



2013  
INTERIM REPORT



**SHIMAO PROPERTY HOLDINGS LIMITED**

**世茂房地產控股有限公司**

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

Stock Code : 813



# CONTENTS

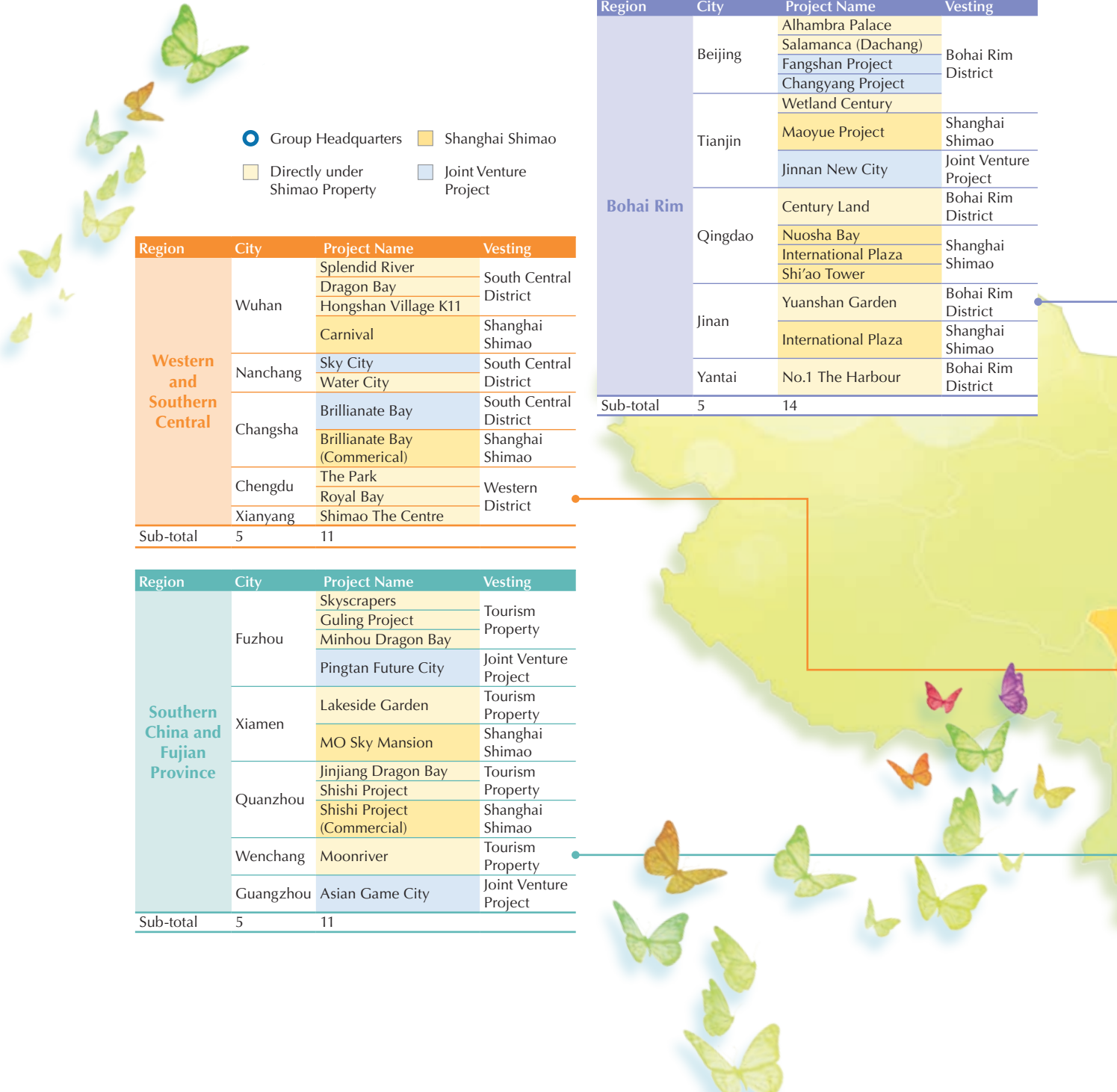
- 04** Corporate Information
- 06** Chairman's Statement
- 10** Management Discussion and Analysis
- 23** Corporate Governance and Other Information
- 33** Interim Condensed Consolidated Balance Sheet
- 35** Interim Condensed Consolidated Statement of Comprehensive Income
- 37** Interim Condensed Consolidated Statement of Changes in Equity
- 38** Interim Condensed Consolidated Cash Flow Statement
- 39** Notes to the Interim Condensed Consolidated Financial Information



# Nationwide Quality Land Reserve

Land reserve in 36 cities covers an area of 37.18 million sq.m (equity attributable)  
(As of 30 June 2013)

Focus on Yangtze River Delta – Further development in Fujian –  
Expand Bohai Rim market – Develop Western and Southern Central district



Legend:

- Group Headquarters
- Shanghai Shimao
- Directly under Shimao Property
- Joint Venture Project

| Region                       | City     | Project Name               | Vesting                |
|------------------------------|----------|----------------------------|------------------------|
| Western and Southern Central | Wuhan    | Splendid River             | South Central District |
|                              |          | Dragon Bay                 | District               |
|                              |          | Hongshan Village K11       |                        |
|                              |          | Carnival                   | Shanghai Shimao        |
|                              | Nanchang | Sky City                   | South Central District |
|                              |          | Water City                 | District               |
|                              | Changsha | Brilliant Bay              | South Central District |
|                              |          | Brilliant Bay (Commercial) | Shanghai Shimao        |
|                              | Chengdu  | The Park                   | Western District       |
|                              |          | Royal Bay                  |                        |
|                              | Xianyang | Shimao The Centre          |                        |
| Sub-total                    | 5        | 11                         |                        |

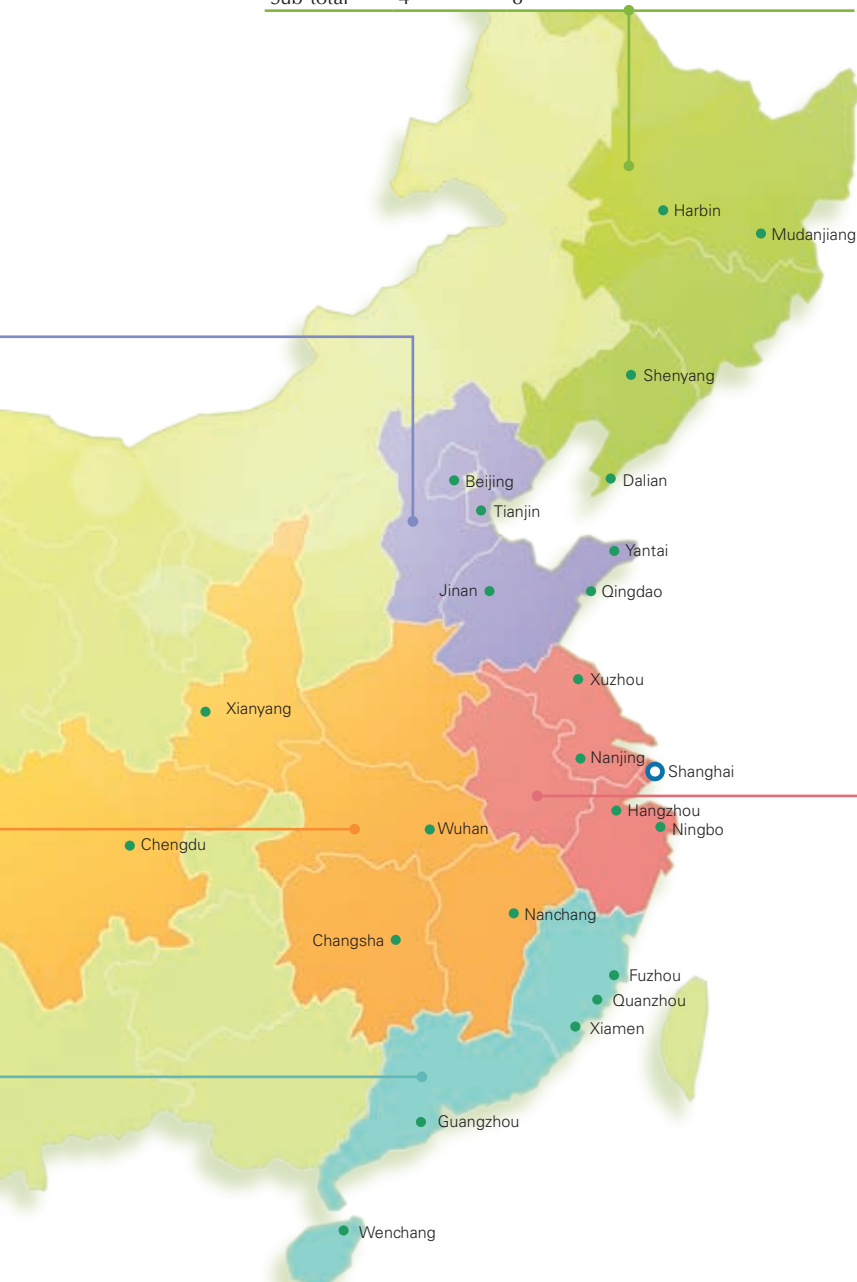
  

| Region    | City    | Project Name        | Vesting            |
|-----------|---------|---------------------|--------------------|
| Bohai Rim | Beijing | Alhambra Palace     | Bohai Rim District |
|           |         | Salamanca (Dachang) |                    |
|           |         | Fangshan Project    |                    |
|           |         | Changyang Project   |                    |
|           | Tianjin | Wetland Century     | Shanghai Shimao    |
|           |         | Maoyue Project      |                    |
|           |         | Jinnan New City     |                    |
|           | Qingdao | Century Land        | Bohai Rim District |
|           |         | Nuoshan Bay         | Shanghai Shimao    |
|           |         | International Plaza |                    |
|           | Jinan   | Shi'ao Tower        |                    |
|           |         | Yuanshan Garden     | Bohai Rim District |
|           | Yantai  | International Plaza | Shanghai Shimao    |
|           |         | No.1 The Harbour    | Bohai Rim District |
| Sub-total | 5       | 14                  |                    |

| Region                             | City      | Project Name                | Vesting               |
|------------------------------------|-----------|-----------------------------|-----------------------|
| Southern China and Fujian Province | Fuzhou    | Skyscrapers                 | Tourism Property      |
|                                    |           | Guling Project              |                       |
|                                    |           | Minhou Dragon Bay           |                       |
|                                    |           | Pingtang Future City        |                       |
|                                    | Xiamen    | Lakeside Garden             | Tourism Property      |
|                                    |           | MO Sky Mansion              | Shanghai Shimao       |
|                                    | Quanzhou  | Jinjiang Dragon Bay         | Tourism Property      |
|                                    |           | Shishi Project              | Shanghai Shimao       |
|                                    | Wenchang  | Shishi Project (Commercial) | Shanghai Shimao       |
|                                    |           | Moonriver                   | Tourism Property      |
|                                    | Guangzhou | Asian Game City             | Joint Venture Project |
| Sub-total                          | 5         | 11                          |                       |

| Region        | City       | Project Name        | Vesting               |
|---------------|------------|---------------------|-----------------------|
| North-eastern | Harbin     | Riviera New City    | Northeastern District |
|               | Mudanjiang | Holiday Landscape   |                       |
|               |            | South Bund          |                       |
|               | Shenyang   | Notting Hill        |                       |
|               |            | Wulihe              | Shanghai Shimao       |
|               | Dalian     | Wulihe (Commercial) | Northeastern District |
|               |            | Huanhai City        | Tourism Property      |
|               |            | Dragon Bay          |                       |
| Sub-total     | 4          | 8                   |                       |



| Region              | City                            | Project Name              | Vesting               |
|---------------------|---------------------------------|---------------------------|-----------------------|
| Yangtze River Delta | Shanghai                        | Riviera Garden            | Jiangsu and Shanghai  |
|                     |                                 | Emme County               |                       |
|                     |                                 | Sheshanli                 | Tourism Property      |
|                     |                                 | Sheshan Royal Palace      |                       |
|                     | Nanjing                         | Nano Magic City           | Shanghai Shimao       |
|                     |                                 | Riviera New City          | Jiangsu and Shanghai  |
|                     |                                 | Baixia Project            | Shanghai Shimao       |
|                     |                                 | Bund New City             | Joint Venture Project |
|                     | Hangzhou                        | Straits City              |                       |
|                     |                                 | U World                   | Hangzhou District     |
|                     |                                 | Imperial Landscape        |                       |
|                     |                                 | Riviera Garden            |                       |
|                     |                                 | New West Lake             |                       |
|                     | Jiaxing                         | Zhijiang Project          | Shanghai Shimao       |
|                     |                                 | Niutian Project           |                       |
|                     | Shaoxing                        | Riviera COSMO             | Hangzhou District     |
|                     |                                 | Century Park              | Shanghai Shimao       |
|                     | Ningbo                          | Century Park (Commercial) | Ningbo District       |
|                     |                                 | Dear Town                 |                       |
|                     |                                 | World Gulf                |                       |
|                     |                                 | Riviera Garden            |                       |
|                     | Yuyao                           | Shimao City (Baoqingsi)   | Shanghai Shimao       |
|                     |                                 | Lakeside Garden           |                       |
|                     | Suzhou                          | Moushan Lake Project      | Jiangsu and Shanghai  |
|                     |                                 | Damuwan                   |                       |
|                     |                                 | Baojiacao Project         |                       |
|                     | Changshu                        | Riviera Project           | Shanghai Shimao       |
| Canal Scene         |                                 |                           |                       |
| Shihu Project       |                                 |                           |                       |
| Nantong             | Canal Scene (Commercial)        | Shanghai Shimao           |                       |
|                     | Mudu Project                    |                           |                       |
| Kunshan             | The Centre                      | Jiangsu and Shanghai      |                       |
|                     | Wetland Century Complex Project |                           |                       |
|                     | East No.1                       |                           |                       |
| Changzhou           | Butterfly Bay                   | Shanghai Shimao           |                       |
|                     | Bund East                       |                           |                       |
| Wuxi                | International City              | Jiangsu and Shanghai      |                       |
|                     | Champagne Lake                  |                           |                       |
| Xuzhou              | Champagne Lake (Commercial)     | Shanghai Shimao           |                       |
|                     | The Capital                     |                           |                       |
| Taizhou             | The Capital (Commercial)        | Jiangsu and Shanghai      |                       |
|                     | Dongdu                          |                           |                       |
| Wuhu                | Dongdu (Commercial)             | Shanghai Shimao           |                       |
|                     | Riverside Garden                |                           |                       |
|                     | Riviera Garden                  | Shanghai Shimao           |                       |
|                     | Riviera Garden (Commercial)     |                           |                       |
| Sub-total           | 17                              | 47                        |                       |

# Corporate Information



## BOARD OF DIRECTORS

### Executive Directors

Hui Wing Mau (*Chairman*)  
Hui Sai Tan, Jason (*Vice Chairman*)  
Liu Sai Fei  
Xu Younong  
Tang Fei  
Liao Lujiang

### Independent Non-executive Directors

Kan Lai Kuen, Alice  
Lu Hong Bing  
Lam Ching Kam

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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



## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Lam Yee Mei, Katherine

## PRINCIPAL BANKERS

Agricultural Bank of China Limited  
Bank of China Limited  
China Construction Bank Corporation  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Sumitomo Mitsui Banking Corporation

## AUDITOR

PricewaterhouseCoopers

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited  
Stock code: 813

## INVESTOR AND MEDIA RELATIONS

Investor Relations Department  
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Tel : (852) 2511 9968  
Fax : (852) 2511 0287

# Chairman's Statement



Dear shareholders,

I am pleased to present the interim results of Shimao Property Holdings Limited ("Shimao Property" or the "Company", and together with its subsidiaries, "Shimao" or the "Group") for the six months ended 30 June 2013.

## 2013 INTERIM RESULTS

Due to the ongoing rise of property prices in most major cities since the end of last year, in March 2013 the State Council reiterated its macro-control policies on real estate in China. Wen Jiabao, the then Premier of the State Council, while chairing a State Council Standing Committee meeting on 20 February 2013, proposed that the central government should maintain strict controls over the regulation of the real estate market. It was also pointed out at the meeting that, despite the fact that growth in the real estate market had begun to stabilize following the implementation of regulatory measures in recent years, curbs on property speculation must remain a fundamental central government policy in order to address the housing shortage being experienced by some cities due to the rigid demand for housing catalyzed by China's rapid urbanization. Consequently, the central government will continue with its key strategies of stringently enforcing a differentiated credit policy, and more widely trialing residential property tax reforms.

As local governments have implemented the relevant provisions, the pace at which real estate prices have increased has moderated. Simply from the perspective of combatting speculation, government policy proved effective in the first half of the year, as demonstrated by a sharp fall in the number of purely speculative buyers. However, housing prices in major cities continued to rise, mainly due to an increase in market demand for self-occupied housing, urbanization, and the rigid demand for housing. These were the major drivers of the real estate industry in the period.

State President Xi Jinping presided over a Politburo meeting on 30 July, where the tone was set for the economic policies of the second half of the year. The meeting expressed an expectation that, in general, the economy would continue to develop in a stable fashion in the second half, and noted that some well-timed and appropriate fine-tuning would be carried out to facilitate this. For the first time for a considerable while, no mention was made of curbing the real estate market; instead, the focus was on promoting its stable, healthy development. This new direction will be beneficial for the real estate industry and dozens of related industries, and will help to stimulate economic recovery. The main strategies for regulating the real estate market are expected to be optimization and adjustment, making tightened regulation unlikely.

In view of these overall industry trends and its own aspirations, Shimao's primary strategy this year will be to maintain rapid development in response to market changes. By strengthening its ability to provide products and services that meet customer demand, and by utilizing more customer-oriented services marketing, the Group achieved sales growth in the first half of 2013 that put it at the forefront of the China real estate sector, with a remarkable RMB32.5 billion in contracted sales recorded for the period.



During the period under review, revenue of RMB16.68 billion was recognized, representing an increase of 21.8% over the corresponding period in 2012. Operating profit decreased by 3.8% to approximately RMB5.75 billion. Profit attributable to shareholders amounted to RMB3.47 billion, representing an increase of 11.5% over the corresponding period in 2012. Excluding the net impact of major after-tax non-cash items: fair value gains of investment properties of RMB 0.507 billion (1H 2012: RMB1.029 billion), net gain on disposal of equity interests in a jointly controlled entity of RMB0.101 billion (1H 2012: net gain on disposal of equity interests in subsidiaries of RMB0.379 billion), depreciation and amortisation of RMB0.114 billion (1H 2012: RMB0.129 billion) and goodwill impairment of RMB19.18 million (1H 2012: RMB29.39 million) which totalled RMB0.475 billion (1H 2012: RMB1.250 billion), net profit from core business attributable to shareholders amounted to approximately RMB2.995 billion (1H 2012: RMB1.864 billion), a year-on-year increase of 60.7%. The board of directors of the Company (the "Board") resolved not to declare the payment of any interim dividend for the six months ended 30 June 2013.

## REVIEW AND OUTLOOK

At the beginning of the year, the Group set its contracted sales target for 2013 of RMB55 billion. In the first half of 2013, it realized contracted sales of RMB32.5 billion, representing 59% of the annual target. Total sales area amounted to 2.5 million sq.m., and average selling price was RMB13,033 per sq.m.. This remarkable sales achievement demonstrated the success of our internal management enhancement programme led by the management team.

