction has been underway since early 2010 while pre-sale has started in September 2010. As at 30 June 2012 a total saleable area of 38,223 square metres were sold, generating a total contract value of RMB247,885,000 (equivalent to HK\$305,277,000). During the period, a total saleable area of approximately 893 square metres was sold, generating a total contract value of RMB3,735,000 (equivalent to HK\$4,600,000). During the period, a saleable area of 7,491 square metres was delivered and a contract value of RMB46,682,000 (equivalent to HK\$56,860,000) was recognised as turnover.

The second parcel with an area of approximately 811,536 square metres is being developed into residential properties in phases. The construction of the first phase, Qinghua Garden Ecological Houses, with an area of approximately 42,070 square metres and a saleable area of approximately 63,886 square metres, was completed in 2010. As at 30 June 2012, a cumulative area of 43,427 square metres was sold, generating a total contract value of RMB195,151,000 (equivalent to HK\$237,699,000). A total area of 3,206 square metres were sold during the period, generating RMB11,553,000 (equivalent to HK\$14,072,000) in contract value. During the period under review, an area of 1,448 square metres has been delivered and a total contract value of RMB6,786,000 (equivalent to HK\$8,266,000) was recognised as turnover.

The Phase II, Shui Qing Mu Hua, with an site area of 148,059 square metres is to be developed into small high-rise residential properties in two phases with a saleable area of 244,787 square metres. The first phase, with a saleable area of 87,346 square metres, started construction in May 2011 and pre-sale in December 2011. As at 30 June 2012, a cumulative area of 987 square metres was sold, generating a total contract value of RMB5,430,000 (equivalent to HK\$6,614,000). During the period, an area of 724 square metres was sold, carrying a total contract value of RMB3,461,000 (equivalent to HK\$4,216,000). It is expected to be delivered in the second quarter of 2013. Other aspects of development are currently under planning.

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, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas with a planned saleable area of 122,890 square metres. Construction has commenced in March 2011 and is expected to be completed and delivered in 2013. Pre-sale will begin in the fourth quarter of 2012.

Prospects

We expect the Central Government's restrictions on property purchases and mortgages to continue. However, the improvement in liquidity after the recent monetary policy initiatives are expected to bolster both prices and transaction volume of the properties.

In the coming three-to-five years, the Group plans to further expand its presence across the nation through a series of initiatives, including strategic partnerships, to develop five to ten Zendai Thumb projects in second- and third-tier cities with growth potential, with the aim to broaden its income stream and lead Shanghai Zendai into new stage of development.

For the international market, as the PRC Government initiates policies permitting Chinese enterprises to begin channeling investments overseas, the Group is carefully evaluating appropriate investment opportunities. Its current target markets are South Africa, New Zealand and Australia, as well as Cambodia in Southeast Asia. We will prudently select projects to develop at costs significantly lower than the market level, ride on the economic growth within those regions and utilise the outstanding reputation of Shanghai Zendai in the PRC in order to promote the Group's brand to the international market.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 30 June 2012 the Group had a healthy financial position with net assets amounting to approximately HK\$5,868 million (31 December 2011: HK\$5,813 million.) Net current assets amounted to approximately HK\$4,221 million (31 December 2011: approximately HK\$3,834 million) with current ratio of approximately 1.76 times (31 December 2011: 1.20 times). The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 30 June 2012, the Group had consolidated bank loans of approximately HK\$3,557 million in which HK\$1,699 million was repayable within one year and HK\$1,858 million was repayable more than one year. As at 30 June 2012, the Group's bank balances and cash including pledged bank deposits are approximately HK\$1,855 million. The gearing ratio of the Group decreased from 0.67 times as at 31 December 2011 to 0.63 times as of 30 June 2012. (basis: total of amounts due to related companies, bank loans, and senior loan notes payable divided by Shareholders' funds).

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the period amounted to HK\$253,942,000 (2011: HK\$1,125,693,000) decreased substantially due to considerably less properties were delivered.

Travel and related business

The turnover of this segment for the period reached approximately HK\$6,123,000 (2011: HK\$5,575,000) and remained stable.

Property rental, management and agency services

The turnover of this segment for the period was approximately HK\$133,150,000 (2011: HK\$115,327,000). The increase was mainly due to the increase in management fee income as a result of more property were managed by the Group.

Hotel Operations

The turnover of this segment for the year was HK\$71,068,000 (2010: 76,085,000). The decrease was due to the increase in room supply as a result of more hotels opened business during the period.

FOREIGN CURRENCY EXPOSURES

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

As at 30 June 2012, the Group employed approximately 1,400 employees (31 December 2011: 1,450) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include annual bonus, a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

CHARGE ON ASSETS

As at 30 June 2012, the Group's property, plant and equipment, payment for leasehold land held for own use under operating leases, investment properties, properties under development and for sales and pledged bank deposits of approximately HK\$349,024,000, HK\$638,980,000, HK\$2,279,694,000, HK\$972,610,000 and HK\$732,424,000 respectively had been pledged to banks to secure bank loans granted to the Group.

