



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



2014 INTERIM REPORT





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Nationwide Quality Land Reserves

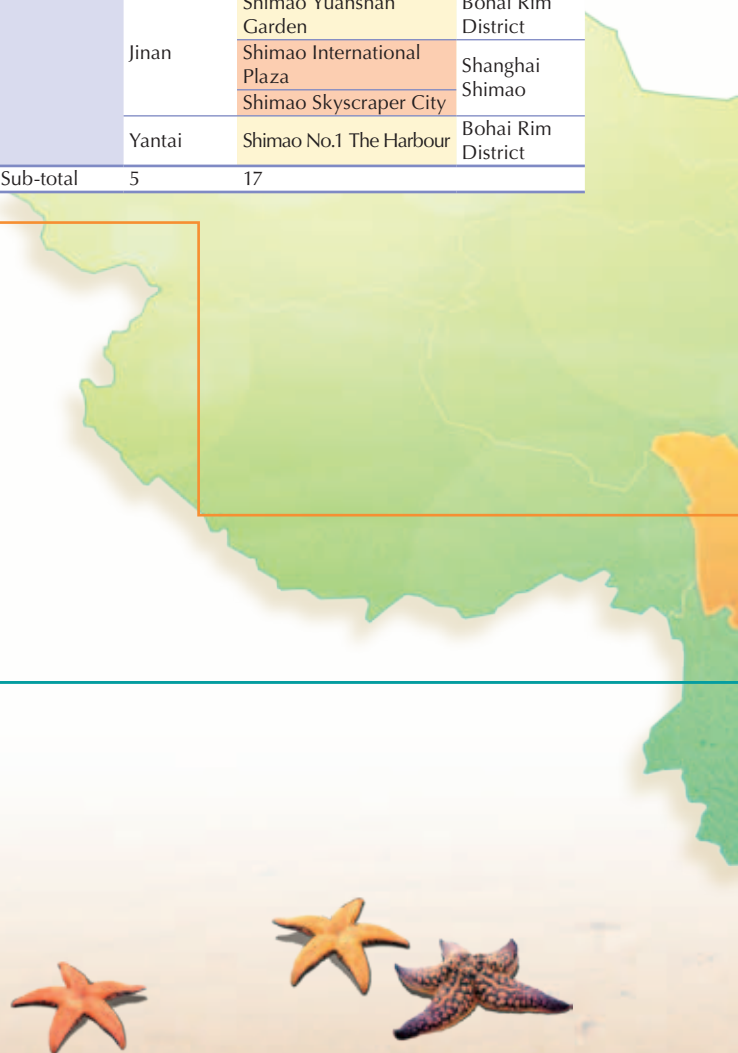
Land reserves in 42 cities with 112 projects covered an area of 36.90 million sq.m (equity attributable) (As at 30 June 2014)

- Group Headquarters
- Projects held by Shanghai Shimao
- Projects held by Shimao Property
- Joint Venture Projects

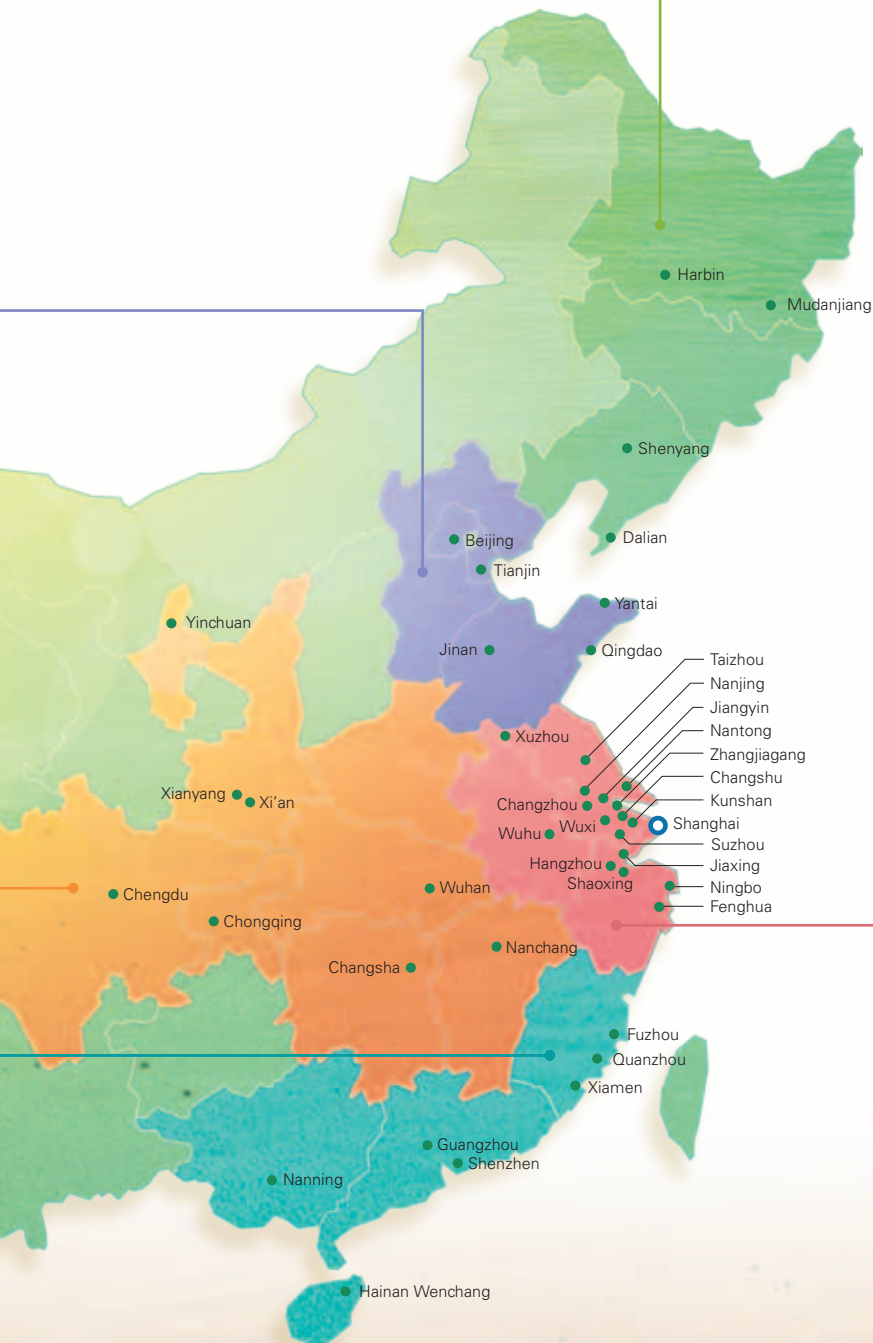
Region	City	Project Name	Vesting
Western and Southern Central	Wuhan	Shimao Splendid River	Southern
		Shimao Dragon Bay	Central
		Shimao Lake Island	District
		Shimao Carnival	Shanghai Shimao
	Nanchang	Shimao Sky City	Southern
		Shimao Water City	Central
		Shimao Daguan	District
	Changsha	Shimao Brilliant Bay	Southern
		Shimao International Plaza (Commercial)	Shanghai Shimao
	Chengdu	Shimao Park	Western District
		Shimao Royal Bay	
	Xianyang	Shimao The Centre	
	Yinchuan	Greenery Theme Park	
	Xi'an	Fengcheng Road Project	
	Chongqing	Maoyue House	Chongqing District
Sub-total	8	15	

Region	City	Project Name	Vesting
Bohai Rim	Beijing	Shimao Alhambra Palace	Bohai Rim District
		Shimao Salamanca	
		Shimao Gongsan (Commercial)	
		Shimao Weila	
		Changyang Project	
	Tianjin	Shimao Wetland Century	Shanghai Shimao
		Shimao Weilang Villa	
		Jinnan New City	
	Qingdao	Shimao Park Land	Shanghai Shimao
		Shimao Nuosha Bay	
		Shimao International Plaza	
		Shi'ao Tower	
	Jinan	Shimao Shier House	Bohai Rim District
		Shimao Yuanshan Garden	
		Shimao International Plaza	
	Yantai	Shimao Skyscraper City	Shanghai Shimao
		Shimao No.1 The Harbour	
Sub-total	5	17	