The Group's continuous efforts in enhancing internal management included the provision of human resources training, investment in information management, the creation of new product lines, and initiatives to strengthen its financial position.

## HUMAN RESOURCES TRAINING

The reforms being undertaken by Shimao in 2013 have a flawless direction – they are serving to consolidate our foundations and raise the quality of our internal activities. Our focus is on human resources training and building up a talent pool, on innovating and stabilizing our mechanism, and on further refining our internal controls. We are gradually implementing a series of specific measures designed to pave new paths by which Shimao can grow even stronger, raising it above its peers.

Business success hinges on human resources. Shimao's reforms have made its need for talent more pressing than ever. However, introducing new talent is only a temporary solution. In the long term, it is crucially important that we cultivate our existing talent pool by building an effective human resources training system. This is why Shimao is not simply identifying outstanding talent in the industry, but simultaneously launching initiatives to cultivate internal talent.



Fujian Jinjiang Shimao Dragon Bay



## INVESTING IN INFORMATION MANAGEMENT

In 2012, Shimao set a trend for its industry by investing millions of dollars in cooperating with the global 500 company SAP to build an IT system. This was the first attempt by any company in the country's real estate industry to implement visual process management and control across its full cycle of projects. Following initial work to build up the blueprint and test it with partial pilot projects, in 2013 the new system progressed to the comprehensive trial stage.

The successful launch of the SAP system will enable Shimao to emerge as a management benchmark for the industry. Like CT scanning, the SAP system warns of deficiencies and vulnerabilities in an enterprise's internal management. Our ultimate goal is that none of Shimao's operational components should be subject to delays due to individual subjectivity. Instead, since guidelines for different operational processes are automatically generated by the system, human operations will be carefully regulated and standardized in order to ensure the full controllability from beginning to end.

The SAP system will also bring to Shimao a robust integrated data flow platform. Data that was previously scattered across various departments and management levels will be centralized, from where it can be extracted and analyzed in a unified manner by the central processor, providing the Group with accurate information to support its strategic decision-making.

## CREATING NEW PRODUCT LINES

"Products" are the lifelines of any enterprise. As part of Shimao's development from quantitative to qualitative excellence, in 2013 we have built a corporate practice focusing on product innovation to consolidate Shimao's core competitiveness.

The various permutations and combinations for the six product lines and more than ten product series will be completed this year. Using product standardization as a base, complemented by the dual management principles of "all-round product management" and "full lifecycle design and management" working in parallel, Shimao products will be fully motivated by our innovation capability and heading for rapid development during the year.

The six product lines are generated from Shimao's unique customers, while its more than ten product series possess the best features that are selected from the best of its products over the past 20 years of business development. All these product lines will become invincible edges in the competitive markets, helping propel the next round of Shimao's development.

Shimao earmarks 20% of the product design process for innovation, a strategy that makes product flexibility and variability mandatory which ensures every one of its development projects is unique. By regularly reviewing the results of innovation, we are able to adjust our product lines to ensure they are always being improved. This spiral of innovation should provide Shimao's products with constant "new blood", setting up significant challenges for our rivals.

## STRENGTHENING MANAGEMENT ACHIEVEMENTS

On 22 May 2013, the Company was voted as one of the top ten best-managed companies in Asia in the 13th annual poll of Asia's Best Managed Companies organized by FinanceAsia, a leading financial magazine in Asia. This is the first time the Group has made the top ten list, where it was placed as the eighth best-managed enterprise in China region.



InterContinental Shimao Shanghai Wonderland

On 23 May 2013, Shimao Property was ranked 7th in the "Top 10 in Integrated Capability" category of the "China Top 100 Listed Property Developers in 2013". The award was conferred at the "Presentation Ceremony of the Assessment on Listed Property Developers in China 2013", held concurrently in both Beijing and Hong Kong and jointly organized by the China Real Estate Research Institute (中國房地產研究會), China Real Estate Association (中國房地產協會) and China Real Estate Assessment Center (中國房地產測評中心), and undertaken by Beijing Zhongfang Yanxie Technology Services Company Limited (北京中房研協技術服務有限公司). Shimao's placing was one rank higher than last year, reflecting our ongoing efforts to strengthen our leading position in the real estate industry through reforms. Shimao was also ranked third among its peers in the assessment of its risk resistance capacity.



## STRENGTHENING FINANCIAL STRUCTURE

Maintaining its prudent business strategy, at the beginning of 2013 the Group adopted certain policies to optimize its capital structure and minimize its capital costs, which included successfully issued senior notes with a principal amount of US\$800 million, due in 2020 on 14 January 2013. In July 2013, the Group obtained a 4-year loan of US\$570 million equivalents from a bank consortium, and early redeemed its US\$350 million fixed rate notes due 2016. The new and additional loan and senior notes were used to repay some of the high interest short-term loan and senior notes, and further lower its interest costs. The Group maintained its good relationships with over 20 domestic banks and 10 financial institutions in Hong Kong and other overseas regions, providing it with long-term funding support at low cost. The Group also held sufficient cash; as at 30 June 2013, it had cash of approximately RMB18.9 billion and unutilized credit facilities of approximately RMB20.0 billion.

Its outstanding annual sales and abundant capital resources enabled Shimao to begin enriching its land reserves in the first half of 2013, in preparation for future developments. It increased its residential land reserve by acquiring 4.12 million sq.m. of land in Ningbo, Hangzhou, Jinan, Nanchang, Suzhou, Quanzhou, Nantong, Beijing and Wuhan. Currently, Shimao holds more than 70 projects in over 36 cities across the country, amounting to 37.18 million sq.m. of quality land in total. Shimao's high-quality land resources, acquired at relatively low cost, will continue to give momentum to its growth in major cities in China in coming years.

## APPRECIATION

On behalf of the Board, I would like to thank our shareholders, partners, and customers for their tremendous support, as well as local governments for their co-operative assistance. I would also like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for their valuable contributions to the work of the Group. Their support and commitment have brought the Group success, and enabled us to achieve our stated goals.

**Hui Wing Mau**  
*Chairman*

Hong Kong, 20 August 2013

# Management Discussion and Analysis

## BUSINESS REVIEW

### PROPERTY DEVELOPMENT

#### 1) *Recognized sales revenue*

The Group generates its turnover primarily from property development, property investment and hotel operations. Turnover for the six months ended 30 June 2013 grew by 21.8% to RMB16.68 billion, from RMB13.69 billion for the corresponding period in 2012. During the period, revenue from property sales amounted to RMB15.69 billion, 24.0% more than that of the corresponding period in 2012, and accounted for 94.1% of total revenue. The average recognized selling price increased by 10.1% to RMB11,059 per sq.m. in the first half of 2013, from RMB10,045 per sq.m. in the first half of 2012. This increase was mainly attributable to the Group's enhanced bargaining power in the second half of 2012 when it came to the pricing of some of its projects. The number of projects recognized by the Group in the accounts for the first half of 2013 totalled 41, higher than the 32 recognized in the corresponding period in 2012.



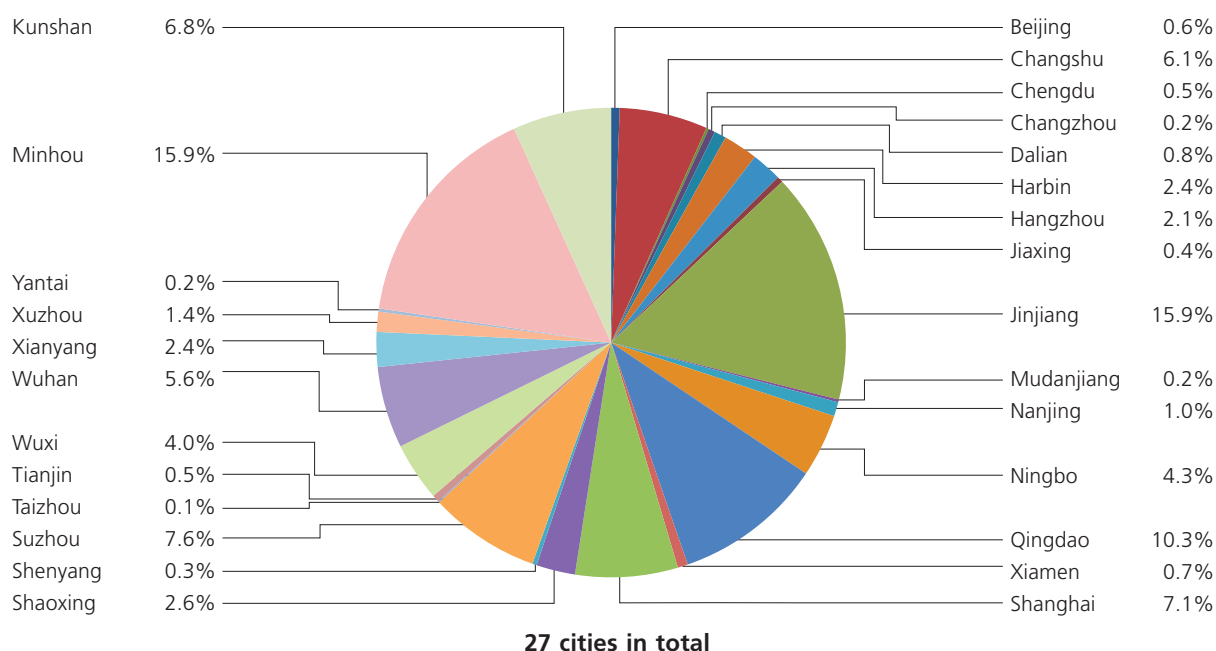
Ningbo Xiangshan Damuwan

#### Property development – Recognized sales in the first half of 2013

| Project                                 | Recognized sales<br>(RMB million) | Recognized sold area<br>(sq.m.) | Average selling price<br>(RMB per sq.m.) |
|---|-----------------------------------|---------------------------------|--|
| Fujian Jinjiang Shimao Dragon Bay       | 2,498                             | 122,868                         | 20,331                                   |
| Fuzhou Minhou Shimao Dragon Bay         | 2,493                             | 239,832                         | 10,395                                   |
| Shanghai Shimao Nano Magic City         | 1,013                             | 69,101                          | 14,660                                   |
| Kunshan Shimao Butterfly Bay            | 968                               | 157,146                         | 6,160                                    |
| Changshu Shimao The Centre (Commercial) | 952                               | 115,200                         | 8,264                                    |
| Qingdao Shimao Century Land             | 930                               | 107,396                         | 8,660                                    |
| Wuhan Shimao Splendid River             | 837                               | 95,596                          | 8,756                                    |
| Qingdao Jiaonan Project                 | 685                               | 47,436                          | 14,441                                   |
| Wuxi Shimao The Capital                 | 634                               | 69,019                          | 9,186                                    |
| Suzhou Shimao Canal Scene               | 620                               | 56,444                          | 10,984                                   |
| Suzhou Shimao Canal Scene (Commercial)  | 580                               | 49,086                          | 11,816                                   |
| Harbin Shimao Riviera New City          | 375                               | 41,951                          | 8,939                                    |
| Xianyang Shimao The Centre              | 375                               | 18,454                          | 20,321                                   |
| Shaoxing Sky Center                     | 328                               | 25,145                          | 13,044                                   |

| Project                                | Recognized sales<br>(RMB million) | Recognized sold area<br>(sq.m.) | Average selling price<br>(RMB per sq.m.) |
|--|-----------------------------------|---------------------------------|--|
| Hangzhou Shimao Riviera Garden         | 296                               | 31,032                          | 9,539                                    |
| Ningbo Shimao Sea Dawn                 | 418                               | 38,738                          | 10,790                                   |
| Xuzhou Shimao Dongdu (Commercial)      | 218                               | 16,568                          | 13,158                                   |
| Ningbo Xiangshan Project               | 211                               | 14,103                          | 14,961                                   |
| Nanjing Shimao Bund New City           | 154                               | 7,818                           | 19,698                                   |
| Dalian Shimao Dragon Bay               | 123                               | 11,730                          | 10,486                                   |
| Xiamen Shimao Lakeside Garden          | 110                               | 3,193                           | 34,450                                   |
| Beijing Shimao Alhambra Palace         | 92                                | 5,397                           | 17,047                                   |
| Shaoxing Shimao Dear Town              | 89                                | 3,374                           | 26,378                                   |
| Kunshan Shimao International City      | 88                                | 6,915                           | 12,726                                   |
| Tianjin Shimao Wetland Century         | 78                                | 8,468                           | 9,211                                    |
| Chengdu Shimao City                    | 72                                | 9,707                           | 7,417                                    |
| Jiaxing Shimao Century Park            | 64                                | 6,584                           | 9,721                                    |
| Ningbo Shimao World Gulf               | 53                                | 4,430                           | 11,964                                   |
| Shanghai Shimao Riviera Garden         | 57                                | 689                             | 82,729                                   |
| Shenyang Shimao Wulihe                 | 45                                | 3,795                           | 11,858                                   |
| Wuhan Shimao Carnival                  | 44                                | 5,597                           | 7,861                                    |
| Shanghai Shimao Emme County            | 37                                | 2,401                           | 15,410                                   |
| Yantai Shimao No.1 The Harbour         | 33                                | 3,775                           | 8,742                                    |
| Hangzhou Shimao Riviera COSMO          | 32                                | 3,795                           | 8,432                                    |
| Mudanjiang Shimao Holiday Landscape    | 28                                | 7,211                           | 3,883                                    |
| Changzhou Shimao Champagne Lakeside    | 27                                | 4,208                           | 6,416                                    |
| Taizhou Shimao Riverside Garden        | 14                                | 2,524                           | 5,547                                    |
| Kushan Shimao East No. 1               | 9                                 | 1,129                           | 7,972                                    |
| Dalian Shimao Glory City               | 5                                 | 439                             | 11,390                                   |
| Shaoxing Shimao Dear Town (Commercial) | 3                                 | 315                             | 9,524                                    |
| Shenyang Shimao Notting Hill           | 2                                 | 193                             | 10,363                                   |
| <b>Total</b>                           | <b>15,690</b>                     | <b>1,418,802</b>                | <b>11,059</b>                            |

**Recognized Sales by City – RMB15.7 billion**



## 2) *Steady sales growth, with sales reaching annual target*

In the first half of 2013, the Group's contracted sales amounted to RMB32.5 billion, representing approximately 59% of its annual target. Total sales area was 2,495,809 sq.m., with an average selling price of RMB13,033 per sq.m..

The remarkable sales achieved by the Group in the first half of 2013 clearly show the effectiveness of the management's sales strategies. In the second half of 2013, the Group will have additional saleable area of approximately 3.78 million sq.m.. When added to existing inventory as at 30 June 2013 with a saleable area of 2.02 million sq.m., the Group's saleable area in the second half of 2013 will reach approximately 5.80 million sq.m..

## 3) *Completion of development projects and plans as scheduled*

The aggregate GFA completed by the Group in the first half of 2013 was approximately 1.95 million sq.m., 97% higher than the 0.99 million sq.m. completed in the corresponding period in 2012. During the period, all of the Group's projects were proceeding satisfactorily, with new floor area under construction reaching 14.3 million sq.m. As at 30 June 2013, a total of approximately 70 projects across 36 cities were under construction. This increase in the number of projects under construction has laid a solid foundation for the Group's future development. In the second half of 2013, with a view to maintaining adequate liquidity, the Group's GFA planned for completion has been preset at approximately 5.0 million sq.m., 66% higher than that of year 2012. The Group's GFA under construction was 13.0 million sq.m. in 2013.

### Completed Projects Breakdown in the first half of 2013

| Project  |  | Completed<br>GFA<br>(sq.m.) | Group's<br>interest<br>(%) |
|--|--|-----------------------------|----------------------------|
| <b>Shimao Property</b>                           |  |                             |                            |
| Jiangsu and Shanghai                             | Wuxi Shimao The Capital                | 128,962                     | 95%                        |
|  | Suzhou Shimao Canal Scene              | 59,763                      | 100%                       |
|  | Nanjing Shimao Bund New City           | 49,000                      | 82.1%                      |
| Ningbo District                                  | Kunshan Shimao Butterfly Bay           | 118,252                     | 100%                       |
|  | Xiangshan Shimao Damuwan               | 37,192                      | 100%                       |
|  | Shaoxing Shimao Horizon Center         | 47,242                      | 100%                       |
| Southern China and<br>Central District           | Ningbo Shimao Sea Dawn                 | 140,240                     | 100%                       |
|  | Wuhan Shimao Splendid River            | 94,454                      | 96.1%                      |
| Northeastern District                            | Wuhan Shimao New City                  | 42,931                      | 100%                       |
| Bohai Rim District                               | Harbin Shimao Riviera New City         | 40,068                      | 100%                       |
| Western District                                 | Qingdao Shimao Villa Bay               | 238,839                     | 100%                       |
|  | Xianyang Shimao The Centre             | 40,432                      | 100%                       |
| Tourism Property                                 | Chengdu Shimao City                    | 24,858                      | 100%                       |
|  | Fuzhou Minhou Shimao Dragon Bay        | 319,322                     | 100%                       |
|  | Fujian Jinjiang Shimao Dragon Bay      | 229,535                     | 100%                       |
| <b>Sub-total</b>                                 |  | <b>1,611,090</b>            |                            |
| <b>Shanghai Shimao</b>                           |  |                             |                            |
|  | Suzhou Shimao Canal Scene (Commercial) | 126,140                     | 64%                        |
|  | Qingdao Nuosha Bay                     | 99,411                      | 64%                        |
|  | Xuzhou Shimao Dongdu (Commercial)      | 12,929                      | 64%                        |
|  | Shanghai Shimao Nano Magic City        | 94,802                      | 64%                        |
| <b>Sub-total</b>                                 |  | <b>333,282</b>              |                            |
| <b>Total (Shimao Property + Shanghai Shimao)</b> |  | <b>1,944,372</b>            |                            |

#### 4) **Steady expansion of land bank for long-term sustainable development**

To support its sustainable development, the Group has remained positive yet prudent in land acquisition. In the first half of 2013, the Group acquired 4.12 million sq.m. of residential land bank in Ningbo, Hangzhou, Jinan, Nanchang, Suzhou, Quanzhou, Nantong, Beijing and Wuhan. The average floor price of the new land reserve was approximately RMB3,961 per sq.m., showing the success of the Group's commitment to prudent land acquisition and its ability to strike a balance between development opportunity and risk control. As at 30 June 2013, the Group's average land cost was RMB2,160 per sq.m.. The relatively low cost of its land should help the Group to achieve a higher profit margin in the future.



Yuyao Project

As at 30 June 2013, Shimao Property had an attributable land bank of 37.18 million sq.m., making it one of the leading real estate developers in China in terms of land bank size. Geographically, in 2013 the majority of its land bank was situated in second- and third-tier cities at provincial capital level. These are cities with enormous development potential and emerging real estate markets, providing ample room for project development and strong risk protection.