At 30 June 2012, the Group pledged its entire interests in Shanghai Zendai Himalayas Real Estate Company Limited with carrying amount of HK\$411,552,000 (31 December 2011: HK\$418,598,000) to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), a shareholder of Shanghai Haizhimen for securing Shanghai Forte's interests in Shanghai Haizhimen.

At 31 December 2011, the Group pledged its 10% interests in Shanghai Haizhimen with carrying amount HK\$122,369,000, and a subsidiary, 上海證大西鎮房地產開發有限公司 ("Shanghai Zendai Xi Zhen Property Development Co., Ltd") with carrying amount of HK\$482,039,000 for a borrowing of the Group. The pledges were released upon settlement of the borrowing during the period.

CONTINGENT LIABILITIES

The Group provided guarantees of HK\$281,731,000 at 30 June 2012 (31 December 2011: HK\$383,999,000) 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.

OUTSTANDING LITIGATION

On 4 June 2012, Shanghai Zendai Land, a wholly owned subsidiary of the Company, was served a 傳票 (document of summons) issued by Shanghai No.1 Intermediate People's Court to attend a hearing at 9:00 a.m. on 2 August 2012 in relation to disputes on asset damage and compensation (財產損害賠償糾紛) initiated by Zhejiang Fosun Commerce Development Limited. The hearing has been postponed and the date of the postponed hearing has yet been fixed and shall be further notified by Shanghai No. 1 Intermediate People's Court. For details, please refer to the Company's announcements dated 5 June 2012 and 2 August 2012.

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 2012 (2011: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2012, 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. Wang Fujie	10,000,000 (L)	Beneficial owner	0.08%
Mr. Dai Zhikang ("Mr. Dai") (Note 1)	6,753,635,000 (L)	Interests of controlled corporations	54.30%
Mr. Dai (Note 2)	10,000,000 (L)	Beneficial owner	0.08%
Mr. Zhu Nansong	50,000,000 (L)	Beneficial owner	0.40%
Mr. Wu Yang (Note 2)	30,000,000 (L)	Beneficial owner	0.24%
Mr. Tang Jian	10,000,000 (L)	Beneficial owner	0.08%
Mr. Tang Jian (Note 2)	5,000,000 (L)	Beneficial owner	0.04%
Mr. Liu Zhiwei ("Mr. Liu") (Note 3)	400,000,000 (L)	Interests of controlled corporations	3.22%
Mr. Liu (Note 2)	120,000,000 (L)	Beneficial owner	0.97%
Mr. Lo Mun Lam, Raymond (Note 2)	5,000,000 (L)	Beneficial owner	0.04%
Mr. Lai Chik Fan (Note 2)	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 6,753,635,000 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) 2,326,560,000 Shares were held by Giant Glory Assers Limited 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 were 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. These Shares represent the Shares to be allotted and issued upon the exercise of share option granted.
3. Mr. Liu was deemed to be interested in 400,000,000 Shares held by Grand Link Finance Limited which is his wholly owned Company.

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 2012.

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. On 26 June 2012, the Company's shareholders approved a new option scheme and terminated the Scheme. The new option scheme is valid for a period of 10 years from 12 July 2012.

Movements of share options during the period are detailed in note 16 to the unaudited condensed financial statements.

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 2012, 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 (Note 1)	The Company	Beneficial owner	2,326,560,000 Shares (L)	18.71%
Jointex Investment Holdings Limited (Note 1)	The Company	Beneficial owner	2,932,000,000 Shares (L)	23.58%
Dorsing Star Limited (Note 1)	The Company	Beneficial owner	1,000,000,000 Shares (L)	8.04%
Liu Qiong Yu (Note 1)	The Company	Beneficiary of a trust	1,000,000,000 Shares (L)	8.04%
Dai Mo Cao (Note 1)	The Company	Beneficiary of a trust	1,000,000,000 Shares (L)	8.04%
Master Faith Group Limited (Note 1)	The Company	Interests of controlled corporation	1,000,000,000 Shares (L)	8.04%
DBS Trustee H.K. (Jersey) Limited (Note 1)	The Company	Trustee	1,000,000,000 Shares (L)	8.04%
China Alliance Properties Limited (Note 2)	The Company	Beneficial owner	2,431,815,000 Shares (L)	19.55%
Shanghai Forte Land Co., Ltd. (Note 2)	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Shanghai Fosun High Technology (Group) Company Limited (<i>Note 2</i>)	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%
Fosun International Limited (<i>Note 2</i>)	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%
Fosun Holdings Limited (<i>Note 2</i>)	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%
Fosun International Holdings Limited (<i>Note 2</i>)	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%
Guo Guangchang (<i>Note 2</i>)	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%

(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) Co., Ltd, which together with Fosun International Limited have a 70.56% control of Shanghai Forte Land Co., Limited, which has 100% control of China Alliance Properties Limited.

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

During the period, the Company purchased 26,460,000 of its own share for cancellation. Except for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Details of the shares purchased are as follows:

Month of purchase	Number of shares	Average price per share HK\$	Highest price per share HK\$	Lowest price per share HK\$
January 2012	26,460,000	0.130	0.138	0.125

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 2012 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 will be included in the interim report. The audit committee has also reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2012.

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
Dai Zhikang
Chairman

Hong Kong, 28 August 2012