Region	City	Project Name	Vesting
Southern China	Fuzhou	Shimao Skyscrapers	Tourism Property
		Minhou Shimao Dragon Bay	
		Nantong Village Project	
		Pingtang Future City	
	Xiamen	Shimao Lakeside Garden	Shanghai Shimao
		Shimao Straits Mansion (Commercial)	
	Quanzhou	Jinjiang Shimao Dragon Bay	Tourism Property
		Shimao Skyscraper City	
		Taishang Shimao	
		Marine World	
		Shimao Zimao Garden	
	Wenchang	Shimao Skyscraper City (Commercial)	Shanghai Shimao
	Wenchang	Shimao Nufang Sea	Tourism Property
	Guangzhou	Finance City	Joint Venture Project
		Asian Game City	
	Shenzhen	Qianhai Project	Tourism Property
Nanning	Wuxiang New District Project	Tourism Property	
Sub-total	7	16	



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



Region	City	Project Name	Vesting
Eastern China	Shanghai	Shimao Riviera Garden	Jiangsu and Shanghai
		Shimao Sheshanli	
		Shimao Emme County	
		Shimao Sheshan Villa North Bund Project	Tourism Property
	Nanjing	Shimao Wonderland	Shanghai Shimao
		Shimao Riviera New City	Jiangsu and Shanghai
		Shimao Glory Villa	
	Straits City	Shimao Bund New City	Shanghai Shimao
			Joint Venture Project
	Hangzhou	Huanyutianxia	
		Shimao Imperial Landscape	
		Shimao Riviera Garden	Zhejiang District
		Shimao New West Lake	
		Shimao Above The Lake	
		Shimao East No.1	
		Huajiachi Project	
	Zhejiang Zhimen		
	Jiaxing	Shimao Riviera COSMO	Joint Venture Project
		Shimao New City	Zhejiang District
	Shaoxing	Shimao New City (Commercial)	Joint Venture Project
		Shimao Dear Town	
	Ningbo	Shimao World Gulf	
		Shimao Sea Dawn	
		Shimao City	Zhejiang District
		Shimao The Capital	
		Yuyao Shimao Moushan Lake	
		Xiangshan Shimao Damuwan	
		Baojiacao Project	Shanghai Shimao
	Riviera Project		
	Sunjia Project		
Fenghua	Shimao Peach Orchard	Zhejiang District	
Suzhou	Shimao Canal Scene	Jiangsu and Shanghai	
	Shimao Shihu Bay		
	Shimao Canal Scene (Commercial)		
Changshu	Shimao Yulong Villa	Shanghai Shimao	
	Jinji Lake Project		
Nantong	Shimao The Center		
	Shimao Yulong Bay		
Kunshan	Shimao Wetland Century		
	Complex City Project	Jiangsu and Shanghai	
Changzhou	Shimao East No.1		
	Shimao Butterfly Bay		
	Shimao Bund East	Shanghai Shimao	
Wuxi	Shimao International City	Shanghai Shimao	
	Shimao Champagne Lake	Jiangsu and Shanghai	
Zhangjiagang	Shimao Champagne Lake (Commercial)	Shanghai Shimao	
	Shimao The Capital	Joint Venture Project	
Jiangyin	Shimao The Capital (Commercial)	Shanghai Shimao	
	Shimao Nine Rivers Village	Jiangsu and Shanghai	
Taizhou	Shimao Dragon Bay	Tourism Property	
	Shimao Dongdu	Jiangsu and Shanghai	
Wuhu	Shimao Dongdu (Commercial)	Shanghai Shimao	
	Shimao Riverside Garden	Jiangsu and Shanghai	
Shanghai	Shimao Riviera Garden	Jiangsu and Shanghai	
	Shimao Riviera Garden (Commercial)	Shanghai Shimao	
Sub-total	18	56	

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

AUDITOR

PricewaterhouseCoopers

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 813

INVESTOR AND MEDIA RELATIONS

Investor Relations Department
Email: ir@shimaoproperty.com
Tel : (852) 2511 9968
Fax : (852) 2511 0287

INTERIM DIVIDEND

Dividend amount: HK30 cents per ordinary share
Book closure period: 14 October 2014 and
15 October 2014

Record date: 15 October 2014
Payment date: 5 November 2014
Latest time for lodging transfer documents:
4:30 p.m. on 13 October 2014

Chairman's Statement

Dear shareholders,

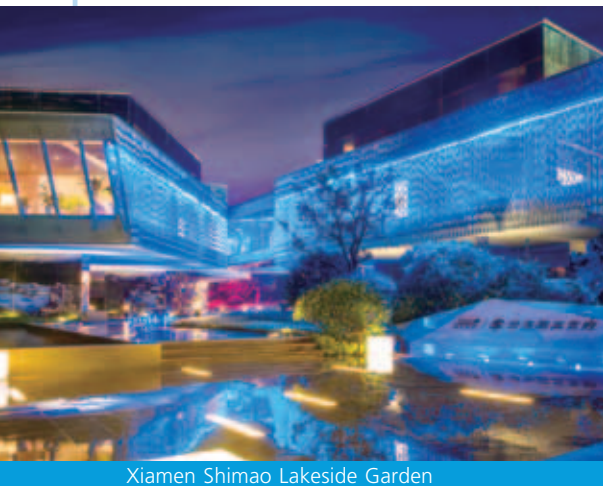
I am pleased to present the interim results of Shimao Property Holdings Limited ("Shimao Property" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2014.

REVIEW AND OUTLOOK

In the first half of 2014, growth in the national economy continued to slow, as shown in both an overall downward trend in the real estate market and the differentiation of urban housing. The central government focused on developing a long-term mechanism to regulate the real estate market, while local governments offered varied guidance to different categories of enterprises in the industry according to local conditions. A ministerial joint conference led by the Ministry of Land and Resources published a "timetable for the completion of immovable property registration"; and the central government accelerated its reform of squatter areas and launched a pilot scheme for common property rights. As for changes in local market situations, in some cities rigid demand was aggressively boosted by means of credit and release of reserve funds, in order to ease downward pressure on the market.

Influenced by insufficient demand and high inventory, the 100-city price index fell for two consecutive months after previously having risen for 23 months, indicating that housing prices in major cities across the country have entered a period of adjustment. Due to credit tightening and pessimistic market expectations, new home purchase transactions fell noticeably while inventory hit a record high. Land was offered for sale in the first half of the year, but turnover was not as good as that during the corresponding period of last year. Floor prices rose year-on-year while land premium rates fell.

The 100-city average price fell in May this year for the first time after having risen for nearly two years, followed by a further decline in June. China Real Estate Index System data showed that the 100-city average residential price entered a period of adjustment in the first half of 2014 due to credit tightening and the widespread of a 'wait-and-see' sentiment in the market. Although the 100-city average residential price remained rising from January to April, the rising range continued to shrink, to just 0.10% in April. In May, it fell by 0.32% for the first time after having risen for 23 consecutive months since June 2012. The 100-city average price was RMB10,923 per sq.m. in June.



Xiamen Shimao Lakeside Garden



Housing prices differed substantially among cities, as seen in a narrow rise in first-tier cities and a fall following a rise in second- and third-tier cities. The 100-city average residential price surged 0.83% on aggregate during the period from January to June 2014. In particular, it fell by 0.82% on aggregate from May to June. By contrast, it rose by 5.59% on aggregate from January to June 2013 and by 1.58% on aggregate from May to June of that year. There was an aggregate rise of 2.64% in first-tier cities in the first half of the year, far below the 8.47% rise in the corresponding period of last year. Prices fell after a rise in second- and third-tier cities, with an aggregate decline of 1.10% and 0.88% respectively in the first half of the year, compared with the corresponding period of 2013 when prices surged 2.75% and 3.90% on aggregate respectively.