The land parcels acquired by the Group during the period under review are as follows:

| New Land Parcels                     | Date of Acquisition | Usage                              | Land Cost (RMB million) | Total Planned GFA (sq.m.) | Cost per sq.m. (RMB) | Group's Interest |
|--------------------------------------|---------------------|------------------------------------|-------------------------|---------------------------|----------------------|------------------|
| <b>Shimao Property</b>               |                     |                                    |                         |                           |                      |                  |
| 1. Ningbo Majia                      | January 2013        | Residential                        | 805.05                  | 82,148                    | 9,800                | 100%             |
| 2. Ningbo Baoqingsi                  | January 2013        | Residential                        | 2,139.30                | 223,310                   | 9,580                | 100%             |
| 3. Hangzhou Zhijiang Holiday Village | February 2013       | Residential                        | 816.85                  | 200,152                   | 8,002                | 51%              |
| 4. Hangzhou Niutian                  | February 2013       | Residential                        | 1,000.00                | 89,729                    | 11,145               | 100%             |
| 5. Jinan Baimashan                   | February 2013       | Residential                        | 434.34                  | 656,157                   | 1,303                | 50.8%            |
| 6. Nanchang Water City               | March 2013          | Residential and commercial         | 216.22                  | 261,814                   | 826                  | 100%             |
| 7. Suzhou Shihu                      | March 2013          | Residential and commercial         | 3,100.57                | 285,221                   | 10,871               | 100%             |
| 8. Quanzhou Shishi                   | April 2013          | Residential and commercial         | 1,683.89                | 715,148                   | 2,881                | 81.7%*           |
| 9. Nantong Complex Project           | April 2013          | Residential, commercial and office | 1,126.39                | 850,000                   | 1,325                | 100%             |
| 10. Beijing Fangshan Changyang       | April 2013          | Residential and commercial         | 800.00                  | 209,548                   | 7,635                | 50%              |
| 11. Beijing Fangshan Gongchen        | April 2013          | Residential and commercial         | 545.00                  | 200,372                   | 5,440                | 50%              |
| 12. Wuhan Hongshan Village K11       | May 2013            | Residential                        | 738.40                  | 349,910                   | 2,110                | 100%             |
| <b>Shanghai Shimao</b>               |                     |                                    |                         |                           |                      |                  |
| 13. Ningbo Baojiacao                 | April 2013          | Commercial                         | 353.61                  | 95,195                    | 3,715                | 64%              |
| 14. Ningbo Binjiang                  | May 2013            | Residential and commercial         | 1,275.64                | 169,336                   | 7,533                | 64%              |

\* Shareholding in Quanzhou Shishi project: 51% held by Shanghai Shimao, 49% held by Shimao Property. Shimao Property accordingly owned 81.7% equity interests in the project.



Fujian Shishi Project

## PROPERTY INVESTMENT

Shimao Property develops commercial properties through its 64.22% owned Shanghai Shimao Co., Ltd. ("Shanghai Shimao"). Actively grasping development opportunities in the domestic commercial property market, Shanghai Shimao provides diversified commercial properties and high-quality services under professional development and operation strategies. Efforts continue to be put into enhancing its integrated competitiveness, with the aim of making Shanghai Shimao into a highly successful listed company specializing in the professional development and operation of commercial properties.

Shanghai Shimao recorded contracted sales of RMB7.13 billion during the period, representing year-on-year growth of 57%, fulfilling 71% of the target set at the beginning of the year. It recorded contracted sales area of 509,000 sq.m., with a contracted unit price of approximately RMB14,000 per sq.m.. During the period, Shanghai Shimao stepped up its development efforts and achieved new floor area under construction of 811,000 sq.m., and total construction area of 3.843 million sq.m..

### Investment Properties – Commercial and Office Premises

| Commercial and Office Premises          | Total GFA<br>(sq.m.) | Date of<br>Commencement                        | IH 2013<br>Turnover<br>(RMB million) | IH 2012<br>Turnover<br>(RMB million) | Growth<br>(%) |
|---|----------------------|--|--------------------------------------|--------------------------------------|---------------|
| Shanghai Shimao International Plaza     | 71,239               | Phase I – December 2004<br>Phase II – May 2007 | 80.2                                 | 83.6                                 | -4%           |
| Beijing Shimao Tower                    | 70,175               | 2008   | 57.7                                 | 48.0                                 | 20%           |
| Changshu Shimao The Centre              | 43,357               | Commercial – 2009 Q1                           | 7.6                                  | 7.5                                  | 2%            |
| Shanghai Shimao Shangdu Tower           | 9,584                | November 2010                                  | 17.1                                 | 16.9                                 | 1%            |
| Shaoxing Shimao Dear Town               | 181,605              | May 2010                                       | 40.7                                 | 36.8                                 | 10%           |
| Suzhou Shimao Canal Scene               | 49,993               | June 2010                                      | 6.3                                  | 5.6                                  | 12%           |
| Kunshan Shimao Plaza                    | 88,249               | April 2012                                     | 9.1                                  | 11.2                                 | -18%          |
| Wuhu Shimao Riviera Garden (Commercial) | 19,963               | 2009   | 3.0                                  | 2.0                                  | 50%           |
| Xuzhou Shimao Dongdu (Commercial)       | 59,471               | January 2012                                   | 4.4                                  | 6.2                                  | -28%          |
| Other rental income                     | –                    | –  | 9.7                                  | 8.0                                  | 21%           |
| Rental income sub-total                 |                      |  | 235.8                                | 225.8                                | 4.4%          |
| Others                                  | –                    | –  | 291.4                                | 318.2                                | -8.5%         |

Rental income from investment properties increased by 4.4% to RMB236 million, primarily attributable to the continuous growth of rental income from existing shopping malls.

## HOTEL OPERATIONS

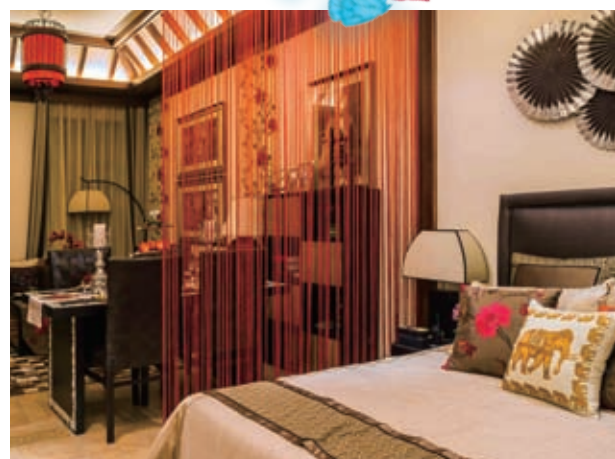
The Group currently has six hotels in operation, with nearly 2,700 guest rooms in total. They are Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Le Méridien Sheshan Shanghai, Hilton Nanjing Riverside, Mudanjiang Holiday Inn and Shaoxing Shimao Holiday Inn.

In the first half of 2013, the hotel industry was affected by a number of factors. These included the slowdown in China's economy, the effects of the "Eight-point Regulation" and the "Six-point Prohibition" imposed by the government to control public consumption, the breakout of bird flu, political tensions between China and Japan, and uncertainties in the European and US economies. Such political and economic factors, coupled with the almost saturated high-end hotel market in Shanghai, resulted in an oversupply which to an extent affected overall revenue from Shimao hotels. In response, the Group rethought and adjusted its hotel marketing strategies. As well as consolidating existing markets, the hotels actively explored new markets while at the same time undertaking more small-group business by targeting the needs of group customers with a flexible product portfolio. The hotels also tapped into the personal consumption market, such as wedding banquets and birthday banquets. These initiatives helped the six hotels under Shimao achieved revenue of RMB460 million in the first half of 2013. Although this represents a year-on-year decrease of 6%, the figure was much lower than the overall year-on-year decrease of 13.6% experienced by the high-end hotel market in China.

In response to the call from the government to establish 'green' hotels nationwide, and as part of its goal to ensure sustainable development of its hotels, the Group commissioned a professional organization specializing in energy saving and environmental protection to conduct energy efficiency assessments, develop energy-saving and environmental measures, and install energy-efficient and environmental-friendly equipment for all the hotels under Shimao. It is expected that the program will be implemented this year and achieved initial results next year.

Although hotel supply in Shanghai continued to grow and competition remained intense, the Group's Le Royal Méridien Shanghai and Hyatt on the Bund Shanghai remained among the top hotels in Puxi in terms of total revenue. Food and beverage revenue from Hyatt on the Bund Shanghai continued to rank top among hotels in Puxi. Le Méridien Sheshan Shanghai has remained one of the best suburban hotels in terms of operating efficiency. Mudanjiang Holiday Inn, Shaoxing Shimao Holiday Inn and Hilton Nanjing Riverside have already gained a strong foothold in their local markets, and are currently on track for better operating results.

The tourism hotel market in China has been affected by factors such as the introduction of the "Eight-point Regulation" and "Six-point Prohibition", along with the downturn in the global economy, but development opportunities can still be found in the domestic market. The large overall scale and high growth rate of the domestic market are supported by statistics showing that the National Tourism Administration expects to see total revenue of RMB2.85 trillion from China's tourism industry in 2013, an increase of 11%; and the total number of domestic tourist visits reaching RMB3.2 billion, an increase of 10%. Supporting factors include the growth of high income-earners among the population, bringing higher expectations and greater buying power; the rise of markets catering for the elderly; and the rapid development of family-based leisure tourism. In the long run, the ban on the use of public funds and the crackdown on misconduct in the pharmaceutical industry announced by



Dalian Shimao Dragon Bay



the PRC government will guide the enterprises towards healthy consumption and enable the hotel market to realize sustainable development. These development opportunities, coupled with the opening of Shanghai Disneyland in 2014 and the establishment of the Shanghai Free-trade Zone announced by the Central Government, are bringing with them new opportunities for the hotel industry in China, and especially in Shanghai.

In the first half of 2013, the Group's hotels received 19 awards from renowned organizations, associations and media, both at home and abroad. Shanghai Shimao Hotel Management Co., Ltd. received five awards and honors, including the award of "Best Hotel Owners of China", and the honored role of standing director of the China Tourist Hotel Association.

| Hotel                        | Number of Rooms | Date of Commencement | Turnover (RMB million) |            | EBITDA (RMB million) |            |
|------------------------------|-----------------|----------------------|------------------------|------------|----------------------|------------|
|                              |                 |                      | 1H2013                 | 1H2012     | 1H2013               | 1H2012     |
| Le Méridien Sheshan Shanghai | 327             | November 2005        | 59                     | 63         | 18                   | 16         |
| Le Royal Méridien Shanghai   | 770             | September 2006       | 183                    | 199        | 74                   | 95         |
| Hyatt on the Bund Shanghai   | 631             | June 2007            | 165                    | 176        | 54                   | 69         |
| Hilton Nanjing Riverside     | 411             | December 2011        | 27                     | 28         | -1                   | -18        |
| Mudanjiang Holiday Inn       | 266             | December 2010        | 12                     | 10         | 2                    | 4          |
| Shaoxing Shimao Holiday Inn  | 284             | September 2011       | 16                     | 16         | 2                    | -22        |
| <b>Total</b>                 | <b>2,689</b>    |                      | <b>460</b>             | <b>492</b> | <b>149</b>           | <b>144</b> |

Hotel properties are stated at carrying amount, i.e. cost less accumulated depreciation and impairment losses, if any, rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the Directors have appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 30 June 2013. Had the 17 hotels (2012: 17 hotels), Le Méridien Sheshan Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Mudanjiang Holiday Inn, Shaoxing Shimao Crown Plaza, Conrad Xiamen, Shaoxing Shimao Holiday Inn, Hilton Shenyang, Hilton Tianjin Eco-city, InterContinental Fuzhou, Doubletree by Hilton Wuhu, Yu Hotel Taizhou, Doubletree by Hilton Ningbo Chunxiao, Yu Resort Guling, Hilton Yantai and Hilton Wuhan Riverside been restated at fair value of RMB26.3 billion (2012: RMB24.5 billion), the net assets value of the Group would have been increased to RMB55.2 billion (2012: RMB51.6 billion). In light of the fair value adjustment of these hotels, the adjusted gearing ratio of the Group would be:

|   | As at<br>30 June 2013<br>(RMB Million) | As at<br>31 December 2012<br>(RMB Million) |
|---|--|--|
| Fair value of above-mentioned hotels  | 26,278                                 | 24,463                                     |
| Less: Carrying amount   | (11,063)                               | (10,230)                                   |
| Amounts to adjust from carrying amount to fair value                                | 15,215                                 | 14,233                                     |
| Less: Deferred income taxes   | (3,804)                                | (3,558)                                    |
| Increase in net assets value if the above-mentioned hotels are stated at fair value | 11,411                                 | 10,675                                     |
| Net assets value per consolidated balance sheet                                     | 43,788                                 | 40,927                                     |
| Adjusted net assets value   | 55,199                                 | 51,602                                     |
| Net debt  | 26,607                                 | 22,896                                     |
| Adjusted gearing ratio  | 48%                                    | 44%  |

## FINANCIAL ANALYSIS

Key interim condensed consolidated income statement figures are set out below:

|  | <b>1H 2013</b><br><b>RMB million</b> | 1H 2012<br>RMB million |
|--|--------------------------------------|------------------------|
| Revenue                                | <b>16,676.9</b>                      | 13,687.2               |
| Gross profit                           | <b>5,923.6</b>                       | 4,711.9                |
| Operating profit                       | <b>5,745.9</b>                       | 5,970.3                |
| Profit attributable to shareholders    | <b>3,470.2</b>                       | 3,114.7                |
| Earnings per share – Basic (RMB cents) | <b>100.1</b>                         | 89.8                   |

### REVENUE

For the six months ended 30 June 2013, the revenue of the Group was approximately RMB16,676.9 million (1H 2012: RMB13,687.2 million), representing an increase of 21.8% over 2012. 94.1% (1H 2012: 92.4%) of the revenue was generated from the sales of properties and 5.9% (1H 2012: 7.6%) from hotel operation, leasing of commercial properties and others.

The components of the revenue are analyzed as follows:

|  | <b>1H 2013</b><br><b>RMB million</b> | 1H 2012<br>RMB million |
|--|--------------------------------------|------------------------|
| Sales of properties                      | <b>15,689.5</b>                      | 12,651.7               |
| Hotel operating income                   | <b>460.2</b>                         | 491.5                  |
| Rental income from investment properties | <b>235.8</b>                         | 225.8                  |
| Others                                   | <b>291.4</b>                         | 318.2                  |
| Total                                    | <b><u>16,676.9</u></b>               | <u>13,687.2</u>        |

**(i) Sales of properties**

Sales of properties for the six months ended 30 June 2013 and 2012 are set out below:

|   | 1H 2013          |               | 1H 2012      |             |
|---|------------------|---------------|--------------|-------------|
|   | Area (Sq.m.)     | RMB million   | Area (Sq.m.) | RMB million |
| <b>Shimao Property</b>                  |                  |               |              |             |
| Fujian Jinjiang Shimao Dragon Bay       | 122,868          | 2,498         | 62,352       | 1,248       |
| Fuzhou Minhou Shimao Dragon Bay         | 239,832          | 2,493         | –            | –           |
| Kunshan Shimao Butterfly Bay            | 157,146          | 968           | 63,644       | 407         |
| Qingdao Shimao Century Land             | 107,396          | 930           | –            | –           |
| Wuhan Shimao Splendid River             | 95,596           | 837           | 31,563       | 258         |
| Wuxi Shimao The Capital                 | 69,019           | 634           | –            | –           |
| Suzhou Shimao Canal Scene               | 56,444           | 620           | 120,075      | 1,107       |
| Harbin Shimao Riviera New City          | 41,951           | 375           | 2,560        | 30          |
| Xianyang Shimao The Centre              | 18,454           | 375           | 1,891        | 24          |
| Shaoxing Sky Centre                     | 25,145           | 328           | –            | –           |
| Hangzhou Shimao Riviera Garden          | 31,032           | 296           | 56,517       | 528         |
| Ningbo Shimao Sea Dawn                  | 38,738           | 418           | 15,766       | 124         |
| Ningbo Xiangshan Project                | 14,103           | 211           | –            | –           |
| Dalian Shimao Dragon Bay                | 11,730           | 123           | 16,602       | 209         |
| Xiamen Shimao Lakeside Garden           | 3,193            | 110           | 424          | 15          |
| Beijing Shimao Alhambra Palace          | 5,397            | 92            | 4,077        | 175         |
| Shaoxing Shimao Dear Town               | 3,374            | 89            | 1,891        | 24          |
| Tianjin Shimao Wetland Century          | 8,468            | 78            | 66,832       | 679         |
| Chengdu Shimao City                     | 9,707            | 72            | 87,123       | 575         |
| Jiaxing Shimao New City                 | 6,584            | 64            | 3,223        | 23          |
| Ningbo Shimao World Gulf                | 4,430            | 53            | 94,845       | 791         |
| Shanghai Shimao Riviera Garden          | 689              | 57            | 15,569       | 1,160       |
| Shenyang Shimao Wulihe                  | 3,795            | 45            | 65,497       | 647         |
| Shanghai Shimao Emme County             | 2,401            | 37            | 6,733        | 59          |
| Yantai Shimao No. 1 The Harbour         | 3,775            | 33            | 29,006       | 255         |
| Mudanjiang Shimao Holiday Landscape     | 7,211            | 28            | 86           | –           |
| Changzhou Shimao Champagne Lakeside     | 4,208            | 27            | 699          | 6           |
| Taizhou Shimao Riverside Garden         | 2,524            | 14            | 6,399        | 48          |
| Kushan Shimao East No. 1                | 1,129            | 9             | 93,075       | 646         |
| Dalian Shimao Glory City                | 439              | 5             | 1,816        | 22          |
| Shenyang Shimao Notting Hill            | 193              | 2             | –            | –           |
| Wuhan Shimao Dragon Bay                 | –                | –             | 16,894       | 164         |
| Xuzhou Shimao Dongdu                    | –                | –             | 126,453      | 559         |
| Wuhu Shimao Riviera Garden              | –                | –             | 35,262       | 354         |
| Subtotal (a)                            | <b>1,096,971</b> | <b>11,921</b> | 1,026,874    | 10,137      |
| <b>Shanghai Shimao</b>                  |                  |               |              |             |
| Changshu Shimao The Center (Commercial) | 115,200          | 952           | –            | –           |
| Qingdao Jiaonan Project                 | 47,436           | 685           | –            | –           |
| Suzhou Shimao Canal Scene (Commercial)  | 49,086           | 580           | –            | –           |
| Nanjing Shimao Bund New City            | 7,818            | 154           | 2,836        | 48          |
| Xuzhou Shimao Dongdu (Commercial)       | 16,568           | 218           | 9,911        | 236         |
| Kunshan Shimao International City       | 6,915            | 88            | 55,928       | 642         |
| Wuhan Shimao Carnival                   | 5,597            | 44            | –            | –           |
| Hangzhou Shimao Riviera COSMO           | 3,795            | 32            | 45,728       | 488         |
| Changshu Shimao The Centre              | –                | –             | 115,383      | 1,074       |
| Shaoxing Shimao Dear Town (Commercial)  | 315              | 3             | 2,877        | 27          |
| Shanghai Shimao Nano Magic City         | 69,101           | 1,013         | –            | –           |
| Subtotal (b)                            | <b>321,831</b>   | <b>3,769</b>  | 232,663      | 2,515       |
| Total (a) + (b)                         | <b>1,418,802</b> | <b>15,690</b> | 1,259,537    | 12,652      |

**(ii) Hotel income**

Hotel operation income are analyzed below:

|                              | <b>1H 2013</b><br><b>RMB million</b> | 1H 2012<br>RMB million |
|------------------------------|--------------------------------------|------------------------|
| Le Méridien Sheshan Shanghai | <b>58.7</b>                          | 62.5                   |
| Le Royal Méridien Shanghai   | <b>182.6</b>                         | 198.8                  |
| Hyatt on The Bund Shanghai   | <b>164.9</b>                         | 175.6                  |
| Mudanjiang Holiday Inn       | <b>11.7</b>                          | 10.4                   |
| Hilton Nanjing Riverside     | <b>26.7</b>                          | 28.2                   |
| Shaoxing Shimao Holiday Inn  | <b>15.6</b>                          | 16.0                   |
|                              | <hr/>                                | <hr/>                  |
| Total                        | <b>460.2</b>                         | 491.5                  |
|                              | <hr/> <hr/>                          | <hr/> <hr/>            |

Hotel operation income decreased approximately 6.4% to RMB460.2 million from approximately RMB491.5 million over the six months ended 30 June 2013. The decrease was mainly due to the impact of government restriction on public consumption and the breakout of bird flu in the first half year of 2013.

**(iii) Rental income and others**

Rental income from investment properties reached approximately RMB235.8 million, which increased by 4.4% with the growth of average rent.

Other income amounted to approximately RMB291.4 million (1H 2012: RMB318.2 million) was mainly derived from operation of department stores and cinemas.

|   | <b>1H 2013</b><br><b>RMB million</b> | 1H 2012<br>RMB million |
|---|--------------------------------------|------------------------|
| Shanghai Shimao International Plaza     | <b>80.2</b>                          | 83.6                   |
| Beijing Shimao Tower                    | <b>57.7</b>                          | 48.0                   |
| Changshu Shimao The Centre              | <b>7.6</b>                           | 7.5                    |
| Shanghai Shimao Shangdu Tower           | <b>17.1</b>                          | 16.9                   |
| Suzhou Shimao Canal Scene               | <b>6.3</b>                           | 5.6                    |
| Shaoxing Shimao Dear Town               | <b>40.7</b>                          | 36.8                   |
| Kunshan Shimao Plaza                    | <b>9.1</b>                           | 11.2                   |
| Wuhu Shimao Riviera Garden (commercial) | <b>3.0</b>                           | 2.0                    |
| Xuzhou Shimao Dongdu (commercial)       | <b>4.4</b>                           | 6.2                    |
| Miscellaneous rental income             | <b>9.7</b>                           | 8.0                    |
| Others                                  | <b>291.4</b>                         | 318.2                  |
|   | <hr/>                                | <hr/>                  |
| Total                                   | <b>527.2</b>                         | 544.0                  |
|   | <hr/> <hr/>                          | <hr/> <hr/>            |

## COST OF SALES

Cost of sales increased by 19.8% to approximately RMB10,753.3 million for the six months ended 30 June 2013 from RMB8,975.4 million for the six months ended 30 June 2012, primarily due to the increase in cost of properties sold in line with the increase in areas delivered.

Cost of sales are analyzed as follows:

|   | <b>1H 2013</b><br><b>RMB million</b> | 1H 2012<br>RMB million |
|---|--------------------------------------|------------------------|
| Sales taxes   | <b>939.8</b>                         | 814.0                  |
| Land costs, construction costs and capitalised borrowing costs      | <b>9,597.8</b>                       | 7,711.6                |
| Direct operating costs for hotels, commercial properties and others | <b>215.7</b>                         | 449.8                  |
| Total   | <b><u>10,753.3</u></b>               | <b><u>8,975.4</u></b>  |

## FAIR VALUE GAINS ON INVESTMENT PROPERTIES

During the period under review, the Group recorded aggregate fair value gains of approximately RMB855.8 million (1H 2012: RMB1,827.3 million), mainly contributed by further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB214.0 million recognized was RMB641.9 million (1H 2012: fair value gains after deferred income tax was RMB1,370.5 million).

## OTHER GAINS

Other gains of approximately RMB545.5 million for the six months ended 30 June 2013 (1H 2012: RMB898.1 million) included mainly gains on disposal of equity interests in a jointly controlled entity, government grants and net foreign exchange gains.

## SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

Selling and marketing costs for the period was approximately RMB537.5 million (1H 2012: RMB439.9 million). Selling and marketing costs increased by 22.2% which was in line with the significant growth of approximately 44.5% in contracted sales. The sales team focused on the effectiveness of the sales strategy and made efforts on the control of marketing costs. Administrative expenses for the period was RMB984.3 million (1H 2012: RMB865.6 million), and increased by 13.7%. It was mainly due to the increase of labour cost and corporate and office expenses with the business expansion. However, the proportion of total expenses to the total contract sales decreased to 4.7% from 5.8% in the first half year of 2012.

## OPERATING PROFIT

Operating profit amounted to approximately RMB5,745.9 million for the six months ended 30 June 2013, representing a slightly decrease of 3.8% over the first half year of 2012. It was mainly due to the decrease in fair value gains and other gains, which was offset by the increase in gross profit.

## FINANCE COSTS – NET

Net finance costs increased to approximately RMB19.6 million (1H 2012: RMB12.5 million) mainly due to more interest expenses incurred for increased borrowings during the period.

## SHARE OF RESULTS OF ASSOCIATED COMPANIES & JOINTLY CONTROLLED ENTITIES

Share of losses of associated companies amounted to approximately RMB45.97 million (1H 2012: share of losses of RMB106.7 million) in the first half of 2013, which was mainly due to the loss of Guangzhou Asian Game City Project. Share of profits of jointly controlled entities amounted to RMB272.4 million (1H 2012: share of losses of RMB28.8 million), which was significantly increased with the completion of properties and recognition sales by two joint ventures in Hangzhou.

## TAXATION

The Group's tax provisions amounted to approximately RMB2,162.6 million in which PRC land appreciation tax ("LAT") was RMB850.0 million (1H 2012: RMB2,154.9 million, in which LAT was RMB670.8 million) for the period.

## PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the period increased by 11.5% from approximately RMB3,114.7 million in first half of 2012 to RMB3,470.2 million in the first half of 2013.

## LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2013, total assets of the Group were RMB152.5 billion, of which current assets reached approximately RMB97.6 billion. Total liabilities were approximately RMB108.7 billion, whereas non-current liabilities were RMB38.7 billion. Total equity was RMB43.8 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB37.8 billion.

As of 30 June 2013, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB18.9 billion (31 December 2012: RMB18.1 billion), total borrowings amounted to approximately RMB45.6 billion (31 December 2012: RMB41.0 billion). Total net borrowings were approximately RMB26.7 billion (31 December 2012: RMB22.9 billion). Net gearing ratio increased from approximately 55.9% as at 31 December 2012 to approximately 60.8% as at 30 June 2013. The Group is making effort to control the net gearing ratio below 60.0% by the end of this year.

The maturity of the borrowings of the Group as at 30 June 2013 is set out as follows:

**RMB million**

### ***Bank borrowings and borrowings from other financial institutions***

|                       |        |
|-----------------------|--------|
| Within 1 year         | 8,683  |
| Between 1 and 2 years | 6,774  |
| Between 2 and 5 years | 11,286 |
| Over 5 years          | 6,673  |

### ***Senior notes***

|                       |       |
|-----------------------|-------|
| Within 1 year         | 2,114 |
| Between 2 and 5 years | 5,164 |
| Over 5 years          | 4,858 |

The borrowings were denominated in different currencies set out below:

|      | <b>Original<br/>currency<br/>million</b> | <b>RMB<br/>equivalent<br/>million</b> |
|------|--|---------------------------------------|
| US\$ | 2,574                                    | 15,905                                |
| HK\$ | 2,968                                    | 2,364                                 |
| RMB  | 27,283                                   | 27,283                                |

## FINANCING ACTIVITIES

On 14 January 2013, the Group issued a total of US\$800 million senior notes due on 14 January 2020. The interest rate is 6.625%. The issuance received overwhelming response with 27 times oversubscription, which indicated a high degree of market confidence in the prospect of the Group.

In July 2013, the Group acquired a total of approximately US\$570 million equivalent syndicated loan. The new syndicated loan is used to return some high-interest senior notes and bank loans, helped to lower the average cost of borrowings and balance the debt maturity profile of the Group.

On 17 July 2013, the Group early redeemed an aggregate principal amount of US\$350 million of all outstanding 2016 8% Fixed Rate Notes.

The Group continued to optimize the debt structure by gradually lowering the proportion of its short-term borrowings from approximately 30% to approximately 24% and increasing the proportion of its long-term borrowings from approximately 70% to 76% during the period. Short-term borrowings decreased from approximately RMB12.4 billion as at 31 December 2012 to approximately RMB10.8 billion as at 30 June 2013. As a result, the cash coverage ratio continued to increase from approximately 146% as at 31 December 2012 to approximately 175% as at 30 June 2013.

In the first half of 2013, the Group's credit rating was successfully upgraded by several international credit reporting agencies due to its steady operating and financial performance:

On 31 May 2013, Standard and Poor's upgraded the Group's Long-Term Issuer Rating from 'BB-' to 'BB' and its senior unsecured rating from 'B+' to 'BB-'.

On 5 July 2013, Fitch Ratings upgraded the Group's Long-Term Issuer Default Rating (IDR) and its senior unsecured rating to 'BB+' from 'BB'. The Outlook is Stable.

On 18 July 2013, Moody's affirmed the Group's Ba3 corporate family rating and B1 senior unsecured bond rating and changed to positive from stable outlook of the Group's Ba3 corporate family rating and B1 senior unsecured bond rating.

The Group continued to maintain good relationships with over 20 domestic banks and 10 financial institutions in Hong Kong and other overseas regions which formed a strong liquidity support for the sustainable development of the Group.

#### **FOREIGN EXCHANGE RISKS**

Other than financing activities such as foreign currency borrowings which were denominated in foreign currencies, the Group conducts its business almost exclusively in RMB. The Group would be affected mainly by the bank deposits denominated in foreign currencies and outstanding foreign currency borrowings which include US\$610.0 million and HK\$468.0 million equivalents syndicated loans, US\$2.0 billion senior notes and HK\$2.5 billion bank loans as at 30 June 2013.

#### **PLEDGE OF ASSETS**

As of 30 June 2013, the Group had pledged property and equipment, investment properties, land use rights, available-for-sale financial assets, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB45.6 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB26.6 billion. The Group had also pledged shares of certain subsidiaries for a total borrowing of RMB5.0 billion.

#### **CONTINGENCIES**

As of 30 June 2013, the Group had provided guarantees for approximately RMB8.6 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB4.3 billion borrowings of associated companies and jointly controlled entities.

#### **CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE COMMITMENTS**

As of 30 June 2013, the Group had contracted capital and property development expenditure but not provided for amounted to RMB35.1 billion.

#### **EMPLOYEES AND REMUNERATION POLICY**

As of 30 June 2013, the Group employed a total of 5,090 employees. Total remuneration for the period amounted to RMB520.0 million. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company adopted a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") of the Company on 9 June 2006 and 30 December 2011 respectively. The purpose of the Share Option Scheme and the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programmes for its staff to improve their skills and develop their respective expertise.

# Corporate Governance and Other Information

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

### EXECUTIVE DIRECTORS

#### **HUI WING MAU (CHAIRMAN)**

Mr. Hui Wing Mau, aged 63, the Chairman and Executive Director of Shimao Property Holdings Limited (the "Company") and the founder of the Group. With over 23 years' experience in property development, property investment and hotel operation, he is primarily responsible for the Group's overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Twelfth Chinese People's Political Consultative Conference ("CPPCC") and deputy director of the Economic Committee of the National Committee of the CPPCC, the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, president of The Association for the Promotion of Global Chinese Traders Fraternity, executive president of China Red Ribbon Foundation and president of New Home Association Hong Kong. Mr. Hui obtained a Master's Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 64.22% owned subsidiary of the Company listed on the Shanghai Stock Exchange, and a director of Shimao International Holdings Limited ("Shimao International"). He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the Vice Chairman and the President of Shanghai Shimao.

#### **HUI SAI TAN, JASON (VICE CHAIRMAN)**

Mr. Hui Sai Tan, Jason, aged 36, the Vice Chairman and Executive Director of the Company. He has been the Group Sales Controller since he joined the Group in March 2000. Mr. Jason Hui is responsible for the sales, marketing, management and design of the Group's projects. He has more than 14 years' experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He is a member of Shanghai Committee of the CPPCC. He has been an Executive Director and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively and was an executive director of Shimao International from July 2002 to June 2006. He is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman and Executive Director of the Company, and a brother of Ms. Hui Mei Mei, Carol, the Vice Chairman and the President of Shanghai Shimao.

#### **LIU SAI FEI**

Mr. Liu Sai Fei, aged 51, has joined the Group since 2003 and was appointed an Executive Director of the Company on 1 February 2010. He is currently a Vice President and Regional Project Controller of the Group, responsible for project management of the Group's projects. He obtained a Master's Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 28 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 and 2003, he worked for Shanghai Merry Land Co. Ltd. as project manager.



## DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

### EXECUTIVE DIRECTORS (continued)

#### XU YOUNONG

Mr. Xu Younong, aged 55, has joined the Group since June 2001 and was appointed an Executive Director of the Company on 1 January 2011. He is currently a Vice President and Regional President of the Group, responsible for project management of the Group. Mr. Xu holds a Bachelor's degree of engineering from Tong Ji University in Shanghai and has over 29 years' experience in architectural design and project management. Prior to joining the Group, he worked for Shanghai Building Material Industry Design Institute (上海市建築材料工業設計研究院) from 1983 to 1992 as an engineer and designer. From 1993 to 2001, he worked for Shanghai Fortune World Development Company Limited as project manager.

#### TANG FEI

Ms. Tang Fei, aged 42, has joined the Group since July 2004 and was appointed an Executive Director of the Company on 6 February 2013. Ms. Tang is currently a Vice President of the Group, responsible for the financial control of the Group. Ms. Tang holds a Master's Degree in business administration from the University of South Australia and has over 19 years' experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004.

#### LIAO LUJIANG

Mr. Liao Lujiang, aged 41, has joined the Group since January 2011 and was appointed an Executive Director of the Company on 6 February 2013. Mr. Liao is currently the Chief Operation Officer of the Group, responsible for management of enterprise operation, human resources, information system and administrative support of the Group. Mr. Liao holds a Master's Degree in public administration from Tsinghua University and has over 10 years' experience in office administration, human resources management and staff training. Prior to joining the Group, Mr. Liao worked in lanjia Group as senior human resources manager of northern district from 2003 to 2006. From 2006 to 2010, he worked for Beijing Longfor Properties Co., Ltd. as deputy human resources general manager and chief human resources officer (property).

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### KAN LAI KUEN, ALICE

Ms. Kan Lai Kuen, Alice, aged 58, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 21 years' experience in corporate finance. She is a responsible officer of three licensed corporations registered under the Securities and Futures Ordinance, namely Asia Investment Management Limited ("AIML"), Asia Investment Research Limited ("AIRL") and Lotus Asset Management Limited. AIML is currently the investment manager of China Investment Fund Company Limited which is listed on The Stock Exchange of Hong Kong Limited. She is also a shareholder and the managing director of AIML and AIRL. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on The Stock Exchange of Hong Kong Limited: Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited and China Engene International (Holdings) Limited. She is also a non-executive independent director of AVIC International Investments Limited, a company listed on Singapore Exchange Securities Trading Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Ms. Kan held various senior positions in international and local banks and financial institutions.

## DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

#### LU HONG BING

Mr. Lu Hong Bing, aged 46, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from the East China University of Politics and Law in 1991 and has more than 20 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent director on the boards of the following companies which are listed on the Shanghai Stock Exchange: Shanghai Aerospace Automobile Electromechanical Co., Ltd (上海航天汽車機電股份有限公司), Shanghai Jiaoda Onlly Co., Ltd (上海交大昂立股份有限公司), Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司), and Shanghai DaZhong Public Utilities (Group) Co., Ltd (上海大眾公用事業(集團)股份有限公司). Mr. Lu is an executive partner of the Grandall Legal Group, a vice-president of the Executive Council of the All China Lawyers Association, an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of the East China University of Political Science and Law and the Shanghai Institute of Foreign Trade and a commissioner of the public offering commission of the Shanghai Stock Exchange. He was appointed as an independent non-executive director of Shimao International from October 2001 to February 2005.

#### LAM CHING KAM

Mr. Lam Ching Kam, aged 52, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member and the committee member of the PRC committee (Quantity Surveying Division) of the Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Building and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a registered China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 11 years. Mr. Lam has been in the property development and construction industry for 29 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co. Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing.

### SENIOR MANAGEMENT

The Executive Directors of the Company are members of senior management of the Group.

### CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the year ended 31 December 2012 required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is set out below:

| Name of Director | Detail of changes |
|------------------|-------------------|
|------------------|-------------------|

|   |  |
|---|--|
| <i>Independent Non-executive Director</i> |  |
|---|--|

|                  |  |
|------------------|--|
| Mr. Lu Hong Bing | Retired as an independent director of Shanghai Pudong Road & Bridge Construction Co., Ltd (上海浦東路橋建設股份有限公司), a company listed on the Shanghai Stock Exchange, with effect from 24 May 2013. |
|------------------|--|

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

## INFORMATION ON SHARE OPTIONS

### SHARE OPTION SCHEME OF THE COMPANY

The Company adopted a share option scheme (the "Share Option Scheme") on 9 June 2006, details are as follow:

- (a) The purpose of the Share Option Scheme is to provide the participants the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.
- (b) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.
- (c) The total number of shares which may be issued upon exercise of all options (the "Share Options") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.
- (d) The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue and any further grant of Share Options which would result in the number of shares of the Company issued as aforesaid exceeding the said 1% limit must be approved by the shareholders of the Company.
- (e) The exercise price of the Share Options shall be no less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.
- (f) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (g) Performance targets have been imposed as conditions for the grant of options under the Share Option Scheme.
- (h) The Share Option Scheme will expire on 8 June 2016.
- (i) No share options was granted under the Share Option Scheme during the six months ended 30 June 2013, nor was there any share option outstanding as at 31 December 2012 and 30 June 2013.

### SHARE OPTION SCHEME OF SHANGHAI SHIMAO

Shanghai Shimao adopted a share option scheme ("Shanghai Shimao Scheme") on 27 June 2013, details are as follow:

- (a) The purpose of Shanghai Shimao Scheme is to further optimize the corporate governance structure, establish and improve the incentive and discipline mechanism of Shanghai Shimao, unleash motivation of the management, function as a measure to attract and retain quality executives, align the interests of Shanghai Shimao Shareholders and corporate interests with personal interests of the management for building a common vision of long-term development of Shanghai Shimao, and to provide individual employees with incentives through profit sharing, thus securing the sustainable healthy development of Shanghai Shimao.
- (b) Options granted under Shanghai Shimao Scheme as incentives to directors, senior management and mid-level key managerial personnel of Shanghai Shimao. The shares subject to the options granted under Shanghai Shimao Scheme are share(s) of Shanghai Shimao which are listed on the Shanghai Stock Exchange and traded and denominated in RMB ("A Shares"). Participants who are granted with the options will be entitled to acquire A Shares at a pre-determined price during the exercise period of the relevant options, subject to the fulfilment of the relevant conditions and the terms of Shanghai Shimao Scheme.