The primary focus of the central government is on ensuring its regulatory control initiatives remain stable, while local governments may modify these according to local conditions. Bi-directional regulatory control initiatives and guidance for different categories of enterprises become the main directions for carrying out national policy. Real estate markets continued to behave quite differently in different cities, policies were frequently fine-tuned at a local level. Heading into the second half of the year, home-purchase restrictions were officially removed in cities, representing a breakthrough in the local policy adjustment process. The main theme of the current adjustments to real estate policy is for the national policies to uphold the basic principle of assuring the supply of owner-occupied housing while curbing speculations, and for local governments to adjust policies flexibly according to local conditions.

In terms of government policies and market development trends, the long-term mechanism will continue to proceed in an orderly way in the second half of the year, local policies will be formulated with greater flexibility, and regulatory policies are likely to be adjusted in more cities. With the arrival of the peak season for the launch of sales of residential property projects, it is expected that surplus will still exist in the market, while boost of sales of residential property projects in stock remain to be the main theme for the second half of the year. Given the current market condition, the macroeconomic environment, as well as monetary policy trends, it is anticipated that the credit policy for the second half of the year will strengthen its support to the demand for owner-occupied housing, departments at local governments will actively calibrate market expectations, the policy on home-purchase restrictions will be adjusted in more cities, and enterprises, under the operating pressure, will enhance their sales efforts. If the demand stimulating measures are launched in time and implemented effectively, the market expectations would be gradually stabilized and the rigid demand for housing would be orderly relieved, conducive to a bottoming-off of property price in the second half of the year.

In March 2014, China promulgated the National New Urbanization Plan (2014-2020) with an aim to improve the prevailing ratio of ordinarily-resided urban population from 53.7% to 60.0%. This driver would strongly encourage industrialization, promote the aggregation of non-agricultural sectors in urban areas, mobilise the rural population to urban areas and thus benefiting the national economy as a whole.



Wuhan Shimao Splendid River

Amidst these cyclical market fluctuations, competition in the industry becomes more intensified and enterprises exercised greater flexibility to alter their adaptability. The top 10 real estate enterprises achieved a further expansion of their market share in the first half of 2014. The Group recorded contracted sales of RMB32.11 billion during the first half of the year. It is really not easy for the Group to have similar record with the corresponding period of last year under the considerable liquidity pressure in the industry as well as the unfavourable market conditions against sales. The Group climbed to No. 8 from No. 9 on national ranking.

In the first half of 2014, the Group achieved recognised revenue of RMB23.68 billion, representing a substantial increase of 42.0% over the corresponding period in 2013. Operating profit increased by 25.1% to approximately RMB7.19 billion. Profit attributable to shareholders reached RMB4.18 billion, representing an increase of 20.5% over the corresponding period in 2013. Excluding the net impact of major after-tax non-cash items: fair value gains of investment properties of RMB0.668 billion (1H 2013: RMB0.507 billion), net gain on disposal of equity interests in subsidiaries of RMB0.049 billion (1H 2013: net gain on disposal of equity interests in a joint venture of RMB0.101 billion), depreciation and amortization of RMB0.161 billion (1H 2013: RMB0.114 billion) and goodwill impairment of RMB6.24 million (1H 2013: RMB19.18 million) which totalled RMB0.550 billion (1H 2013: RMB0.475 billion), profit from core business attributable to shareholders amounted to approximately RMB3.630 billion (1H 2013: RMB2.995 billion), a year-on-year increase of 21.2%. To demonstrate our appreciation for our shareholders' unstinting support, the board of directors of the Company (the "Board") has declared the payment of an interim dividend of HK30 cents per share for the period ended 30 June 2014 (corresponding period in 2013: Nil).



Xiamen Shimao Straits Mansion

SALES ACHIEVEMENTS

At the beginning of 2014, the Group set its annual contracted sales target at RMB80.0 billion. In the first half of 2014, the Group realized contracted sales of RMB32.11 billion, representing 40.1% of the annual target. The total sales area amounted to 2.62 million sq.m., with an average selling price of RMB12,256 per sq.m.. As at 26 August 2014, the Group's unrecognised contracted sales on aggregate exceeded RMB70.0 billion.

A BREAKOUT FROM ADVERSITIES – SALES CHAMPION IN 8 CITIES

China's real estate market entered a period of adjustment again in the first half of 2014, characterized by shrinking trading volume and slow-moving inventory level. Nevertheless, the Group was able to stand against adversity and achieved top-ranking sales in eight emerging cities, namely, Nanjing, Zhangjiagang, Changzhou, Suzhou, Fuzhou, Jinjiang, Shishi and Xiamen. Sales in these eight cities during the period were derived from Fuzhou Minhou Shimao Dragon Bay (RMB2.23 billion), Nanjing Shimao Bund New City (RMB2.21 billion), Xiamen Shimao Lakeside Garden (RMB2.14 billion), Shishi Shimao Sky City (RMB1.74 billion), Jinjiang Shimao Dragon Bay (RMB1.47 billion), Suzhou Shimao Plaza (RMB1.26 billion), Zhangjiagang Shimao Nine Rivers Village (RMB1.04 billion), and Changzhou Shimao Champagne Lake (RMB0.60 billion).

Notwithstanding the market remains sluggish in the first half of the year, the Group posted contracted sales of RMB8.07 billion in June, which was a record high for monthly sales since the inception of Shimao Property. It was also the fourth month in which the Group had registered consecutive sales growth, after it had posted monthly sales of more than RMB6.0 billion from March to May inclusive.

BRAND BUILDING – SERVING CUSTOMERS IN URBAN EVOLUTION

Building on its strategic positioning, established in 2013, as a “Pioneer in Urban Evolution” and a “Lifestyle Service Provider”, Shimao Property launched branding campaigns across the country this year. Its first initiative is to introduce international resources with a view to upgrading urban industries. During the period, a four-party cooperation agreement was reached between the Ambassador of Italy and the Italian business delegation, the Shishi municipal government, the Group and the China Pavilion Executive Committee for the Milan World Expo; under which the Group will collaborate with Shishi municipal government to introduce Italian world class resources to Shishi so as to establish a world class platform for multinational activities and upgrade the industries in Shishi. The Group also entered into an agreement with the China Pavilion Executive Committee for the Milan World Expo in relation to its participation in the Milan World Expo 2015. This strategic partnership allowed the Group to create three records along its road to become a “Pioneer in Urban Evolution” and a “Lifestyle Service Provider”, namely, 1) the first real estate enterprise to debut in the China Pavilion of the Milan World Expo 2015; 2) the first real estate enterprise to present its projects in Milan, the capital of modern fashion in Italy; and 3) the first enterprise partnering with the authority in the history of Shishi to take part in multilateral strategic cooperation with the World Expo and Italy.

Furthermore, differentiated characteristics of our products were increasingly highlighted in intensified competition. Targeting to create a new urban trend that is immersed in daily life, the Group staged lifestyle art shows in central, southern and northeastern parts of China, where cultural elements were integrated into city life, to differentiate itself from a real estate developer to a lifestyle service provider. More projects featuring this strategic idea will be offered for sale in the second half of the year, and it is expected that the established brand influence will further support the sales.

At the end of June, Shimao Property rolled out Shimao Dragon Bay, its first project in Jiangyin, known as the “Top Industrial County in China”. Shimao Property also introduced international features to Jiangyin, including its first foreign language school, namely, Xiwai Foreign Language School, its first Italian modern lifestyle center together with Shimao Wonderland.



Jinjiang Zimao House





InterContinental Shimao Shanghai Wonderland

Meanwhile, following the completion of InterContinental Shimao Shanghai Wonderland (Groundscraper Hotel) in Shanghai, a hotel situated at the lowest altitude in the world, Shimao Property announced its “Hotel on the Cliff” project in Jiangyin. The project, namely, Jiangyin Shimao Dragon Bay, will create five No. 1 in Jiangyin. It will act as a new landmark to upgrade the value of the city and enable the city to become a family resort with one-stop services in the Yangtze River Delta. The Group’s efforts in urban construction were also reflected in the coming Quanzhou Shimao Zimao Garden and Hangzhou Shimao Huajiachi, and in featured projects including Quanzhou Shimao Sea World, which opened in late June.