**INFORMATION ON SHARE OPTIONS (continued)****SHARE OPTION SCHEME OF SHANGHAI SHIMAO (continued)**

- (c) The number of A Shares which will be issued under the options granted under the Shanghai Shimao Scheme is 10,000,000 A Shares, representing approximately 0.85% of the total number of A Shares in issue as at the date of interim report if all the options are exercised.
- (d) The total number of shares to be granted under the Shanghai Shimao Scheme to an individual grantee will not exceed 1% of the total issued share capital of Shanghai Shimao.
- (e) Subject to the fulfillment of various conditions as provided in the Shanghai Shimao Scheme, the options granted under the Shanghai Shimao Scheme can be exercised in two batches evenly commencing from (i) the first trading day after the expiry of the 12-month period from the date of grant and (ii) the first trading day after the expiry of the 24-month period from the date of grant respectively.
- (f) Performance targets have been imposed as conditions for the grant of options under Shanghai Shimao Scheme.
- (g) No amount is payable on application or acceptance of the option by the grantees of the options.
- (h) The exercise price of the options granted under the Shanghai Shimao Scheme is RMB9.84 per A Share, which is the higher of the following: (i) the closing price of the A Shares quoted on the Shanghai Stock Exchange on the last trading day immediately preceding the date of the announcement on the draft of the Shanghai Shimao Scheme made by Shanghai Shimao (i.e. 11 April 2013), which was RMB9.74 per A Share; and (ii) the average of the closing prices of the A Shares quoted on the Shanghai Stock Exchange for the last 30 trading days immediately preceding the date of the announcement on the draft of the Shanghai Shimao Scheme made by Shanghai Shimao, which was RMB9.84 per A Share.
- (i) Shanghai Shimao Scheme will expire on 27 June 2016.
- (j) During the six months ended 30 June 2013, Shanghai Shimao granted options to various participants pursuant to Shanghai Shimao Scheme to subscribe for a total of 10,000,000 A Shares.

Other details of the Share Option Scheme and Shanghai Shimao Scheme are set out in note 13 to the interim condensed consolidated financial information.

**SHARE AWARD SCHEME**

A Share Award Scheme of the Company (the "Share Award Scheme") was adopted by the Board on 30 December 2011 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The maximum number of shares which can be awarded under the Share Award Scheme and to a selected employee in the scheme is 1% (i.e. 34,659,508 shares) of the issued share capital of the Company as at the Adoption Date.

During the six months ended 30 June 2013, 2,142,703 shares ("Awarded Shares") were granted to certain executive directors and selected employees of the Group under the Share Award Scheme.

## DISCLOSURE OF INTERESTS IN SECURITIES

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2013, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

#### *Long position in the shares of the Company*

| Name of Directors  | Capacity/Nature of Interests       | Number of ordinary shares held    | Approximate percentage of issued share capital |
|--------------------|------------------------------------|-----------------------------------|--|
| Hui Wing Mau       | Interest of controlled corporation | 2,231,293,442 <sup>(Note 1)</sup> | 64.255%  |
| Hui Sai Tan, Jason | Beneficial owner                   | 2,223,875 <sup>(Note 2)</sup>     | 0.064%   |
| Liu Sai Fei        | Beneficial owner                   | 376,600 <sup>(Note 3)</sup>       | 0.011%   |
| Xu Younong         | Beneficial owner                   | 85,000 <sup>(Note 4)</sup>        | 0.002%   |
| Tang Fei           | Beneficial owner                   | 65,000 <sup>(Note 5)</sup>        | 0.002%   |
| Liao Lujiang       | Beneficial owner                   | 71,545 <sup>(Note 6)</sup>        | 0.002%   |

Notes:

- These 2,231,293,442 shares represent the interest in the Company held by Gemfair Investments Limited and Shiyang Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed include 111,875 Awarded Shares granted under the Share Award Scheme.
- The interests disclosed include 85,000 Awarded Shares granted under the Share Award Scheme.
- The interests disclosed represent 85,000 Awarded Shares granted under the Share Award Scheme.
- The interests disclosed represent 65,000 Awarded Shares granted under the Share Award Scheme.
- The interests disclosed represent 71,545 Awarded Shares granted under the Share Award Scheme.

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

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2013 was the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**DISCLOSURE OF INTERESTS IN SECURITIES (continued)****INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2013, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

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

| Name  | Nature of interest | Number of shares or underlying shares held | Approximate percentage of issued share capital |
|---|--------------------|--|--|
| <b>Long position</b>  |                    |  |  |
| Gemfair Investments Limited ("Gemfair")                                 | Note 1             | 1,947,984,000                              | 56.10%   |
| Overseas Investment Group International Limited ("Overseas Investment") | Note 2             | 1,947,984,000                              | 56.10%   |
| Shiyong Finance Limited ("Shiyong Finance")                             | Note 3             | 283,309,442                                | 8.16%  |

Notes:

- The interests disclosed represents the interests in the Company which is held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed represents the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his associates (directly or indirectly) hold not less than 30% interest in the Company.
- The interests disclosed represents the interests in the Company which is held by Shiyong Finance, a company which is directly wholly-owned by Mr. Hui Wing Mau.

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

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

The Company entered into the following agreements:

- A credit agreement (the "2012 Credit Agreement") on 26 November 2012 between, among others, the Company as borrower, certain subsidiaries of the Company as guarantors, The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited, and Sumitomo Mitsui Banking Corporation as mandated co-ordinating arrangers and lenders, multi-currency term loan facilities (the "2012 Loan Facilities") in the amount of US\$610,000,000 and HK\$468,000,000 will be made available to the Company for a term of 36 months from the date of the 2012 Credit Agreement.
- A credit agreement (the "2013 Credit Agreement") on 14 June 2013 between, among others, the Company as borrower, certain subsidiaries of the Company as guarantors, The Hongkong and Shanghai Banking Corporation Limited, Bank of China Limited Macau Branch, Hang Seng Bank Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited, Sumitomo Mitsui Banking Corporation, Tai Fung Bank Limited and Deutsche Bank AG, Singapore Branch as mandated co-ordinating arrangers and lenders, multi-currency term loan facilities (the "2013 Loan Facilities") in the amount of US\$320,000,000 and HK\$1,950,000,000 will be made available to the Company for a term of 48 months from the date of the 2013 Credit Agreement.

**CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES (continued)**

As provided in the 2012 Credit Agreement and 2013 Credit Agreement, if (a) Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; (iii) to have the power to direct the management of the Company, whether through the ownership of voting capital, by contract or otherwise; or (b) Mr. Hui Wing Mau ceases to be the chairman of the Board and is not replaced by Mr. Hui Sai Tan, Jason as the replacement chairman of the Board within 10 business days of any such cessation, the commitments under the 2012 Loan Facilities and 2013 Loan Facilities may be cancelled and all amounts outstanding under the 2012 Loan Facilities and 2013 Loan Facilities may become immediately due and payable.

**CORPORATE GOVERNANCE**

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

**BOARD OF DIRECTORS**

The board of directors of the Company (the "Board") comprises six Executive Directors and three Independent Non-executive Directors. The Company benefits from the collective experience of its Directors, who come from a variety of different backgrounds. Brief biographical particulars of all the Directors, together with information relating to the relationship among them, are set out in the "Directors and Senior Management Profiles" section under this interim report. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs.

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

**AUDIT COMMITTEE**

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

The primary duties of the Audit Committee are to assist the board to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditor and provide advice and comments to the Directors.

The Audit Committee meets the external auditor at least twice a year to discuss any areas of concerns during the audits and considers any matters raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2013 have been reviewed by the Audit Committee and the auditor of the Company.

## **CORPORATE GOVERNANCE (continued)**

### **REMUNERATION COMMITTEE**

The remuneration committee of the Company consists of four members, comprising Mr. Hui Wing Mau and the three Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Lu Hong Bing.

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

### **NOMINATION COMMITTEE**

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

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. All Directors of the Company confirmed they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013 except for one deviation as set out below.

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

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 3,535,000 shares of the Company at a total consideration of approximately HK\$59 million.



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

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

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

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

## INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the six months ended 30 June 2013.

On behalf of the Board  
**Hui Wing Mau**  
*Chairman*

Hong Kong, 20 August 2013

## Interim Condensed Consolidated Balance Sheet

*As at 30 June 2013*

|   |    | Unaudited<br>30 June<br>2013<br>RMB'000 | Audited<br>31 December<br>2012<br>RMB'000 |
|---|----|---|---|
| <b>ASSETS</b>   |    |   |   |
| <b>Non-current assets</b>                                       |    |   |   |
| Property and equipment  | 6  | 10,373,387                              | 9,702,631                                 |
| Investment properties   | 6  | 26,453,540                              | 26,248,098                                |
| Land use rights   | 6  | 4,809,196                               | 4,717,336                                 |
| Intangible assets   | 6  | 2,120,742                               | 2,139,925                                 |
| Associated companies  | 7  | 1,444,477                               | 1,490,441                                 |
| Jointly controlled entities                                     | 8  | 3,762,534                               | 3,985,956                                 |
| Amounts due from related parties                                | 9  | 2,338,470                               | 1,561,719                                 |
| Available-for-sale financial assets                             |    | 338,442                                 | 369,833                                   |
| Deferred income tax assets                                      |    | 1,159,520                               | 1,248,390                                 |
| Other non-current assets  | 10 | 2,093,974                               | 757,250                                   |
|   |    | <b>54,894,282</b>                       | 52,221,579                                |
| <b>Current assets</b>   |    |   |   |
| Properties under development                                    |    | 51,729,510                              | 37,608,942                                |
| Completed properties held for sale                              |    | 7,289,512                               | 7,103,351                                 |
| Trade and other receivables and prepayments                     | 11 | 8,111,622                               | 6,638,544                                 |
| Prepayments for acquisition of land use rights                  | 10 | 8,181,276                               | 6,676,235                                 |
| Prepaid income taxes  |    | 1,968,922                               | 1,165,244                                 |
| Amounts due from related parties                                | 9  | 1,415,691                               | 1,316,027                                 |
| Restricted cash   | 12 | 2,072,114                               | 2,204,028                                 |
| Cash and cash equivalents                                       |    | 16,872,616                              | 15,893,845                                |
|   |    | <b>97,641,263</b>                       | 78,606,216                                |
| <b>Total assets</b>   |    | <b>152,535,545</b>                      | 130,827,795                               |
| <b>EQUITY</b>   |    |   |   |
| <b>Equity attributable to the equity holders of the Company</b> |    |   |   |
| Share capital   | 13 | 356,275                                 | 356,275                                   |
| Reserves  |    |   |   |
| – Proposed dividend   |    | –                                       | 1,548,559                                 |
| – Others  |    | 37,449,414                              | 34,002,316                                |
|   |    | <b>37,805,689</b>                       | 35,907,150                                |
| <b>Non-controlling interests</b>                                |    | <b>5,982,531</b>                        | 5,020,082                                 |
| <b>Total equity</b>   |    | <b>43,788,220</b>                       | 40,927,232                                |

## Interim Condensed Consolidated Balance Sheet

As at 30 June 2013

|  | Note | Unaudited<br>30 June<br>2013<br>RMB'000 | Audited<br>31 December<br>2012<br>RMB'000 |
|--|------|---|---|
| <b>LIABILITIES</b>                           |      |   |   |
| <b>Non-current liabilities</b>               |      |   |   |
| Borrowings                                   | 14   | 34,755,767                              | 28,613,297                                |
| Deferred income tax liabilities              |      | 3,970,901                               | 3,775,578                                 |
|  |      | <u>38,726,668</u>                       | <u>32,388,875</u>                         |
| <b>Current liabilities</b>                   |      |   |   |
| Trade and other payables                     | 15   | 14,987,036                              | 14,316,430                                |
| Dividend payable                             |      | 1,521,444                               | –   |
| Advanced proceeds received                   |      | 28,951,613                              | 20,578,024                                |
| Income tax payable                           |      | 7,953,887                               | 7,259,690                                 |
| Borrowings                                   | 14   | 10,796,238                              | 12,380,644                                |
| Derivative financial instruments             |      | 58,491                                  | 42,572                                    |
| Amounts due to related parties               | 16   | 5,712,882                               | 2,897,713                                 |
| Deferred income                              |      | 39,066                                  | 36,615                                    |
|  |      | <u>70,020,657</u>                       | <u>57,511,688</u>                         |
| <b>Total liabilities</b>                     |      | <u>108,747,325</u>                      | <u>89,900,563</u>                         |
| <b>Total equity and liabilities</b>          |      | <u>152,535,545</u>                      | <u>130,827,795</u>                        |
| <b>Net current assets</b>                    |      | <u>27,620,606</u>                       | <u>21,094,528</u>                         |
| <b>Total assets less current liabilities</b> |      | <u>82,514,888</u>                       | <u>73,316,107</u>                         |

The notes on pages 39 to 68 form an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

|  | Note | Unaudited                |             |
|--|------|--------------------------|-------------|
|  |      | Six months ended 30 June |             |
|  |      | 2013                     | 2012        |
|  |      | RMB'000                  | RMB'000     |
| <b>Revenue</b>   | 5(A) | <b>16,676,901</b>        | 13,687,238  |
| Cost of sales  | 17   | <b>(10,753,275)</b>      | (8,975,352) |
| <b>Gross profit</b>  |      | <b>5,923,626</b>         | 4,711,886   |
| Fair value gains on investment properties                                    |      | <b>855,821</b>           | 1,827,299   |
| Other income/other gains – net   | 18   | <b>545,475</b>           | 898,050     |
| Selling and marketing costs  | 17   | <b>(537,456)</b>         | (439,911)   |
| Administrative expenses  | 17   | <b>(984,253)</b>         | (865,630)   |
| Other operating expenses   | 17   | <b>(57,307)</b>          | (161,427)   |
| <b>Operating profit</b>  |      | <b>5,745,906</b>         | 5,970,267   |
| Finance income   |      | <b>133,436</b>           | 61,595      |
| Finance costs  |      | <b>(153,059)</b>         | (74,055)    |
| Finance costs – net  | 19   | <b>(19,623)</b>          | (12,460)    |
| Share of results of  |      |                          |             |
| – Associated companies   |      | <b>(45,964)</b>          | (106,721)   |
| – Jointly controlled entities  |      | <b>272,357</b>           | (28,828)    |
|  |      | <b>226,393</b>           | (135,549)   |
| <b>Profit before income tax</b>  |      | <b>5,952,676</b>         | 5,822,258   |
| Income tax expense   | 20   | <b>(2,162,646)</b>       | (2,154,941) |
| <b>Profit for the period</b>   |      | <b>3,790,030</b>         | 3,667,317   |
| <b>Other comprehensive (loss)/income:</b>                                    |      |                          |             |
| <i>Item that may be reclassified to profit or loss</i>                       |      |                          |             |
| Fair value (losses)/gains on available-for-sale financial assets, net of tax |      | <b>(23,542)</b>          | 60,075      |
| <b>Total comprehensive income for the period</b>                             |      | <b>3,766,488</b>         | 3,727,392   |

## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

|  |      | <b>Unaudited</b>                |                  |
|--|------|---------------------------------|------------------|
|  |      | <b>Six months ended 30 June</b> |                  |
|  |      | <b>2013</b>                     | 2012             |
|  | Note | <b>RMB'000</b>                  | RMB'000          |
| <b>Profit for the period attributable to:</b>  |      |                                 |                  |
| Equity holders of the Company  |      | <b>3,470,158</b>                | 3,114,688        |
| Non-controlling interests  |      | <b>319,872</b>                  | 552,629          |
|  |      | <u><b>3,790,030</b></u>         | <u>3,667,317</u> |
| <b>Total comprehensive income for the period attributable to:</b>                      |      |                                 |                  |
| Equity holders of the Company  |      | <b>3,455,039</b>                | 3,153,269        |
| Non-controlling interests  |      | <b>311,449</b>                  | 574,123          |
|  |      | <u><b>3,766,488</b></u>         | <u>3,727,392</u> |
| <b>Earnings per share for profit attributable to the equity holders of the Company</b> |      |                                 |                  |
| – basic (RMB cents)  | 22   | <b>100.14</b>                   | 89.79            |
| – diluted (RMB cents)  | 22   | <b>100.10</b>                   | 89.74            |

The notes on pages 39 to 68 form an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

|   | Note  | Unaudited  |                     |   | Total<br>RMB'000  |
|---|-------|--|---------------------|---|-------------------|
|   |       | Attributable to the equity<br>holders of the Company |                     | Non-<br>controlling<br>interests<br>RMB'000 |                   |
|   |       | Share<br>capital<br>RMB'000                          | Reserves<br>RMB'000 |   |                   |
| <b>Balance at 1 January 2013</b>  |       | <b>356,275</b>                                       | <b>35,550,875</b>   | <b>5,020,082</b>                            | <b>40,927,232</b> |
| Profit for the period   |       | –  | 3,470,158           | 319,872                                     | 3,790,030         |
| Other comprehensive income  |       |  |                     |   |                   |
| – Fair value losses on available-for-sale<br>financial assets, net of tax   |       | –  | (15,119)            | (8,423)                                     | (23,542)          |
| <b>Total comprehensive income for the period</b>                            |       | <b>–</b>   | <b>3,455,039</b>    | <b>311,449</b>                              | <b>3,766,488</b>  |
| <b>Transactions with owners:</b>  |       |  |                     |   |                   |
| Capital contribution from non-controlling interests                         |       | –  | –                   | 651,000                                     | 651,000           |
| Share award scheme  | 13(D) | –  | 6,443               | –   | 6,443             |
| – Value of employee services  |       | –  | (47,044)            | –   | (47,044)          |
| – Purchase of shares  |       | –  | (1,515,899)         | –   | (1,515,899)       |
| 2012 final dividend payable   | 21    | –  | –                   | –   | –                 |
| <b>Total transactions with owners</b>                                       |       | <b>–</b>   | <b>(1,556,500)</b>  | <b>651,000</b>                              | <b>(905,500)</b>  |
| <b>Balance at 30 June 2013</b>  |       | <b>356,275</b>                                       | <b>37,449,414</b>   | <b>5,982,531</b>                            | <b>43,788,220</b> |
| <b>Balance at 1 January 2012</b>  |       | <b>355,737</b>                                       | <b>30,235,943</b>   | <b>4,426,397</b>                            | <b>35,018,077</b> |
| Profit for the period   |       | –  | 3,114,688           | 552,629                                     | 3,667,317         |
| Other comprehensive income  |       |  |                     |   |                   |
| – Fair value gains on available-for-sale<br>financial assets, net of tax    |       | –  | 38,581              | 21,494                                      | 60,075            |
| <b>Total comprehensive income for the period</b>                            |       | <b>–</b>   | <b>3,153,269</b>    | <b>574,123</b>                              | <b>3,727,392</b>  |
| <b>Transactions with owners:</b>  |       |  |                     |   |                   |
| Acquisition of additional interests of subsidiaries                         |       | –  | –                   | (330,000)                                   | (330,000)         |
| Changes in ownership interests in subsidiaries<br>without change of control |       | –  | –                   | 60,000                                      | 60,000            |
| Employee share option scheme  |       |  |                     |   |                   |
| – Proceeds from shares issued   |       | 538  | 29,704              | –   | 30,242            |
| Share award scheme  |       |  |                     |   |                   |
| – Purchase of shares  |       | –  | (21,206)            | –   | (21,206)          |
| 2011 final dividend payable   |       | –  | (507,551)           | –   | (507,551)         |
| <b>Total transactions with owners</b>                                       |       | <b>538</b>   | <b>(499,053)</b>    | <b>(270,000)</b>                            | <b>(768,515)</b>  |
| <b>Balance at 30 June 2012</b>  |       | <b>356,275</b>                                       | <b>32,890,159</b>   | <b>4,730,520</b>                            | <b>37,976,954</b> |

The notes on pages 39 to 68 form an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013

|   | <b>Unaudited</b>                |                   |
|---|---------------------------------|-------------------|
|   | <b>Six months ended 30 June</b> |                   |
|   | <b>2013</b>                     | 2012              |
|   | <b>RMB'000</b>                  | RMB'000           |
| Net cash (outflow)/inflow from operating activities | <b>(1,304,933)</b>              | 2,795,929         |
| Net cash outflow from investing activities          | <b>(3,476,932)</b>              | (1,745,975)       |
| Net cash inflow from financing activities           | <b>5,830,252</b>                | 407,936           |
|   | <hr/>                           | <hr/>             |
| Increase in cash and cash equivalents               | <b>1,048,387</b>                | 1,457,890         |
| Cash and cash equivalents at 1 January              | <b>15,893,845</b>               | 12,312,740        |
| Effect of foreign exchange rate changes             | <b>(69,616)</b>                 | 1,196             |
|   | <hr/>                           | <hr/>             |
| Cash and cash equivalents at 30 June                | <b><u>16,872,616</u></b>        | <u>13,771,826</u> |

The notes on pages 39 to 68 form an integral part of this interim condensed consolidated financial information.

# Notes to the Interim Condensed Consolidated Financial Information

*For the six months ended 30 June 2013*

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

Shimao Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment and hotel operation in the People's Republic of China (the "PRC").

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

This interim condensed consolidated financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and was for issue on 20 August 2013.

This interim condensed consolidated financial information has not been audited.

This interim condensed consolidated financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

## 2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those used for and described in the annual consolidated financial statements for the year ended 31 December 2012.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

- HKAS 1 (Amendment) "Presentation of financial statements". The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The new amendments on presentation of financial statements have been adopted by the Group, which are set out in the statement of comprehensive income.
- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. The new disclosure requirements on fair value measurement have been adopted by the Group, which are set out in Note 4 and Note 6.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 2 ACCOUNTING POLICIES (continued)

**(B)** The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKAS 32 (Amendment) 'Financial instruments: Presentation – Offsetting financial assets and financial liabilities'. The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of currently has a legally enforceable right of set-off; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- HKFRS10, HKFRS12 and HKAS/HKFRS 27 (revised 2011) (Amendment), 'Investment entities', provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. These amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- HKAS 36 (Amendment) 'Recoverable amount disclosures for non-financial assets', was drafted more widely than intended. The unintended result requires to disclose the recoverable amount for each CGU with significant amount of goodwill or intangible assets with indefinite useful lives no matter whether there has been impairment. HKICPA has published limited amendments to remove such requirement for CGU without impairment and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- HK (IFRIC) Interpretation 21 'Levies', clarifies the accounting for levies in the financial statements of the entity that is paying the levy. This interpretation is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.
- HKFRS 7 and HKFRS 9 (Amendments) 'Mandatory effective date and transition disclosures' delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required.

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

## Notes to the Interim Condensed Consolidated Financial Information

*For the six months ended 30 June 2013*

### 3 ESTIMATES

The preparation of interim financial information requires management to make judgements, 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 this interim condensed consolidated financial information, 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 2012.

### 4 FINANCIAL RISK MANAGEMENT

#### 4.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no significant changes in any risk management policies since the year end.

#### 4.2 LIQUIDITY RISK

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except the Company decided to early redeem the senior notes issued on 29 November 2006 with outstanding principal of US\$350,000,000 originally due on 1 December 2016, which was reclassified from non-current liabilities to current liabilities as at 30 June 2013 (Note 14).

#### 4.3 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### 4.3 FAIR VALUE ESTIMATION (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013 and 31 December 2012.

| <b>As at 30 June 2013</b>           | <b>Level 1<br/>RMB'000</b> | <b>Level 2<br/>RMB'000</b> | <b>Level 3<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|-------------------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| <b>Assets</b>                       |                            |                            |                            |                          |
| Available-for-sale financial assets |                            |                            |                            |                          |
| – equity securities                 | <u>338,442</u>             | –                          | –                          | <u>338,442</u>           |
| <b>Liabilities</b>                  |                            |                            |                            |                          |
| Derivative financial instruments    | –                          | –                          | <u>58,491</u>              | <u>58,491</u>            |
| <br>                                |                            |                            |                            |                          |
| As at 31 December 2012              | Level 1<br>RMB'000         | Level 2<br>RMB'000         | Level 3<br>RMB'000         | Total<br>RMB'000         |
| <b>Assets</b>                       |                            |                            |                            |                          |
| Available-for-sale financial assets |                            |                            |                            |                          |
| – equity securities                 | <u>369,833</u>             | –                          | –                          | <u>369,833</u>           |
| <b>Liabilities</b>                  |                            |                            |                            |                          |
| Derivative financial instruments    | –                          | –                          | <u>42,572</u>              | <u>42,572</u>            |

During the six months ended 30 June 2013, there were no transfers among levels of the fair value hierarchy.

Available-for-sale financial assets included in Level 1 is the equity securities traded in Shanghai Stock Exchange, the fair value of which is based on quoted market prices at the balance sheet date.

Derivative financial instruments included in Level 3 are two interest rate swap contracts entered into with a commercial bank, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

#### 4.4 FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 instruments during the period.

Derivatives at fair value through profit or loss

|   | <b>Six-months ended 30 June</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>2013<br/>RMB'000</b>         | 2012<br>RMB'000 |
| Opening balances  | <b>42,572</b>                   | 52,115          |
| Losses recognized in the income statement                         | <b>15,919</b>                   | 8,083           |
| Closing balances  | <u><b>58,491</b></u>            | <u>60,198</u>   |
| <br>  |                                 |                 |
| Changes in unrealized losses, under<br>'Other operating expenses' | <u><b>15,919</b></u>            | <u>8,803</u>    |

There were no other changes in valuation techniques during the period.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### 4.5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The fair value of senior notes are as follows:

|             | <b>30 June 2013</b>      | 31 December 2012 |
|-------------|--------------------------|------------------|
|             | <b>RMB'000</b>           | RMB'000          |
| Non-current | <b>9,973,235</b>         | 8,091,000        |
| Current     | <b>2,183,997</b>         | –                |
|             | <b><u>12,157,232</u></b> | <u>8,091,000</u> |

The fair value of other financial assets and liabilities approximate their carrying amount.

### 5 SEGMENT INFORMATION

The Group's chief operation decision-maker (the "CODM") has been identified as the management committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

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

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

#### (A) REVENUE

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

|  | <b>Six months ended 30 June</b> |                   |
|--|---------------------------------|-------------------|
|  | <b>2013</b>                     | 2012              |
|  | <b>RMB'000</b>                  | RMB'000           |
| Sales of properties                      | <b>15,689,453</b>               | 12,651,736        |
| Hotel operation income                   | <b>460,173</b>                  | 491,512           |
| Rental income from investment properties | <b>235,776</b>                  | 225,804           |
| Others                                   | <b>291,499</b>                  | 318,186           |
|  | <b><u>16,676,901</u></b>        | <u>13,687,238</u> |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 5 SEGMENT INFORMATION (continued)

#### (B) SEGMENT INFORMATION

The segment results for the six months ended 30 June 2013 are as follows:

|   | Property development and investment                       |                   |                            |                          | Total<br>RMB'000   |
|---|---|-------------------|----------------------------|--------------------------|--------------------|
|   | Shanghai Shimao Co., Ltd. ("Shanghai Shimao")*<br>RMB'000 | Others<br>RMB'000 | Hotel Operation<br>RMB'000 | Unallocated**<br>RMB'000 |                    |
| Revenue   |   |                   |                            |                          |                    |
| – Sales of properties                                   | 3,768,948   | 11,920,505        | –                          | –                        | 15,689,453         |
| – Hotel operation income                                | 42,291  | –                 | 417,882                    | –                        | 460,173            |
| – Rental income from investment properties              | 154,554   | 81,222            | –                          | –                        | 235,776            |
| – Others  | 156,887   | 134,612           | –                          | –                        | 291,499            |
| Total revenue   | <u>4,122,680</u>  | <u>12,136,339</u> | <u>417,882</u>             | <u>–</u>                 | <u>16,676,901</u>  |
| Operating profit  | 1,529,029   | 3,817,655         | 33,114                     | 366,108                  | 5,745,906          |
| Finance income  | 14,160  | 90,774            | 205                        | 28,297                   | 133,436            |
| Finance costs   | (59,148)  | (60,163)          | (15,694)                   | (18,054)                 | (153,059)          |
| Share of results of                                     |   |                   |                            |                          |                    |
| – Associated companies                                  | –   | (45,964)          | –                          | –                        | (45,964)           |
| – Jointly controlled entities                           | –   | 272,357           | –                          | –                        | 272,357            |
| Profit before income tax                                | <u>1,484,041</u>  | <u>4,074,659</u>  | <u>17,625</u>              | <u>376,351</u>           | <u>5,952,676</u>   |
| Income tax expense                                      |   |                   |                            |                          | <u>(2,162,646)</u> |
| Profit for the period                                   |   |                   |                            |                          | <u>3,790,030</u>   |
| Other segment items are as follows:                     |   |                   |                            |                          |                    |
| Capital and property development expenditure            | 6,091,194   | 16,795,230        | 2,049,068                  | –                        | 24,935,492         |
| Fair value gains on investment properties               | 555,521   | 300,300           | –                          | –                        | 855,821            |
| Fair value loss on derivative financial instrument      | –   | 15,919            | –                          | –                        | 15,919             |
| Write-off of intangible assets                          | –   | 19,183            | –                          | –                        | 19,183             |
| Depreciation  | 54,996  | 16,293            | 82,206                     | 12,040                   | 165,535            |
| Amortisation of land use rights                         | 2,065   | 545               | 19,939                     | –                        | 22,549             |
| Provision for/(write back of) impairment of receivables | <u>5,435</u>  | <u>(40)</u>       | <u>–</u>                   | <u>–</u>                 | <u>5,395</u>       |

\* The Group owns an effective equity interest of 64.22% in Shanghai Shimao.

\*\* Unallocated mainly represent corporate level activities.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 5 SEGMENT INFORMATION (continued)

#### (B) SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2012 are as follows:

|   | Property development<br>and investment |                   | Hotel<br>Operation<br>RMB'000 | Unallocated<br>RMB'000 | Total<br>RMB'000   |
|---|--|-------------------|-------------------------------|------------------------|--------------------|
|   | Shanghai<br>Shimao<br>RMB'000          | Others<br>RMB'000 |                               |                        |                    |
| Revenue   |  |                   |                               |                        |                    |
| – Sales of properties                                 | 2,514,516                              | 10,137,220        | –                             | –                      | 12,651,736         |
| – Hotel operation income                              | 44,211                                 | –                 | 447,301                       | –                      | 491,512            |
| – Rental income from<br>investment properties         | 139,881                                | 85,923            | –                             | –                      | 225,804            |
| – Others  | 282,636                                | 35,550            | –                             | –                      | 318,186            |
| Total revenue   | <u>2,981,244</u>                       | <u>10,258,693</u> | <u>447,301</u>                | <u>–</u>               | <u>13,687,238</u>  |
| Operating profit/(loss)                               | 2,437,339                              | 3,651,893         | 53,056                        | (172,021)              | 5,970,267          |
| Finance income  | 19,888                                 | 40,806            | 518                           | 383                    | 61,595             |
| Finance costs   | (71,030)                               | 9,817             | (2,933)                       | (9,909)                | (74,055)           |
| Share of results of                                   |  |                   |                               |                        |                    |
| – Associated companies                                | –                                      | (106,721)         | –                             | –                      | (106,721)          |
| – Jointly controlled entities                         | –                                      | (28,828)          | –                             | –                      | (28,828)           |
| Profit/(loss) before income tax                       | <u>2,386,197</u>                       | <u>3,566,967</u>  | <u>50,641</u>                 | <u>(181,547)</u>       | 5,822,258          |
| Income tax expense                                    |  |                   |                               |                        | <u>(2,154,941)</u> |
| Profit for the period                                 |  |                   |                               |                        | <u>3,667,317</u>   |
| Other segment items are as follows:                   |  |                   |                               |                        |                    |
| Capital and property<br>development expenditure       | 3,480,092                              | 6,045,913         | 914,428                       | 1,138                  | 10,441,571         |
| Fair value gains on investment<br>properties          | 1,424,906                              | 402,393           | –                             | –                      | 1,827,299          |
| Fair value loss on derivative<br>financial instrument | –                                      | 8,083             | –                             | –                      | 8,083              |
| Write-off of intangible assets                        | –                                      | 29,396            | –                             | –                      | 29,396             |
| Depreciation  | 42,764                                 | 13,057            | 96,453                        | 9,236                  | 161,510            |
| Amortisation of land use rights                       | 2,985                                  | –                 | 18,458                        | –                      | 21,443             |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 5 SEGMENT INFORMATION (continued)

#### (B) SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2013 are as follows:

|                                     | Property development<br>and investment |                   |                               | Total<br>RMB'000   |
|-------------------------------------|--|-------------------|-------------------------------|--------------------|
|                                     | Shanghai<br>Shimao<br>RMB'000          | Others<br>RMB'000 | Hotel<br>operation<br>RMB'000 |                    |
| Associated companies                | –                                      | 1,444,477         | –                             | 1,444,477          |
| Jointly controlled entities         | –                                      | 3,762,534         | –                             | 3,762,534          |
| Intangible assets                   | 1,709,730                              | 280,084           | 130,928                       | 2,120,742          |
| Other segment assets                | 40,050,281                             | 89,001,538        | 13,323,115                    | 142,374,934        |
| Total segment assets                | <u>41,760,011</u>                      | <u>94,488,633</u> | <u>13,454,043</u>             | 149,702,687        |
| Deferred income tax assets          |  |                   |                               | 1,159,520          |
| Available-for-sale financial assets |  |                   |                               | 338,442            |
| Other assets                        |  |                   |                               | <u>1,334,896</u>   |
| Total assets                        |  |                   |                               | <u>152,535,545</u> |
| Borrowings                          | 11,965,252                             | 14,066,493        | 1,250,878                     | 27,282,623         |
| Other segment liabilities           | 7,358,846                              | 43,329,999        | 6,524,322                     | 57,213,167         |
| Total segment liabilities           | <u>19,324,098</u>                      | <u>57,396,492</u> | <u>7,775,200</u>              | 84,495,790         |
| Corporate borrowings                |  |                   |                               | 18,269,383         |
| Deferred income tax liabilities     |  |                   |                               | 3,970,901          |
| Derivative financial instruments    |  |                   |                               | 58,491             |
| Other liabilities                   |  |                   |                               | <u>1,952,760</u>   |
| Total liabilities                   |  |                   |                               | <u>108,747,325</u> |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 5 SEGMENT INFORMATION (continued)

#### (B) SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2012 are as follows:

|                                     | Property development<br>and investment |                   |                               | Total<br>RMB'000   |
|-------------------------------------|--|-------------------|-------------------------------|--------------------|
|                                     | Shanghai<br>Shimao<br>RMB'000          | Others<br>RMB'000 | Hotel<br>operation<br>RMB'000 |                    |
| Associated companies                | –                                      | 1,490,441         | –                             | 1,490,441          |
| Jointly controlled entities         | –                                      | 3,985,956         | –                             | 3,985,956          |
| Intangible assets                   | 1,709,730                              | 299,267           | 130,928                       | 2,139,925          |
| Other segment assets                | 35,968,004                             | 73,858,285        | 11,373,946                    | 121,200,235        |
| Total segment assets                | <u>37,677,734</u>                      | <u>79,633,949</u> | <u>11,504,874</u>             | 128,816,557        |
| Deferred income tax assets          |  |                   |                               | 1,248,390          |
| Available-for-sale financial assets |  |                   |                               | 369,833            |
| Other assets                        |  |                   |                               | <u>393,015</u>     |
| Total assets                        |  |                   |                               | <u>130,827,795</u> |
| Borrowings                          | 11,339,454                             | 14,103,317        | 414,368                       | 25,857,139         |
| Other segment liabilities           | 10,649,375                             | 28,517,163        | 5,636,560                     | 44,803,098         |
| Total segment liabilities           | <u>21,988,829</u>                      | <u>42,620,480</u> | <u>6,050,928</u>              | 70,660,237         |
| Corporate borrowings                |  |                   |                               | 15,136,802         |
| Deferred income tax liabilities     |  |                   |                               | 3,775,578          |
| Derivative financial instruments    |  |                   |                               | 42,572             |
| Other liabilities                   |  |                   |                               | <u>285,374</u>     |
| Total liabilities                   |  |                   |                               | <u>89,900,563</u>  |

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 6 CAPITAL EXPENDITURE

|  | Property and<br>equipment<br>RMB'000 | Investment<br>properties<br>RMB'000 | Land use<br>rights<br>RMB'000 | Intangible<br>assets<br>RMB'000 | Total<br>RMB'000   |
|--|--------------------------------------|-------------------------------------|-------------------------------|---------------------------------|--------------------|
| Opening net book amount as at                                |                                      |                                     |                               |                                 |                    |
| 1 January 2013   | <b>9,702,631</b>                     | <b>26,248,098</b>                   | <b>4,717,336</b>              | <b>2,139,925</b>                | <b>42,807,990</b>  |
| Additions  | <b>1,833,240</b>                     | <b>1,044,415</b>                    | <b>158,213</b>                | –                               | <b>3,035,868</b>   |
| Amortisation of land use rights                              | <b>7,638</b>                         | –                                   | <b>(7,638)</b>                | –                               | –                  |
| Transfer to properties under development                     | <b>(995,237)</b>                     | <b>(1,694,794)</b>                  | <b>(36,166)</b>               | –                               | <b>(2,726,197)</b> |
| Fair value gains   | –                                    | <b>855,821</b>                      | –                             | –                               | <b>855,821</b>     |
| Write-off of goodwill  | –                                    | –                                   | –                             | <b>(19,183)</b>                 | <b>(19,183)</b>    |
| Depreciation/amortisation charged to the<br>income statement | <b>(165,535)</b>                     | –                                   | <b>(22,549)</b>               | –                               | <b>(188,084)</b>   |
| Disposals  | <b>(9,350)</b>                       | –                                   | –                             | –                               | <b>(9,350)</b>     |
|  | <u>          </u>                    | <u>          </u>                   | <u>          </u>             | <u>          </u>               | <u>          </u>  |
| Closing net book amount as at                                |                                      |                                     |                               |                                 |                    |
| 30 June 2013   | <b>10,373,387</b>                    | <b>26,453,540</b>                   | <b>4,809,196</b>              | <b>2,120,742</b>                | <b>43,756,865</b>  |
|  | <u>          </u>                    | <u>          </u>                   | <u>          </u>             | <u>          </u>               | <u>          </u>  |
| Opening net book amount as at                                |                                      |                                     |                               |                                 |                    |
| 1 January 2012   | 8,325,789                            | 20,566,979                          | 2,475,068                     | 2,264,027                       | 33,631,863         |
| Additions  | 1,156,367                            | 1,134,274                           | 104,085                       | –                               | 2,394,726          |
| Amortisation of land use rights                              | 11,115                               | –                                   | (11,115)                      | –                               | –                  |
| Transfer from properties under<br>development                | –                                    | 231,960                             | –                             | –                               | 231,960            |
| Fair value gains   | –                                    | 1,827,299                           | –                             | –                               | 1,827,299          |
| Write-off of goodwill  | –                                    | –                                   | –                             | (29,396)                        | (29,396)           |
| Depreciation/amortisation charged to<br>the income statement | (161,510)                            | –                                   | (21,443)                      | –                               | (182,953)          |
| Deemed disposal of subsidiaries                              | (1,067)                              | –                                   | –                             | –                               | (1,067)            |
| Disposals  | (12,552)                             | –                                   | –                             | –                               | (12,552)           |
|  | <u>          </u>                    | <u>          </u>                   | <u>          </u>             | <u>          </u>               | <u>          </u>  |
| Closing net book amount as at                                |                                      |                                     |                               |                                 |                    |
| 30 June 2012   | <b>9,318,142</b>                     | <b>23,760,512</b>                   | <b>2,546,595</b>              | <b>2,234,631</b>                | <b>37,859,880</b>  |
|  | <u>          </u>                    | <u>          </u>                   | <u>          </u>             | <u>          </u>               | <u>          </u>  |

Intangible assets comprise goodwill from business combinations.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 6 CAPITAL EXPENDITURE (continued)

The valuations of the investment properties at 30 June 2013 and 30 June 2012 were carried out by an independent firm, Vigers Appraisal and Consulting Limited, who is a fellow member of the Royal Institution of Chartered Surveyors. The fair value measurement information for these investment properties in accordance with HKFRS 13 are given below.

|                                   | Fair value measurements<br>at 30 June 2013   |  |   |
|-----------------------------------|--|--|---|
|                                   | Quoted prices<br>in active<br>markets for<br>identical<br>assets<br>(Level 1)<br>RMB'000 | Significant<br>other<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |
| Recurring fair value measurements |  |  |   |
| Investment properties             | –  | 16,167,286   | 10,286,254  |

There were no transfers among Level 1, Level 2 and Level 3 during the period.