In 2012, the Group started to implement the “Year of Service Value” strategy, upgrading ‘soft’ services to customers in all aspects. In 2014, the Group added an initiative called “Service Cloud” to further enhance its “Year of Service Value” strategy. This is the first time that this advanced service model, originating from the information technology industry, has been harnessed by a Chinese real estate specialist. “Service Cloud” brings together resources from different industries to provide all-round services to Shimao’s property owners, including areas covering education, healthcare, business trips, customized design, and leisure. This enhancement leads to a significant boost on both Shimao’s brand image and its property owner satisfaction level.

LAND RESERVES – RATIONAL DEVELOPMENT THROUGH A MORE PRUDENT APPROACH

In the first half of 2014, the Group continued to concern about acquiring premium land resources in key first- and second-tier cities, moving into second tier cities including Chongqing and Xi’an. A more prudent approach was adopted in land acquisition due to credit tightening and fiercer competition in the market. In the first half of 2014, the Group acquired a total of 4.16 million sq.m. of land with residential land use in Jiangyin, Yinchuan, Quanzhou, Jinjiang, Chongqing, Hangzhou, Nanning and Xi’an. Currently, Shimao Property holds 112 projects totaling 36.90 million sq.m. of quality land in 42 cities in the country. These development projects, which situate in the local core region or land with high potential for development, are all supported by considerable researches and meticulous calculations, which are in line with the Group’s defined land reserve standards. Shimao Property’s high-quality land resources and stringent controls over land costs give the unwavering support to the business results in national prime markets in the coming years.

STRENGTHENING THE GROUP'S FINANCIAL STRUCTURE

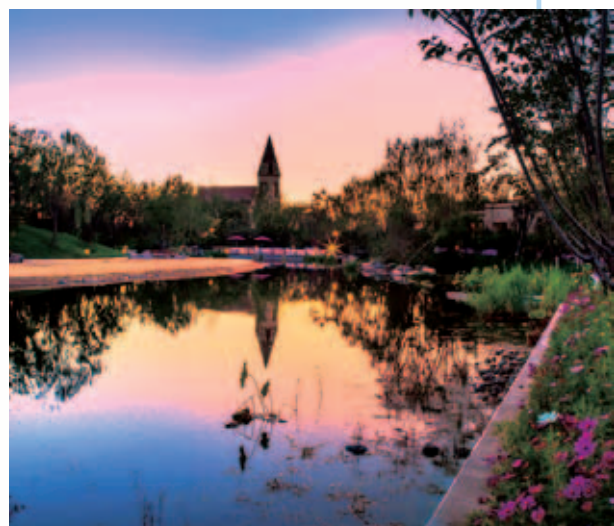
In the first half of 2014, the Group upheld the prudent business strategy, introducing measures to further optimize the Group's capital structure and lower the capital costs. After successfully issuing US\$600 million senior notes due 2021 on 22 January 2014, the Group utilized new and additional loan and bonds to repay part of its high interest short-term loans and bonds, further reducing its collective interest costs. The Group keeps maintaining and exploring its strategic cooperation with Bank of China (Hong Kong) Limited, Agricultural Bank of China Limited, China Construction Bank Corporation Limited and other financial institutions, the financing facilities are abundant. In consolidating its steady and healthy development, the Group obtained a four-year syndicated loan of approximately US\$736 million equivalent from a bank consortium on 31 July 2014. The new arrangement furnished the Group with an option of early redemption of senior notes of US\$500 million in August 2014 that were originally due in 2017. As of 30 June 2014, the Group held sufficient reserves, with approximately RMB21.1 billion in ready cash and unutilized credit facilities of approximately RMB20.0 billion.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, partners and customers for their tremendous support, as well as the local governments we have worked with 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 all their valuable contributions. The Group's success together with fulfillment of corporate goals are attributable to their support and commitment.

Hui Wing Mau
Chairman

Hong Kong, 26 August 2014



Beijing Shimao Salamanca

Management Discussion and Analysis

BUSINESS REVIEW

PROPERTY DEVELOPMENT

1) *Recognised sales revenue*

The Group generates its turnover primarily from property development, property investment and hotel operations. As at 30 June 2014, turnover of the Group reached RMB23.68 billion, grew by 42.0% when compared to RMB16.68 billion for the corresponding period in 2013. During the period, revenue from property sales amounted to RMB22.61 billion, accounting for 95.5% of the total revenue and representing an increase of 44.1% over the corresponding period in 2013. The average recognised selling price increased by 4.2% to RMB11,518 per sq.m. in the first half of 2014, from RMB11,059 per sq.m. for the corresponding period in 2013. The increase was mainly attributable to an enhancement in the Group's bargaining power in some projects. The number of projects recognised by the Group in the first half of 2014 totalled 47, higher than the 41 projects recognised in the corresponding period in 2013, of which Xiamen Shimao Straits Mansion achieved great results with recognised sales revenue of RMB2.36 billion; Shaoxing Shimao Dear Town, the first runner-up, with recognised sales revenue of RMB1.65 billion; and Chengdu Shimao Royal Bay, the second runner-up, with recognised sales revenue of RMB1.43 billion.



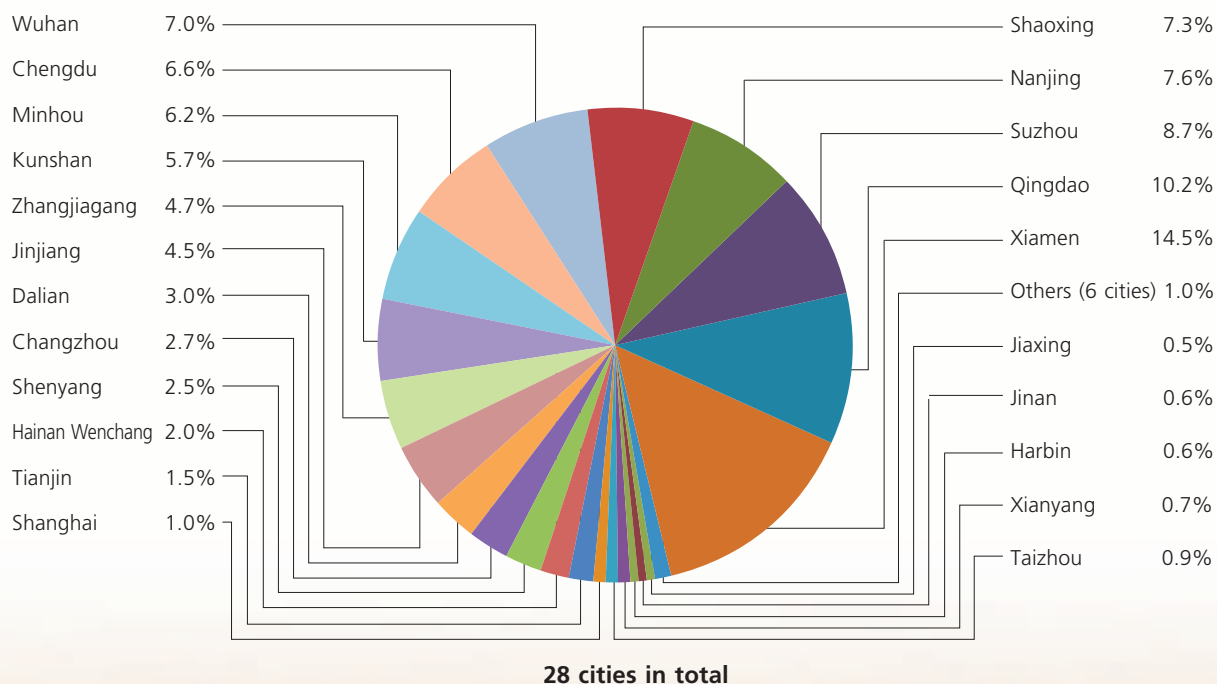
Quanzhou Taishang Shimao Marine World

The delivered gross floor area ("GFA") recognised for each project in the first half of 2014 and the relevant particulars are set out as follows:

Projects	Recognised Area (sq.m.)	Recognised Sales (RMB million)	Average Selling Price (RMB per sq.m.)
Xiamen Shimao Straits Mansion	91,417	2,355	25,761
Shaoxing Shimao Dear Town	152,761	1,652	10,814
Chengdu Shimao Royal Bay	108,997	1,432	13,138
Fuzhou Minhou Shimao Dragon Bay	152,323	1,399	9,184
Nanjing Shimao Glory Villa	79,440	1,352	17,019
Suzhou Shimao Canal Scene	117,937	1,342	11,379
Kunshan Shimao East No.1	171,730	1,249	7,273
Qingdao Shimao Nuosha Bay	95,578	1,196	12,513
Zhangjiagang Shimao Nine Rivers Village	63,405	1,066	16,813
Fujian Jinjiang Shimao Dragon Bay	124,348	1,020	8,203
Xiamen Shimao Lakeside Garden	37,245	913	24,513
Wuhan Shimao Splendid River	75,256	874	11,614
Changzhou Shimao Champagne Lake	85,239	608	7,133
Qingdao Shi'ao Tower	26,684	559	20,949
Qingdao Shimao Park Land	54,553	551	10,100
Dalian Shimao Dragon Bay	55,507	506	9,116
Shenyang Shimao Wulihe	40,492	472	11,657
Wuhan Shimao Carnival	49,690	458	9,217
Wenchang Shimao Nufang Sea	42,767	449	10,499
Nanjing Shimao Bund New City	45,637	377	20,408
Tianjin Shimao Wetland Century	44,418	375	8,443
Suzhou Shimao Shihu Bay	13,141	321	24,427
Suzhou Shimao Canal Scene (Commercial)	18,473	303	6,638
Taizhou Shimao Riverside Garden	38,404	198	5,156
Wuhan Shimao Lake Island	14,520	180	12,397

Projects	Recognised Area (sq.m.)	Recognised Sales (RMB million)	Average Selling Price (RMB per sq.m.)
Dalian Shimao Glory City	18,426	170	9,226
Shanghai Shimao Wonderland	6,002	169	28,157
Xianyang Shimao The Centre	25,394	159	6,261
Harbin Shimao Riviera New City	23,375	128	5,476
Jinan Shimao Skyscraper City	6,559	128	19,515
Jiaxing Shimao New City	17,256	106	6,143
Shenyang Shimao Notting Hill	8,927	99	11,090
Wuhan Shimao Dragon Bay	14,210	80	5,630
Chengdu Shimao City	9,500	52	5,474
Xuzhou Shimao Dongdu	5,119	47	9,181
Nantong Shimao Wetland Century	4,372	43	9,835
Shanghai Shimao Sheshanli	2,000	42	21,000
Ningbo Shimao Sea Dawn	3,382	32	9,462
Kunshan Shimao International City	3,000	32	10,725
Yuyao Shimao Moushan Lake	4,077	30	7,358
Ningbo Shimao World Gulf	2,928	27	9,221
Hangzhou Shimao Riviera Garden	2,351	17	7,231
Ningbo Shimao Dragon Bay	1,051	11	10,466
Wuhu Shimao Riviera Garden (Commercial)	3,029	10	3,301
Changzhou Shimao New City (Commercial)	830	8	9,639
Xuzhou Shimao Dongdu (Commercial)	330	4	12,121
Shanghai Shimao Emme County	447	4	8,949
Total	1,962,527	22,605	11,518

The breakdown of recognised sales* for 2014 by cities is set out as follows:



* Excluding attributable revenues from joint ventures.

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

With respect to property sales, the Group's contracted sales amounted to RMB32.11 billion in the first half of 2014, representing 40.1% of its annual target. The aggregate sales area reached 2.62 million sq.m., with an average selling price of RMB12,256 per sq.m..

The Group's steady sales performance during the times with industry-wide pressure on funding and in an environment with a downtrend in sales clearly demonstrated the effectiveness of management's sales strategy. Looking forward to the second half of 2014, the Group will launch approximately 3.6 million sq.m. saleable area. Together with the existing saleable areas of approximately 3.8 million sq.m. as at 30 June 2014, the Group's total saleable area in the second half of 2014 will reach approximately 7.4 million sq.m..

Key projects available for sale in the second half of 2014 worth over RMB1.0 billion

Eight Key Areas	Saleable Area (sq.m.)
Shimao Property	
Southern Central District	Wuhan Shimao Splendid River Nanchang Shimao Daguan Nanchang Shimao Water City 89,231
Jiangsu and Shanghai District	Nanjing Shimao Riviera New City Nanjing Shimao Glory Villa Suzhou Shimao Shihu Bay 82,964
Bohai Rim District	Beijing Shimao Salamanca Beijing Shimao Weila 90,414
Western District	Chengdu Shimao City Xi'an Project 199,244
Tourism Property (mainly residential properties in Fujian District)	Jinjiang Zimao House Shishi Shimao Sky City Taishang Shimao Marine World 159,923
Northeastern District	Jiangyin Shimao Dragon Bay Dalian Lushun Shimao Huanhai City 158,383
Zhejiang District	Hangzhou Shimao Above The Lake Huajiachi Project 51,608
Chongqing District	Chongqing Maoyue House 132,448
Shanghai Shimao	Suzhou Jinji Lake Project Jinan Shimao Skyscraper City 105,369
Sub-total (Key projects above)	2,356,779
Projects (below RMB1.0 billion) available for sale in the second half of 2014	1,231,314
Completed inventory	1,253,902
Uncompleted projects available for sale (as of 30 June 2014)	2,535,247
Total	7,377,242

3) Completion of development projects and plans as scheduled

The Group made timely adjustments to strategy of inventory supply and construction plans and put off or cancelled the supply of certain products of same quality and projects with higher inventory level so as to correspond with the market fluctuations. During the first half of 2014, construction of approximately 2.7 million sq.m. of area was adjusted or suspended, with floor area under construction reaching 16.5 million sq.m.. It is expected to see a decrease of approximately 15% in the area under construction for the year. The aggregate GFA completed by the Group in the first half of 2014 was approximately 2.5 million sq.m., 32% higher than the 1.9 million sq.m. completed in the corresponding period of last year. As at 30 June 2014, the Group holds 112 developing projects in 42 cities. The surging number of projects under construction has laid a solid foundation for the Group's future development. Looking forward to the second half of 2014, with a view to maintaining adequate liquidity, the GFA planned for completion of the Group has been maintained at approximately 7.5 million sq.m., 47% higher than that for the corresponding period in 2013.

Projects completed in the first half of 2014 are set out as follows:

Projects		Completed GFA (sq.m.)	Group's Interest (%)
Shimao Property			
Jiangsu and Shanghai District	Wuxi Shimao The Capital	33,472	49%
	Suzhou Shimao Canal Scene	132,231	100%
	Changzhou Shimao Champagne Lake	168,117	100%
	Kunshan Shimao Bund East	201,220	100%
	Nanjing Shimao Glory Villa	82,214	51%
	Nantong Shimao Wetland Century	4,372	100%
	Zhangjiagang Shimao Nine Rivers Village	70,024	51%
	Suzhou Shimao Shihu Bay	14,441	70%
Zhejiang District	Jiaxing Shimao New City	182,506	100%
	Shaoxing Shimao Horizon Centre	90,083	100%
	Hangzhou Shimao New West Lake	4,405	70%
Southern Central District	Wuhan Shimao Splendid River	93,965	96%
	Wuhan Shimao New City	127,875	100%
	Nanchang Honggutan	84,622	50%
	Wuhan Shimao Lake Island	24,742	49%
Northeastern District	Shenyang Shimao Notting Hill	30,177	100%
	Shenyang Shimao Wulihe (Residential)	52,602	100%
	Mudanjiang Shimao South Bund	71,203	100%
Bohai Rim District	Qingdao Shimao Villa Bay	160,464	100%
Western District	Xianyang Shimao The Centre	73,912	100%
	Chengdu Shimao City	50,096	79%
Tourism Property	Chengdu Shimao Royal Bay	198,326	100%
	Fuzhou Minhou Shimao Dragon Bay	172,575	100%
	Fujian Jinjiang Shimao Dragon Bay	90,516	100%
	Dalian Shimao Dragon Bay	58,506	100%
	Wenchang Shimao Nufang Sea	42,767	100%
	Xiamen Shimao Lakeside Garden	38,883	100%
Sub-total		2,354,316	
Shanghai Shimao	Xiamen Shimao Straits Mansion	91,417	64%
	Shanghai Shimao Wonderland	7,103	64%
Sub-total		98,520	
Total (Shimao Property + Shanghai Shimao)		2,452,836	

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

To support its sustainable development, the Group holds an active but prudent attitude toward land acquisition. In the first half of 2014, the Group acquired 4.16 million sq.m. of residential land bank in Jiangyin, Yinchuan, Quanzhou, Jinjiang, Chongqing, Hangzhou, Nanning and Xi'an. Currently, Shimao Property possesses 112 projects in 42 cities in the country, with a high-quality land bank of 36.90 million sq.m.. The premium land resources and relatively low land cost provide continued support to Shimao Property's results in the major markets of China in the next few years.