Level 2 represented fair values of completed investment properties, which were valued on the basis of capitalization of net rental income derived from the existing tenancies with allowance onto the reversionary interest of the properties and by reference to comparable market transactions.

Level 3 represented fair values of investment properties under development, which were valued primarily by using residual method of valuation involving the gross development value assessment of the hypothetical development to be erected on the property based on the latest development scheme. The estimated development costs for the hypothetical development, including construction costs and professional fees together with allowances on interest payments and developer's profits, are deducted from the established gross development value thereof. The resultant figure is then adjusted back to present value as at the valuation date to reflect the existing state of the property.

|   | Significant unobservable<br>inputs (Level 3)<br>Six months ended 30 June |                 |
|---|--|-----------------|
|   | 2013<br>RMB'000  | 2012<br>RMB'000 |
| Opening balances                                    | 10,470,979   | 6,584,679       |
| Additions   | 1,205,480  | 1,159,153       |
| Transfers   | (1,855,632)  | –               |
| Unrealized gains recognized in the income statement | 465,427  | 1,432,906       |
| Closing balances                                    | 10,286,254   | 9,176,739       |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 6 CAPITAL EXPENDITURE (continued)

The main Level 3 inputs used by the Group are as follows:

- Estimated costs to completion and profit margin required, which are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the estimated costs or profit margin, the lower the fair values of the investment properties.
- Discount rates, which are on the weighted average cost of capital of public companies that are comparable with the businesses being valued. The higher the discount rates used, the lower the fair values of the investment properties.

There were no changes in valuation techniques during the period.

### 7 ASSOCIATED COMPANIES

|                  | <b>Six months ended<br/>30 June 2013</b><br>RMB'000 |
|------------------|---|
| Opening balance  | 1,490,441   |
| Share of results | (45,964)  |
|                  | <hr/>   |
| Ending balance   | <u>1,444,477</u>                                    |

The Group's share of the results of its associated companies, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

|   | <b>Assets</b><br>RMB'000 | <b>Liabilities</b><br>RMB'000 | <b>Revenue</b><br>RMB'000 | <b>Net profit</b><br>RMB'000 |
|---|--------------------------|-------------------------------|---------------------------|------------------------------|
| <b>30 June 2013 and six months ended 30 June 2013</b> | <u>9,791,432</u>         | <u>(8,346,955)</u>            | <u>160,903</u>            | <u>(45,964)</u>              |

Guangzhou Li He Property Development Company Limited ("Guangzhou Li He") is an associate company of the Group, in which the Group holds 20% equity interest. The land use right of Guangzhou Li He consists of three phases. According to the agreed payment schedule of land premium, the third phase land premium of RMB10,200,000,000 should be settled in December 2011. As at 30 June 2013, there was an outstanding land premium totalling RMB7,700,000,000 remained unsettled. Management of Guangzhou Li He is in the progress of negotiating with related government authorities about the repayment schedule of this outstanding land premium. Based on the continuing negotiation initiated by the management of Guangzhou Li He and their consultation with external lawyer, the directors of the Company consider that the delayed payment of land premium does not have significant adverse impact on the operation result and financial position of the Group as at 30 June 2013.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 8 JOINTLY CONTROLLED ENTITIES

|                              | <b>Six months ended<br/>30 June 2013</b><br>RMB'000 |
|------------------------------|---|
| Opening balance              | 3,985,956   |
| Capital injection (a)        | 35,000  |
| Transfer to a subsidiary (b) | (305,683)   |
| Disposed (c)                 | (225,096)   |
| Share of results             | 272,357   |
|                              | <hr/>   |
| Ending balance               | <u>3,762,534</u>                                    |

The Group's share of the results of its jointly controlled entities, all of which are unlisted, and its share of the jointly controlled entities' aggregated assets and liabilities, are as follows:

|   | <b>Assets</b><br>RMB'000 | <b>Liabilities</b><br>RMB'000 | <b>Revenue</b><br>RMB'000 | <b>Net profit</b><br>RMB'000 |
|---|--------------------------|-------------------------------|---------------------------|------------------------------|
| <b>30 June 2013 and six months ended 30 June 2013</b> | <u>13,061,030</u>        | <u>(9,298,496)</u>            | <u>1,240,385</u>          | <u>272,357</u>               |

Note:

- (a) In January and February 2013, the Group and two third parties formed two new entities named Guangzhou Cheng Yu Property Development Co., Ltd. ("Guangzhou Cheng Yu") and Shanghai Shimao Xi Kang Health Management Co., Ltd. ("Shanghai Xi Kang"). The Group made capital injections of RMB30,000,000 to Guangzhou Cheng Yu and RMB5,000,000 to Shanghai Xi Kang respectively. After the capital injections, the Group holds 50% equity interest of each entity.
- (b) In January 2013, the Group paid cash consideration of RMB290,000,000 to acquire 50% equity interest in Qingdao Shimao New City Property Development Co., Ltd. ("Qingdao New City"). After the acquisition, Qingdao New City became a wholly owned subsidiary of the Group. The acquisition consideration approximated the fair value of the acquired net assets of Qingdao New City. The identifiable assets acquired included cash and cash equivalents amounting to RMB134,000,000, properties under development amounting to RMB2,847,000,000 and other assets amounting to RMB357,000,000. The identifiable liabilities assumed included borrowings amounting to RMB1,130,000,000, advanced proceeds received amounting to RMB815,000,000 and other liabilities amounting to RMB1,103,000,000.
- (c) In January 2013, the Group disposed all its interests in Huizhou Fumao Property Development Co., Ltd. The disposal gain of RMB134,684,000 was recognized in the income statement as other gains (Note 18).

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 9 AMOUNTS DUE FROM RELATED PARTIES

|  | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|--|-------------------------------------|--------------------------------|
| <b>Included in non-current assets</b>  |                                     |                                |
| <b>– Jointly controlled entities</b>   |                                     |                                |
| Fast Right Investments Limited   | <b>775,709</b>                      | 789,571                        |
| Tianjin Jinnan New City Property Development Co., Ltd.<br>("Tianjin Jinnan") | <b>723,068</b>                      | 499,300                        |
| Kingtron Enterprises Limited   | <b>270,288</b>                      | 272,848                        |
| Guangzhou Cheng Yu   | <b>569,000</b>                      | –                              |
| Tianjin Hean Investment Co., Ltd.  | <b>405</b>                          | –                              |
|  | <hr/> <b>2,338,470</b> <hr/>        | <hr/> 1,561,719 <hr/>          |

The Group made advances to several jointly controlled entities to finance their acquisition of land use rights. These advances are interest free, unsecured and have no fixed repayment terms. The Group's intention is that the advances will only be recalled when the jointly controlled entities have surplus cash.

|  | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|--|-------------------------------------|--------------------------------|
| <b>Included in current assets</b>  |                                     |                                |
| <b>– Companies with common directors</b>                                       |                                     |                                |
| Shimao International Holdings Limited<br>("Shimao International")              | <b>478</b>                          | 486                            |
| Shanghai Mason Club Co., Ltd.  | <b>161</b>                          | 161                            |
| <b>– Associated companies</b>  |                                     |                                |
| Guangzhou Li He  | <b>1,251,891</b>                    | 1,150,507                      |
| Eagle Rights Limited   | <b>8,056</b>                        | –                              |
| Straits Construction Investment (Holdings) Limited<br>("Straits Construction") | –                                   | 941                            |
| <b>– Jointly controlled entities</b>   |                                     |                                |
| Changsha Shimao New Property Enterprise<br>Development Co., Ltd.               | <b>152,715</b>                      | –                              |
| Tianjin Jinnan   | <b>2,390</b>                        | 2,432                          |
| Huizhou Fumao Property Development Co., Ltd.                                   | –                                   | 161,500                        |
|  | <hr/> <b>1,415,691</b> <hr/>        | <hr/> 1,316,027 <hr/>          |

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 10 OTHER NON-CURRENT ASSETS

Other non-current assets represent the prepayments for acquisition of land and equity interests.

The Group made prepayments for certain lands, the ownership of which have not been obtained as at the balance sheet dates. As at 30 June 2013, prepayments of RMB1,083,104,000 (31 December 2012: RMB757,250,000) were related to the lands for the purpose to develop hotel buildings, self-used buildings and investment properties, and are included in non-current assets. As at 30 June 2013, prepayments of RMB8,181,276,000 (31 December 2012: RMB6,676,235,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets.

As at 30 June 2013, the Group made prepayments of RMB1,010,870,000 for acquisition of certain equity interests.

### 11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|   | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|---|-------------------------------------|--------------------------------|
| Bidding deposits for land use rights (note (a)) | <b>1,224,995</b>                    | 1,179,136                      |
| Trade receivables (note (b))                    | <b>3,123,593</b>                    | 2,407,832                      |
| Prepaid business taxes on pre-sale proceeds     | <b>1,533,064</b>                    | 1,074,301                      |
| Prepayments for construction costs              | <b>601,766</b>                      | 665,931                        |
| Other receivables                               | <b>1,628,204</b>                    | 1,311,344                      |
|   | <b><u>8,111,622</u></b>             | <u>6,638,544</u>               |

Note:

- (a) Bidding deposits for land use rights mainly represented deposits of the Group placed with various municipal government for the participation in various land auctions. These deposits will be deducted against the total land costs to be paid, if the Group won the bid at the auction. If the Group's bid did not win, the amount will be fully refunded.
- (b) Trade receivables are mainly arisen from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at respective balance sheet dates is as follows:

|                                  | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|----------------------------------|-------------------------------------|--------------------------------|
| Within 90 days                   | <b>1,947,279</b>                    | 1,608,555                      |
| Over 90 days and within 365 days | <b>912,127</b>                      | 566,032                        |
| Over 365 days                    | <b>264,187</b>                      | 233,245                        |
|                                  | <b><u>3,123,593</u></b>             | <u>2,407,832</u>               |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

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

Trade receivables are analyzed as follows:

|                                     | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|-------------------------------------|-------------------------------------|--------------------------------|
| Fully performing under credit terms | <b>1,979,293</b>                    | 1,454,429                      |
| Past due but not impaired           | <b>1,144,300</b>                    | 953,403                        |
|                                     | <b><u>3,123,593</u></b>             | <u>2,407,832</u>               |

The ageing analysis of trade receivables past due but not impaired is as follows:

|                                  | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|----------------------------------|-------------------------------------|--------------------------------|
| Within 90 days                   | <b>384,338</b>                      | 326,277                        |
| Over 90 days and within 365 days | <b>495,775</b>                      | 393,881                        |
| Over 365 days                    | <b>264,187</b>                      | 233,245                        |
|                                  | <b><u>1,144,300</u></b>             | <u>953,403</u>                 |

As the Group normally holds collateral of the properties before collection of the outstanding balances and passing the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no impairment was made against past due receivables as at 30 June 2013 and 31 December 2012.

### 12 RESTRICTED CASH

As at 30 June 2013, the Group's bank deposits of approximately RMB706,621,000 (31 December 2012: RMB222,381,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The Group's cash of approximately RMB1,365,493,000 (31 December 2012: RMB1,981,647,000) were pledged as collateral for the Group's borrowings.

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 13 SHARE CAPITAL

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

|                                       | Par value  | Number of shares | Nominal value of ordinary shares |                |
|---------------------------------------|------------|------------------|----------------------------------|----------------|
|                                       |            |                  | Equivalent to                    |                |
|                                       | HK\$       | '000             | HK\$'000                         | RMB'000        |
| Authorised:                           |            |                  |                                  |                |
| At 30 June 2013, and 31 December 2012 | <b>0.1</b> | <b>5,000,000</b> | <b>500,000</b>                   |                |
| Issued and fully paid:                |            |                  |                                  |                |
| At 30 June 2013, and 1 January 2013   |            | <b>3,472,572</b> | <b>347,257</b>                   | <b>356,275</b> |
| At 1 January 2012                     |            | 3,465,951        | 346,595                          | 355,737        |
| Employee share option scheme          |            |                  |                                  |                |
| – Shares issued (B)                   |            | 6,621            | 662                              | 538            |
| At 30 June 2012                       |            | <b>3,472,572</b> | <b>347,257</b>                   | <b>356,275</b> |

#### (B) PRE-IPO SHARE OPTION SCHEME

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

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

|                                    | Six months ended 30 June |         |
|------------------------------------|--------------------------|---------|
|                                    | 2013                     | 2012    |
|                                    | '000                     | '000    |
| Balance at beginning of the period | –                        | 8,024   |
| Exercised                          | –                        | (6,621) |
| Expired                            | –                        | (1,403) |
| Balance at end of the period       | –                        | –       |

There were no outstanding options as at 30 June 2013.



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 13 SHARE CAPITAL (continued)

#### (C) SHARE OPTION SCHEME

Pursuant to the shareholders' resolution passed on 9 June 2006, another share option scheme ("Share Option Scheme") was conditionally approved. Options for a total of 15,350,000 ordinary shares of the Company under this scheme had been granted to independent non-executive directors, an executive director and selected employees on 4 February 2008 with exercise price of HK\$16.24 per share. As at 31 December 2008, all 15,350,000 options were forfeited or cancelled, and no other options have been granted under Share Option Scheme since then.

Pursuant to Shanghai Shimao's shareholders' resolution passed on 27 June 2013, a share option scheme ("A Share Option Scheme") was approved, and will expire at the end of the 36-month period from the date of grant. On 28 June 2013, options for a total of 10,000,000 ordinary shares of Shanghai Shimao ("A share option") under this scheme were granted to Shanghai Shimao's eligible employees with exercise price of RMB9.84 per share. The exercise of the granted options is subject to a restriction of 12 months from the date of grant. Subject to the fulfilment of various conditions, including service condition and non-market performance condition, as provided in the A Share Option Scheme, the granted options can be exercised in two batches evenly commencing from (i) the first trading day after the expiry of the 12-month period from the date of grant and (ii) the first trading day after the expiry of the 24-month period from the date of grant, respectively. The weighted average fair value of A share option granted determined using the Black-Scholes valuation model was RMB1.235 per option.

#### (D) SHARE AWARD SCHEME

The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 30 December 2011 (the "Share Scheme"). Unless terminated earlier by the Board, the Share Scheme is valid and effective for a term of 8 years commencing on 30 December 2011. The maximum number of shares to be awarded must not exceed 34,659,508 shares (i.e. 1% of issued shares of the Company as at 30 December 2011).

The Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select such employee(s) for participation in the Share Scheme and determine the number of awarded shares.

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 30 June 2013, the Trust purchased 7,535,000 ordinary shares from market, totaling HK\$84,173,000 (equivalent to RMB68,250,000), of which during the six months ended 30 June 2013, 2,142,703 shares were granted to certain executive directors and eligible employees according to the Share Scheme.

The granted shares were subject to several vesting conditions, including 1 year service and non-market performance appraisal before vesting date. The shares granted are held by the Trust before being transferred to the employees when vesting conditions are fully met.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 13 SHARE CAPITAL (continued)

#### (D) SHARE AWARD SCHEME (continued)

Movements in the number of unvested shares granted during the period are as follows:

|                            | Number of unvested<br>shares granted |          |
|----------------------------|--------------------------------------|----------|
|                            | Six months ended 30 June             |          |
|                            | 2013                                 | 2012     |
| Unvested shares, beginning | –                                    | –        |
| Granted                    | <b>2,142,703</b>                     | –        |
| Vested                     | –                                    | –        |
| Expired                    | –                                    | –        |
|                            | <hr/>                                | <hr/>    |
| Unvested shares, ending    | <b><u>2,142,703</u></b>              | <u>–</u> |

The weighted average fair value of the unvested units granted during the period ended 30 June 2013 is HK\$32,997,626 (equivalent to RMB26,285,909).

#### (E) Reconciliation of the number of shares outstanding was as follows:

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2013                     | 2012             |
|  | '000                     | '000             |
| Shares issued and fully paid at 30 June          | <b><u>3,472,572</u></b>  | <u>3,472,572</u> |
| Treasury shares at 1 January                     | <b>(4,000)</b>           | –                |
| Treasury shares purchased for Share Award Scheme | <b><u>(3,535)</u></b>    | <u>(4,000)</u>   |
| Shares outstanding at 30 June                    | <b><u>3,465,037</u></b>  | <u>3,468,572</u> |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 14 BORROWINGS

|  | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|--|-------------------------------------|--------------------------------|
| Borrowings included in non-current liabilities                             |                                     |                                |
| Long-term bank borrowings  |                                     |                                |
| – secured by assets (note (i))   | <b>20,687,332</b>                   | 17,483,356                     |
| – secured by shares of subsidiary guarantors (note (ii))                   | <b>4,040,154</b>                    | 3,419,577                      |
| – secured by shares of a listed subsidiary (note (iii))                    | <b>500,000</b>                      | 500,000                        |
| – unsecured  | <b>494,763</b>                      | 376,840                        |
| Long-term borrowings from other financial institutions                     |                                     |                                |
| – secured by assets (note (i))   | <b>2,602,450</b>                    | 4,778,246                      |
| – secured by shares of a listed subsidiary (notes (iii))                   | <b>109,969</b>                      | 1,131,969                      |
| – unsecured  | –                                   | 50,000                         |
| Senior notes – secured (note (iv))   | <b>12,136,379</b>                   | 7,391,143                      |
|  | <b>40,571,047</b>                   | 35,131,131                     |
| Less: Long-term bank borrowings due within one year                        | <b>(1,759,646)</b>                  | (3,058,668)                    |
| Senior note due within one year (note (iv))                                | <b>(2,113,715)</b>                  | –                              |
| Long-term borrowings from other financial institutions due within one year | <b>(1,941,919)</b>                  | (3,459,166)                    |
|  | <b>(5,815,280)</b>                  | (6,517,834)                    |
|  | <b>34,755,767</b>                   | 28,613,297                     |
| Borrowings included in current liabilities                                 |                                     |                                |
| Short-term bank borrowings   |                                     |                                |
| – secured by assets (note (i))   | <b>2,032,087</b>                    | 3,869,063                      |
| – unsecured  | <b>230,100</b>                      | 273,000                        |
| Short term borrowings from other financial institutions                    |                                     |                                |
| – secured by assets (note (i))   | <b>1,320,588</b>                    | 293,867                        |
| – secured by shares of a listed subsidiary (note (iii))                    | <b>365,000</b>                      | 1,426,880                      |
| – unsecured  | <b>1,033,183</b>                    | –                              |
| Current portion of long-term borrowings                                    | <b>5,815,280</b>                    | 6,517,834                      |
|  | <b>10,796,238</b>                   | 12,380,644                     |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 14 BORROWINGS (continued)

Movement of borrowings is analyzed as follows:

|                                   | Six months ended 30 June |                   |
|-----------------------------------|--------------------------|-------------------|
|                                   | 2013<br>RMB'000          | 2012<br>RMB'000   |
| Opening balance at 1 January      | 40,993,941               | 42,561,253        |
| Additions of borrowings           | 20,011,276               | 10,825,618        |
| Amortisation of issuance expenses | 24,734                   | 29,827            |
| Reductions of borrowings          | (15,151,895)             | (12,290,556)      |
| Foreign exchange (gains)/losses   | (326,051)                | 59,678            |
|                                   | <u>45,552,005</u>        | <u>41,185,820</u> |
| Closing balance at 30 June        | <u>45,552,005</u>        | <u>41,185,820</u> |

Notes:

- (i) As at 30 June 2013, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB26,642,457,000 (31 December 2012: RMB26,424,532,000) were secured by its property and equipment, investment properties, land use rights, available-for-sale financial assets, properties under development, completed properties held for sale and restricted cash. As at 30 June 2013, secured borrowings of RMB5,448,917,000 (31 December 2012: RMB4,794,664,000) were further guaranteed by Mr. Hui Wing Mau.