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

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable interest) (RMB million)	Total Planned GFA (sq.m.)	Cost per sq.m. (RMB)	Group's Interest
(i) Shimao Property						
1. Jiangyin Dragon Bay	January 2014	Residential and commercial	617.01	575,056	1,567	68.49%
2. Yinchuan Greenery Theme Park	January 2014	Residential, commercial and office	260.63	309,535	842	100%
3. Quanzhou Taiwanese Investment Zone	January 2014	Residential and business services	589.75	869,491	1,206	56.22%
4. Jinjiang Zimao (Phase I)	January 2014	Residential and commercial	747.60	486,219	2,888	53.24%
5. Chongqing Zhaomu Hill	January 2014	Residential	1,425.48	663,284	2,419	100%
6. Hangzhou Zhejiang Zhimen	April 2014	Commercial and office	1,488.00	270,856	5,494	100%
7. Nanning Wuxiang New District	May 2014	Residential and commercial	591.60	479,384	1,234	100%
8. Xi'an Fengcheng Road	June 2014	Residential and business services	506.42	504,163	1,435	70%
Sub-total			6,226.49	4,157,988	1,497	
(ii) Shanghai Shimao						
Jinan Railway Station North Square	January 2014	Residential and commercial	723.76	1,683,147	1,366	31.47%



Jinjiang Zimao House



The average floor price of the new land reserves (excluding Shanghai Shimao Co., Ltd. (“Shanghai Shimao”)) was approximately RMB1,497 per sq.m. in terms of land cost. The Group holds sensible attitude, increases its land reserves by following its long-standing prudent policy and strives to strike a balance between development opportunity and risk control. As at 30 June 2014, the Group’s average land cost was RMB2,246 per sq.m.. The relatively low land cost provides adequate assurance for the Group to achieve a higher profit margin in the future.

As at 30 June 2014, Shimao Property had an attributable land bank of 36.90 million sq.m., making it one of the top real estate developers in China in terms of land bank size. Geographically, the majority of the newly-acquired land parcels by Shimao Property in the first half of 2014 were situated in second- and third-tier cities at provincial capital level, which have enormous potential for development and markets of which have not yet reached saturation, assuring the projects of adequate room for development and capability to resist risks.



Jinjiang Shimao Dragon Bay (Commercial and Office)

PROPERTY INVESTMENT

With respect to commercial properties, Shimao Property develops commercial properties through its 64.22% owned subsidiary, namely, Shanghai Shimao, which is primarily engaged in the development and operation of commercial properties. In addition to actively grasping development opportunities in the domestic commercial property market, Shanghai Shimao provides diversified commercial properties and excellent services by carrying out strategies on professional exploitation and operation of commercial properties. Shanghai Shimao continues to reinforce its integrated competitiveness, and aims to become an outstanding listed professional developer and operator of commercial properties.

Attributable to the further enhancement of its operation and management capability during the period, Shanghai Shimao maintained the development momentum of its diversified business operations, including commercial property development, commercial plaza operations and cinema investment and management, and obtained steady improvement of its operational performance.

During the first half of 2014, Shanghai Shimao recorded contracted sales of RMB7.21 billion, representing a year-on-year increase of 1%, accounting for 45% of the sales target of RMB16.0 billion set at the beginning of the year. Shanghai Shimao recorded a contracted sales area of 497,000 sq.m., representing a year-on-year decrease of 2%, and a contracted unit price of RMB14,500 per sq.m.. Shanghai Shimao continued to boost the sales of projects in Qingdao, Jinan, Shishi, Xiamen, Nanjing, Wuxi, Suzhou, Wuhan, Xuzhou and Changzhou during the first half of the year and acquired generally good results. Adhering to a market-oriented and customer-driven business concept, and centering on annual operation strategies and targets, Shanghai Shimao will endeavor to further enhance the monitoring capacity of each business line as well as the managerial standard of each professional team in the second half of the year, so as to ensure the fulfillment of its annual targets.

With respect to commercial plaza operations during the period, Jinan Shimao International Plaza was officially opened on 1 May. Located in the heart of Jinan's downtown, Jinan Shimao International Plaza (shopping mall) is in the proximity of Jinan's landmarks such as Liberation Pavilion and Quancheng Square, and is bound on the north by Quancheng Road, the "Golden Avenue" of Jinan. With a GFA of approximately 110,000 sq.m., it is a commercial masterpiece created by Shanghai Shimao featuring a fusion of innovation, social networking, fashion, business and other brand new consumption concepts. In addition, Shanghai Shimao stage by stage carried out quality enhancement, trade-mix refinement together with improvement of on-site management and property management service standard at its commercial plazas in Shanghai, Shaoxing, Suzhou, Changshu, Kunshan and Xuzhou during the period. Taking initiative to address the volatile market environment and competition, Shanghai Shimao devoted efforts to adapt to commercial development trend and consumer behaviors, optimized business layout, shopping experience and ambience in the course of business operations and assisted tenants to achieve higher operational efficiency, resulting in the enhancement of bargaining power and quality space of the shopping malls.

With respect to cinema investment, the Chinese film market maintained a strong growth momentum in the first half of 2014. As a result, the box office's result exceeded RMB13.5 billion and the number of cinema admissions exceeded 380 million, both representing an increase of approximately 25% compared to the corresponding period in 2013. As a result of the concerted efforts made by all the 15 cinemas in operation during the reporting period, Shimao's cinemas recorded a revenue of RMB103 million, representing a significant year-on-year increase of 40.7%, and provided film showing service to more than 3.12 million audiences, representing a year-on-year increase of 40%. All cinemas achieved substantial growth in revenue from box office, product sales and advertisements. As at 30 June 2014, Shimao owned 15 cinemas and 140 screens in operation nationwide. The number of seats in its cinemas also increased to 21,000. During the second half of the year, focusing on its annual operation targets, Shimao's cinemas will carry out various works to further improve showtime arrangement, product sales, equipment upgrade and customer flow channeling while systematically expanding the cinema network and preparing for the opening of new cinemas to ensure the fulfillment of annual operation targets. During the period, Shanghai Shimao invested in the TV series "One Servant for Two Masters" which was broadcast via major domestic satellite television channels on 19 March. For the first 15 days of its debut, "One Servant for Two Masters" was top-rated among all the primetime TV series broadcast during the same period over satellite television channels nationwide and continued to attain record-breaking ratings. According to the statistic information of EntGroup, it ranked second among the top ten best rated TV series for the first half of the year. Shanghai Shimao also invested in the film "Girls" which hit cinemas nationwide on 31 July and received generally good reviews and outstanding box office result.

With respect to child-focused business, "Shitian I Kids" proactively adjusted its management structure and personnel allocation according to the actual performance of the outlets and reinforced the management system of outlets, regional offices and the headquarter. Each outlet strengthened its operation capability by furthering service standardization, improving service quality and optimizing internal management flow. While continuing to enrich the contents of its child-focused business, Shanghai Shimao will, through the development of markets of child education and show business, explore different business models for different operations, with an aim to acquire its unique development path in this competitive industry.