The pledged assets for the Group's borrowings are as follows:

|                                     | 30 June<br>2013<br>RMB'000 | 31 December<br>2012<br>RMB'000 |
|-------------------------------------|----------------------------|--------------------------------|
| Property and equipment              | 5,041,265                  | 5,747,018                      |
| Investment properties               | 13,739,042                 | 15,261,100                     |
| Land use rights                     | 726,766                    | 1,877,321                      |
| Available-for-sale financial assets | –                          | 82,000                         |
| Properties under development        | 21,878,303                 | 15,341,479                     |
| Completed properties held for sale  | 2,852,140                  | 1,159,357                      |
| Restricted cash                     | 1,365,493                  | 1,981,647                      |
|                                     | <u>45,603,009</u>          | <u>41,449,922</u>              |

- (ii) On 14 May 2010, the Company entered into a multi-currency loan facility agreement with a syndicate of 14 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US\$440,000,000 facility and a HK\$156,000,000 facility at a floating rate of interest, 10% out of the loan principal will mature in 2011, 45% will mature in 2012 and remaining 45% will mature in 2013. The loan facilities were secured by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 7 December 2012, the Company early repaid the remaining 45% of the borrowings (approximately RMB1,303,016,000).

On 26 November 2012, the Company entered into a multi-currency loan facility agreement with a syndicate of 5 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US\$610,000,000 facility and a HK\$468,000,000 facility at a floating rate of interest, 25% out of the loan principal will mature in 2014 and 75% will mature in 2015. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the share of these subsidiary guarantors. As at 30 June 2013, US\$610,000,000 and HK\$468,000,000 have been drawn down (31 December 2012: US\$510,000,000 and HK\$391,278,689 were drawn down).

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 14 BORROWINGS (continued)

Notes: (continued)

- (iii) As at 30 June 2013, 107,200,000 shares (31 December 2012: 107,200,000 shares) of Shanghai Shimaoheld by the Group have been pledged for a total bank borrowings of RMB500,000,000 (31 December 2012: RMB500,000,000) for group companies.

As at 30 June 2013, 186,110,000 shares (31 December 2012: 575,050,000 shares) of Shanghai Shimaoheld by the Group have been pledged for a total borrowings from other financial institutions of RMB474,969,000 (31 December 2012: RMB2,558,849,000) for group companies.

- (iv) On 29 November 2006, the Company issued a total of US\$600,000,000 senior notes, including US\$250,000,000 at a floating interest rate due on 1 December 2011 and US\$350,000,000 at a fixed interest rate due on 1 December 2016. The Company may at its option redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain subsidiaries other than those established under the laws of the PRC ("Subsidiary Guarantors"), and secured by a pledge of the shares of these Subsidiary Guarantors. On 3 May 2011, the Company early redeemed senior notes of US\$250,000,000, which was originally due on 1 December 2011. On 17 July 2013, the Company early redeemed senior notes of US\$350,000,000, which was originally due on 1 December 2016. As at 30 June 2013, these senior notes were reclassified to current liabilities.

On 3 August 2010, the Company issued senior notes with total principal of US\$500,000,000 at a fixed interest rate of 9.65% due on 3 August 2017. On 8 March 2011, the Company issued senior notes with total principal of US\$350,000,000 at a fixed interest rate of 11% due on 8 March 2018. And on 14 January 2013, the Company issued senior notes with total principal of US\$800,000,000 at a fixed interest rate of 6.625% due on 14 January 2020. The Company may at its option to redeem these notes, in whole or in part, by certain dates based on the terms of these notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. RMB1,498,271,833 of the term loans due for repayment after one year which contain a repayment on demand clause were classified as current liabilities as at 30 June 2013 (31 December 2012: RMB1,538,087,600), none of these loans are expected to be settled within one year.

### 15 TRADE AND OTHER PAYABLES

|                            | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|----------------------------|-------------------------------------|--------------------------------|
| Trade payables (note (i))  | <b>12,318,781</b>                   | 11,595,770                     |
| Other taxes payable        | <b>763,712</b>                      | 609,650                        |
| Accrued expenses           | <b>908,656</b>                      | 732,484                        |
| Other payables (note (ii)) | <b>995,887</b>                      | 1,378,526                      |
|                            | <b><u>14,987,036</u></b>            | <u>14,316,430</u>              |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 15 TRADE AND OTHER PAYABLES (continued)

Notes:

(i) The ageing analysis from the recorded date of trade payables is as follows:

|                                | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|--------------------------------|-------------------------------------|--------------------------------|
| Within 90 days                 | <b>11,821,897</b>                   | 11,140,635                     |
| Over 90 days and within 1 year | <b>496,884</b>                      | 455,135                        |
|                                | <b>12,318,781</b>                   | 11,595,770                     |

(ii) Other payables comprise:

|  | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|--|-------------------------------------|--------------------------------|
| Deposits received from customers                               | <b>594,391</b>                      | 955,517                        |
| Fees collected from customers on behalf of government agencies | <b>92,113</b>                       | 85,470                         |
| Deposits from constructors                                     | <b>60,749</b>                       | 94,178                         |
| Rental deposits from tenants and hotel customers               | <b>156,434</b>                      | 154,546                        |
| Others   | <b>92,200</b>                       | 88,815                         |
|  | <b>995,887</b>                      | 1,378,526                      |

### 16 AMOUNTS DUE TO RELATED PARTIES

|  | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|--|-------------------------------------|--------------------------------|
| <b>Company with common directors</b>   |                                     |                                |
| Perfect Zone International Limited   | <b>1,860</b>                        | –                              |
| <b>Jointly controlled entities</b>   |                                     |                                |
| Nanchang Shimao New Development Property Co., Ltd.<br>("Nanchang New Development") | <b>1,599,290</b>                    | 1,332,662                      |
| Changsha Shimao Real Estate Development Co., Ltd.<br>("Changsha Real Estate")      | <b>119,739</b>                      | 633,588                        |
| Chengdu Shimao Investment Co., Ltd. ("Chengdu Investment")                         | <b>2,172,616</b>                    | 490,086                        |
| Qingdao New City   | –                                   | 441,377                        |
| <b>Associated company</b>  |                                     |                                |
| Haishu Property Development (Hangzhou) Co., Ltd.                                   | <b>167</b>                          | –                              |
| <b>Non-controlling interests</b>   |                                     |                                |
| Yingzi Real Estate Investment Holdings Ltd.  | <b>454,210</b>                      | –                              |
| Shanghai An Chao Investment LP   | <b>1,365,000</b>                    | –                              |
| Total  | <b>5,712,882</b>                    | 2,897,713                      |

Amounts due to non-controlling shareholders represent funds injected by the non-controlling shareholders for the development of properties.

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 17 EXPENSES BY NATURE

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

|   | Six months ended 30 June |                   |
|---|--------------------------|-------------------|
|   | 2013<br>RMB'000          | 2012<br>RMB'000   |
| Cost of properties sold and others  | 9,631,804                | 7,788,502         |
| Business taxes and other levies on sales of properties  | 906,166                  | 751,320           |
| Corporate and office expenses   | 349,551                  | 364,879           |
| Staff costs – including directors' emoluments   | 520,024                  | 470,962           |
| Advertising, promotion and commission costs   | 333,716                  | 290,459           |
| Depreciation  | 165,535                  | 161,510           |
| Amortisation of land use rights   | 22,549                   | 21,443            |
| Write-off of intangible assets  | 19,183                   | 29,396            |
| Provision for impairment of receivables   | 5,395                    | –                 |
| Direct expenses arising from hotel operation  | 161,646                  | 149,952           |
| Direct expenses arising from investment properties  | 17,603                   | 11,268            |
| Operating lease rental expenses   | 41,761                   | 48,391            |
| Charitable donations  | 2,941                    | 1,170             |
| Auditor's remuneration  | 3,500                    | 2,522             |
| Fair value loss on derivative financial instrument  | 15,919                   | 8,083             |
| Net exchange loss on borrowings   | –                        | 59,678            |
| Others  | 134,998                  | 282,785           |
|   | <u>12,332,291</u>        | <u>10,442,320</u> |
| Total cost of sales, selling and marketing costs,<br>administrative expenses and other operating expenses | <u>12,332,291</u>        | <u>10,442,320</u> |

### 18 OTHER INCOME/OTHER GAINS – NET

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2013<br>RMB'000          | 2012<br>RMB'000 |
| Gain on deemed disposal of subsidiaries with loss of control      | –                        | 492,635         |
| Gain on disposal of a jointly controlled entity/subsidiary (Note) | 134,684                  | 240,089         |
| Government grants received  | 135,436                  | 131,943         |
| Net exchange gain   | 256,435                  | –               |
| Dividend income from available-for-sale financial assets          | –                        | 13,955          |
| Others  | 18,920                   | 19,428          |
|   | <u>545,475</u>           | <u>898,050</u>  |
|   | <u>545,475</u>           | <u>898,050</u>  |

Note:

In January 2013, the Group disposed all its interests in a jointly controlled entity (Note 8) to the other joint venture shareholder at total consideration of RMB359,780,000 with a gain of RMB134,684,000.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 19 FINANCE COSTS – NET

|  | Six months ended 30 June |                    |
|--|--------------------------|--------------------|
|  | 2013<br>RMB'000          | 2012<br>RMB'000    |
| Interest on bank borrowings                              |                          |                    |
| – wholly repayable within five years                     | 324,340                  | 402,237            |
| – not wholly repayable within five years                 | 371,229                  | 142,324            |
| Interest on senior notes                                 |                          |                    |
| – wholly repayable within five years                     | 358,054                  | 87,799             |
| – not wholly repayable within five years                 | 190,835                  | 276,711            |
| Interest on borrowings from other financial institutions |                          |                    |
| – wholly repayable within five years                     | 466,774                  | 612,122            |
|  | <u>1,711,232</u>         | <u>1,521,193</u>   |
| Less: interest capitalised                               | <u>(1,558,173)</u>       | <u>(1,447,138)</u> |
| Finance costs  | 153,059                  | 74,055             |
| Finance income   | (133,436)                | (61,595)           |
| Finance costs – net                                      | <u>19,623</u>            | <u>12,460</u>      |

### 20 INCOME TAX EXPENSE

|                              | Six months ended 30 June |                  |
|------------------------------|--------------------------|------------------|
|                              | 2013<br>RMB'000          | 2012<br>RMB'000  |
| Current income tax           |                          |                  |
| – PRC enterprise income tax  | 1,020,632                | 1,070,170        |
| – PRC withholding income tax | –                        | 21,700           |
| – PRC land appreciation tax  | 849,973                  | 670,801          |
|                              | <u>1,870,605</u>         | <u>1,762,671</u> |
| Deferred income tax          |                          |                  |
| – PRC enterprise income tax  | 292,041                  | 413,970          |
| – PRC withholding income tax | –                        | (21,700)         |
|                              | <u>2,162,646</u>         | <u>2,154,941</u> |



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 20 INCOME TAX EXPENSE (continued)

#### (A) HONG KONG PROFITS TAX

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profit in Hong Kong for the period.

#### (B) PRC ENTERPRISE INCOME TAX

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

#### (C) PRC LAND APPRECIATION TAX

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

#### (D) PRC WITHHOLDING INCOME TAX

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

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

### 21 DIVIDENDS

No dividend in respect of the six months ended 30 June 2012 was declared at the Company's board meeting held on 27 August 2012.

A final dividend in respect of the year ended 31 December 2012 of HK 55 cents per ordinary share, amounting to approximately HK\$1,909,914,000 (equivalent to RMB1,515,899,000) was proposed at the Company's board meeting held on 26 March 2013, and was approved at the annual general meeting of the Company held on 17 June 2013.

The directors of the Company resolved not to declare the payment of any interim dividend for the six months ended 30 June 2013.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 22 EARNINGS PER SHARE

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

|  | <b>Six months ended 30 June</b> |           |
|--|---------------------------------|-----------|
|  | <b>2013</b>                     | 2012      |
| Profit attributable to the equity holders of the Company (RMB'000) | <b>3,470,158</b>                | 3,114,688 |
| Weighted average number of ordinary shares in issue (thousands)    | <b>3,465,428</b>                | 3,468,784 |
| Basic earnings per share (RMB cents)                               | <b>100.14</b>                   | 89.79     |

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

|   | <b>Six months ended 30 June</b> |           |
|---|---------------------------------|-----------|
|   | <b>2013</b>                     | 2012      |
| Profit attributable to the equity holders of the Company (RMB'000)  | <b>3,470,158</b>                | 3,114,688 |
| Weighted average number of ordinary shares in issue (thousands)   | <b>3,465,428</b>                | 3,468,784 |
| Adjustments for shares granted under Share Scheme/<br>share options granted under<br>the Pre-IPO Share Option Scheme<br>(thousands) | <b>1,172</b>                    | 2,001     |
| Weighted average number of ordinary shares for<br>diluted earnings per share (thousands)  | <b>3,466,600</b>                | 3,470,785 |
| Diluted earnings per share (RMB cents)  | <b>100.10</b>                   | 89.74     |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 23 CONTINGENCIES

The Group had the following contingent liabilities.

|  | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|--|-------------------------------------|--------------------------------|
| Guarantees in respect of mortgage facilities for certain purchasers (note(i))                          | <b>8,640,166</b>                    | 8,400,117                      |
| Guarantees in respect of borrowings of jointly controlled entities and associated companies (note(ii)) | <b>4,282,713</b>                    | 3,902,223                      |
|  | <b><u>12,922,879</u></b>            | <u>12,302,340</u>              |

Notes:

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees.
- (ii) The Group and other shareholders of Guangzhou Li He, an associated company, provided guarantees in proportion of their respective equity interests in Guangzhou Li He for its bank borrowings. The respective guarantees provided by the Group to Guangzhou Li He amounted to RMB1,457,352,000 as at 30 June 2013 (31 December 2012: RMB1,570,393,000).

The Group and other shareholders of Tianjin Jinnan, a jointly controlled entity, provided guarantees in proportion of their respective equity interests in Tianjin Jinnan for its borrowings obtained from other financial institutions. As at 30 June 2013, the Group provided guarantee amounted to RMB300,000,000 (31 December 2012: RMB550,000,000) as well as the pledge of the Group's equity interests in Tianjin Jinnan.

The Group and other shareholders of Straits Construction, an associated company, provided guarantees in proportion of their respective equity interests in Straits Construction for its mezzanine facilities borrowed in January 2012. As at 30 June 2013, the respective guarantee provided by the Group to Straits Construction is with a maximum amount of US\$148,149,572 (equivalent to RMB915,372,000) (31 December 2012: US\$148,149,572).

The Group provided guarantees for Nanchang New Development's bank borrowings before it became a jointly controlled entity. The respective guarantees provided by the Group amounted to RMB240,000,000 as at 30 June 2013 (31 December 2012: RMB240,000,000).

The Group provided guarantees for Changsha Real Estate's bank borrowings before it became a jointly controlled entity. The respective guarantees provided by the Group amounted to RMB849,990,000 as at 30 June 2013 (31 December 2012: RMB120,830,000).

The Group provided guarantees for Chengdu Investment's bank borrowings. The respective guarantees provided by the Group amounted to RMB520,000,000 at 30 June 2013 (31 December 2012: RMB490,000,000).

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 24 COMMITMENTS

#### (A) COMMITMENTS FOR CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE

|   | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|---|-------------------------------------|--------------------------------|
| Contracted but not provided for   |                                     |                                |
| – Property and equipment and investment properties  | <b>1,208,401</b>                    | 1,540,532                      |
| – Land use rights (including those related to associated companies and jointly controlled entities) | <b>17,753,530</b>                   | 12,117,034                     |
| – Properties being developed for sale   | <b>16,169,401</b>                   | 14,056,391                     |
|   | <b><u>35,131,332</u></b>            | <u>27,713,957</u>              |

#### (B) OPERATING LEASE COMMITMENTS

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

|                           | <b>30 June<br/>2013<br/>RMB'000</b> | 31 December<br>2012<br>RMB'000 |
|---------------------------|-------------------------------------|--------------------------------|
| Within one year           | <b>134,383</b>                      | 78,755                         |
| Between two to five years | <b>431,302</b>                      | 490,334                        |
| After five years          | <b>548,595</b>                      | 608,263                        |
|                           | <b><u>1,114,280</u></b>             | <u>1,177,352</u>               |

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2013

### 25 RELATED PARTY TRANSACTIONS

The Group is controlled by Gemfair Investments Limited (incorporated in the British Virgin Islands), which owns 56.1% of the Company's shares. The ultimate controlling party of the Group is Mr. Hui Wing Mau.

- (A) Other than those disclosed elsewhere in this interim condensed consolidated financial information, the Group had entered into the following major related party transactions during the period:

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2013<br>RMB'000          | 2012<br>RMB'000 |
| Operating lease rental expense paid to a related company (note) | 2,705                    | 2,198           |
| Construction material sold to related companies                 | 33,886                   | –               |

Note:

On 1 January 2012, the Group renewed a lease agreement with a wholly-owned subsidiary of Shimao International, of which certain directors of the Group are also directors, to lease part of office premises of Shimao International in Hong Kong.

### (B) KEY MANAGEMENT COMPENSATION

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2013<br>RMB'000          | 2012<br>RMB'000 |
| Emoluments  |                          |                 |
| – Salaries and other short-term employee benefits | 8,556                    | 9,085           |
| – Retirement scheme contributions                 | 135                      | 168             |
|   | 8,691                    | 9,253           |

### 26 SUBSEQUENT EVENTS

On 14 June 2013, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$320,000,000 facility and a HK\$1,950,000,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2015, 35% will mature in 2016 and 50% will mature in 2017. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. The loan facility was drawn down in July 2013.

On 17 July 2013, the Company early redeemed senior notes of US\$350,000,000 as disclosed in Note 14(iv).