Particulars of the investment property projects of the Group in the first half of 2014 are set out as follows:

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	1H 2014 Turnover (RMB million)	1H 2013 Turnover (RMB million)	Growth (%)
Shanghai Shimao International Plaza	71,239	Phase I – December 2004 Phase II – May 2007	77.1	80.2	(3.9%)
Beijing Shimao Tower	70,175	2008	66.2	57.7	14.7%
Changshu Shopping Mall	43,357	Commercial – first quarter of 2009	7.7	7.6	1.3%
Shanghai Shimao Shangdu	9,584	November 2010	18.0	17.1	5.3%
Shaoxing Shimao Dear Town	181,605	May 2010	49.1	40.7	20.6%
Suzhou Shimao Canal Scene (Commercial)	49,993	June 2010	10.1	6.3	60.3%
Kunshan Shimao Plaza	88,249	April 2012	13.2	9.1	45.1%
Wuhu Shimao Riviera Garden (Commercial)	19,963	2009	3.0	3.0	–
Xuzhou Shimao Dongdu (Commercial)	59,471	January 2012	4.8	4.4	9.1%
Other rental income	–	–	10.8	9.7	11.3%
Rental income sub-total			260.0	235.8	10.3%
Others	–	–	273.2	291.4	(6.2%)

Rental income from investment properties increased by 10.3% to RMB260 million, primarily attributable to the continuous growth of rental income from existing shopping malls.

HOTEL OPERATIONS

As at 30 June 2014, the Group has opened nine hotels which include Le Royal Méridien Shanghai, Hyatt on the Bund, Le Méridien Sheshan Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, Double Tree by Hilton Wuhu, Crowne Plaza Shaoxing and InterContinental Fuzhou. Currently, the Group has a total of 3,900 guest rooms.

January 2014 witnessed the grand opening of InterContinental Fuzhou, located in Shimao International Plaza, a 58-storey building which is by far the highest in Fuzhou city. Yuluxe Hotel Taizhou, the Group's first self-operated five-star hotel and Songjiang Minimax Hotel (松江睿選酒店), the first hotel served with limited services will be opened in the second half of 2014, marking a milestone in the development of Shimao hotels as the Group evolves from a mere property owner into hotel operator. Hilton Tianjin Eco-city is also scheduled to open in the second half of 2014.

The Group's hotels achieved revenue of RMB537.6 million in the first half of 2014, representing a year-on-year increase of 16.8%. The overall performance of the hotel business continued to improve, with the three hotels in Shanghai, which together play a key role in the overall results, contributing the highest percentage of revenue. The construction of National (Shanghai) Center for Exhibition and Convention was completed by the end of June. Shanghai will become the single city which provides the largest exhibition areas in the world. Shanghai Disneyland will welcome its customers at the end of 2015; and the established China (Shanghai) Pilot Free Trade Zone continues to optimize. All these developments will undoubtedly bring business opportunities to the hotel industry in Shanghai. The number of domestic tourists and tourism revenue both recorded double-digit growth in the first half of 2014. Influenced by the increasing number of middle- and high-income population in China and their pursuit for higher quality of tourism service, the demand for middle- and high-end hotels will continue to grow and individual consumption will become the major contributor to the hotel industry. Shimao hotels in first- and second-tier cities including Shanghai, Nanjing, Fuzhou, Tianjin, Wuhan, Shenyang and Xiamen will definitely benefit from this trend.

Particulars of the hotel projects of the Group in the first half of 2014 are set out as follows:

Hotel	Number of Rooms	Date of Commencement	Turnover (RMB million)		EBITDA (RMB million)	
			1H 2014	1H 2013	1H 2014	1H 2013
Le Méridien Sheshan Shanghai	327	November 2005	71	59	22	18
Le Royal Méridien Shanghai	770	September 2006	183	183	74	74
Hyatt on the Bund	631	June 2007	162	165	55	54
Hilton Nanjing Riverside	411	December 2011	37	27	3	(1)
Holiday Inn Mudanjiang	266	December 2010	11	11	2	2
Holiday Inn Shaoxing	284	September 2011	16	15	5	2
DoubleTree by Hilton Wuhu	442	November 2013	19	-	(5)	-
Crowne Plaza Shaoxing	453	March 2014	17	-	(2)	-
InterContinental Fuzhou	320	January 2014	21	-	(3)	-
Total	3,904		537	460	151	149

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 Board has appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 30 June 2014. Had the 27 hotels (2013: 22 hotels), namely, Le Méridien Sheshan Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-city, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yuluxe Hotel Xuzhou, Yuluxe Hotel Fuzhou Riverside, InterContinental Shanghai Wonderland, Yuluxe Hotel Jinjiang, Yuluxe Hotel Yuyao, Yuluxe Hotel Wenchang Hainan, Yuluxe Hotel Chengdu, Shimao Minimax Hotel Dalian, Le Méridien Hangzhou Binjiang and Shimao Yu Resort Zimaoshan been restated at fair value of RMB30.3 billion (2013: RMB28.1 billion), the net assets value of the Group would have been increased to RMB70.9 billion (2013: RMB64.6 billion). In light of the fair value adjustment of these hotels, the adjusted gearing ratio of the Group would be:

	As at 30 June 2014 (RMB million)	As at 31 December 2013 (RMB million)
Fair value of above-mentioned hotels	30,250	28,116
Less: Carrying amount	(12,378)	(11,125)
Amounts to adjust from carrying amount to fair value	17,872	16,991
Less: Deferred income taxes	(4,468)	(4,248)
Increase in net assets value if the above-mentioned hotels are stated at fair value	13,404	12,743
Net assets value per consolidated balance sheet	57,448	51,852
Adjusted net assets value	70,852	64,595
Net debt	33,566	29,756
Adjusted gearing ratio	47%	46%

FINANCIAL ANALYSIS

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

	1H 2014 RMB million	1H 2013 RMB million
Revenue	23,675.4	16,676.9
Gross profit	8,073.6	5,923.6
Operating profit	7,188.6	5,745.9
Profit attributable to shareholders	4,180.3	3,470.2
Earnings per share – Basic (RMB cents)	120.8	100.1

1. REVENUE

For the six months ended 30 June 2014, the revenue of the Group was approximately RMB23,675.4 million (1H 2013: RMB16,676.9 million), representing an increase of 42.0% over the corresponding period in 2013. 95.5% (1H 2013: 94.1%) of the revenue was generated from the sales of properties and 4.5% (1H 2013: 5.9%) from hotel operations, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

	1H 2014 RMB million	1H 2013 RMB million
Sales of properties	22,604.6	15,689.5
Hotel operation income	537.6	460.2
Rental income from investment properties	260.0	235.8
Others	273.2	291.4
Total	<u>23,675.4</u>	<u>16,676.9</u>



Shimao Yu Resort Zimaoshan

(i) Sales of properties

Sales of properties for the six months ended 30 June 2014 and 2013 are set out below:

	1H 2014		1H 2013	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
a) Shimao Property				
Shaoxing Shimao Dear Town	152,761	1,652	3,374	89
Chengdu Shimao Royal Bay	108,997	1,432	–	–
Fuzhou Minhou Shimao Dragon Bay	152,323	1,399	239,832	2,493
Nanjing Shimao Glory Villa	79,440	1,352	–	–
Suzhou Shimao Canal Scene	117,937	1,342	56,444	620
Kunshan Shimao East No. 1	171,730	1,249	1,129	9
Zhangjiagang Shimao Nine Rivers Village	63,405	1,066	–	–
Fujian Jinjiang Shimao Dragon Bay	124,348	1,020	122,868	2,498
Xiamen Shimao Lakeside Garden	37,245	913	3,193	110
Wuhan Shimao Splendid River	75,256	874	95,596	837
Changzhou Shimao Champagne Lake	85,239	608	4,208	27
Qingdao Shimao Park Land	54,553	551	107,396	930
Dalian Shimao Dragon Bay	55,507	506	11,730	123
Shenyang Shimao Wulihe	40,492	472	3,795	45
Wenchang Shimao Nufang Sea	42,767	449	–	–
Tianjin Shimao Wetland Century	44,418	375	8,468	78
Suzhou Shimao Shihu Bay	13,141	321	–	–
Taizhou Shimao Riverside Garden	38,404	198	2,524	14
Wuhan Shimao Lake Island	14,520	180	–	–
Dalian Shimao Glory City	18,426	170	439	5
Xianyang Shimao The Centre	25,394	159	18,454	375
Harbin Shimao Riviera New City	23,375	128	41,951	375
Jiaxing Shimao New City	17,256	106	6,584	64
Shenyang Shimao Notting Hill	8,927	99	193	2
Wuhan Shimao Dragon Bay	14,210	80	–	–
Chengdu Shimao City	9,500	52	9,707	72
Xuzhou Shimao Dongdu	5,119	47	–	–
Nantong Shimao Wetland Century	4,372	43	–	–
Shanghai Shimao Sheshanli	2,000	42	–	–
Ningbo Shimao Sea Dawn	3,382	32	38,738	418
Yuyao Shimao Moushan Lake	4,077	30	–	–
Ningbo Shimao World Gulf	2,928	27	4,430	53
Hangzhou Shimao Riviera Garden	2,351	17	31,032	296
Ningbo Shimao Dragon Bay	1,051	11	–	–
Shanghai Shimao Emme County	447	4	2,401	37
Kunshan Shimao Butterfly Bay	–	–	157,146	968
Wuxi Shimao The Capital	–	–	69,019	634
Shaoxing Sky Centre	–	–	25,145	328
Ningbo Xiangshan Shimao Damuwan	–	–	14,103	211
Beijing Shimao Alhambra Palace	–	–	5,397	92
Shanghai Shimao Riviera Garden	–	–	689	57
Yantai Shimao No.1 The Harbour	–	–	3,775	33
Mudanjiang Shimao Holiday Landscape	–	–	7,211	28
Sub-total (a)	1,615,298	17,006	1,096,971	11,921

	1H 2014		1H 2013	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
b) Shanghai Shimao				
Xiamen Shimao Straits Mansion	91,417	2,355	–	–
Qingdao Shimao Nuosha Bay	95,578	1,196	47,436	685
Qingdao Shi'ao Tower	26,684	559	–	–
Wuhan Shimao Carnival	49,690	458	5,597	44
Nanjing Shimao Bund New City	45,637	377	7,818	154
Suzhou Shimao Canal Scene (Commercial)	18,473	303	49,086	580
Shanghai Shimao Wonderland	6,002	169	69,101	1,013
Jinan Shimao Skyscraper City	6,559	128	–	–
Kunshan Shimao International City	3,000	32	6,915	88
Wuhu Shimao Riviera Garden (Commercial)	3,029	10	–	–
Changzhou Shimao New City (Commercial)	830	8	–	–
Xuzhou Shimao Dongdu (Commercial)	330	4	16,568	218
Changshu Shimao The Center (Commercial)	–	–	115,200	952
Hangzhou Shimao Riviera COSMO	–	–	3,795	32
Shaoxing Shimao Dear Town (Commercial)	–	–	315	3
Sub-total (b)	347,229	5,599	321,831	3,769
Total (a) + (b)	1,962,527	22,605	1,418,802	15,690

(ii) Hotel income

Hotel operation income is analysed as follows:

	1H 2014 RMB million	1H 2013 RMB million
Le Méridien Sheshan Shanghai	71.0	58.7
Le Royal Méridien Shanghai	182.6	182.6
Hyatt on the Bund	162.2	164.9
Holiday Inn Mudanjiang	11.6	11.7
Hilton Nanjing Riverside	36.6	26.7
Holiday Inn Shaoxing	16.2	15.6
Double Tree by Hilton Wuhu	19.1	–
Crowne Plaza Shaoxing	16.7	–
InterContinental Fuzhou	21.6	–
Total	537.6	460.2

Hotel operation income increased approximately 16.8% to RMB537.6 million from approximately RMB460.2 million over the six months ended 30 June 2014. The increase was mainly derived from three newly-opened hotels.



(iii) Rental income and Others

Rental income from investment properties reached approximately RMB260.0 million, which increased by 10.3% with the growth of average rent.

Other income amounted to approximately RMB273.2 million (1H 2013: RMB291.4 million) was mainly derived from operation of department stores and cinemas.

	1H 2014	1H 2013
	RMB million	RMB million
Shanghai Shimao International Plaza	77.1	80.2
Beijing Shimao Tower	66.2	57.7
Changshu Shopping Mall	7.7	7.6
Shanghai Shimao Shangdu	18.0	17.1
Suzhou Shimao Canal Scene (Commercial)	10.1	6.3
Shaoxing Shimao Dear Town	49.1	40.7
Kunshan Shimao Plaza	13.2	9.1
Wuhu Shimao Riviera Garden (Commercial)	3.0	3.0
Xuzhou Shimao Dongdu (Commercial)	4.8	4.4
Miscellaneous rental income	10.8	9.7
Others	273.2	291.4
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Total	533.2	527.2
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2. COST OF SALES

Cost of sales increased by 45.1% to approximately RMB15,601.9 million for the six months ended 30 June 2014 from RMB10,753.3 million for the six months ended 30 June 2013, primarily due to the increase in cost of properties sold in line with the increase in areas delivered.

Cost of sales are analysed as follows:

	1H 2014	1H 2013
	RMB million	RMB million
Sales taxes	1,344.4	939.8
Land costs and construction costs	12,705.3	8,675.7
Capitalised borrowing costs	1,250.5	922.1
Direct operating costs for hotels, commercial properties and others	301.7	215.7
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Total	15,601.9	10,753.3
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3. FAIR VALUE GAINS ON INVESTMENT PROPERTIES

During the period under review, the Group recorded aggregate fair value gains of approximately RMB1,097.1 million (1H 2013: RMB855.8 million), mainly contributed by further increase in value of certain investment properties and the addition in number of investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB274.3 million recognised was RMB822.8 million (1H 2013: fair value gains after deferred income tax was RMB641.9 million).

4. OTHER GAINS

Other gains of approximately RMB121.6 million for the six months ended 30 June 2014 (1H 2013: RMB545.5 million) included mainly gains on disposal of equity interests in subsidiaries and government grants.

5. SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

Selling and marketing costs for the period was approximately RMB624.9 million (1H 2013: RMB537.5 million). Selling and marketing costs increased by 16.3% in line with the increase in number of projects put into presale compared with the same period of 2013. Administrative expenses for the period was RMB1,414.9 million (1H 2013: RMB984.3 million), and increased by 43.7%. It was mainly due to the increase of labour cost and corporate and office expenses with the business expansion. In addition, hotel expenses also increased with the commencement of three new hotels in 2014.

6. OPERATING PROFIT

Operating profit amounted to approximately RMB7,188.6 million for the six months ended 30 June 2014, representing an increase of 25.1% over the first half of 2013. It was mainly attributable to the increase of revenue and gross margin.

7. FINANCE COSTS – NET

Net finance costs increased to approximately RMB112.5 million (1H 2013: RMB19.6 million) mainly due to more interest expenses incurred for increased borrowings during the period.

8. SHARE OF RESULTS OF ASSOCIATED COMPANIES AND JOINT VENTURES

Share of losses of associated companies amounted to approximately RMB69.55 million (1H 2013: share of losses of RMB45.96 million) in the first half of 2014, which was mainly due to the loss of Guangzhou Asian Game City Project, Straits Construction and Guangzhou Finance City. Share of losses of joint ventures amounted to RMB13.37 million (1H 2013: share of profits of RMB272.4 million), which was due to the decrease in recognition sales by two joint ventures in Hangzhou in the first half of 2014.

9. TAXATION

The Group's tax provisions amounted to approximately RMB2,334.9 million in which PRC land appreciation tax ("LAT") was RMB474.8 million (1H 2013: RMB2,162.6 million, in which LAT was RMB850.0 million) for the period.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the period increased by 20.5% from approximately RMB3.47 billion in first half of 2013 to RMB4.18 billion in the first half of 2014.

11. LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2014, total assets of the Group were RMB198.8 billion, of which current assets reached approximately RMB137.4 billion. Total liabilities were approximately RMB141.4 billion, whereas non-current liabilities were RMB46.3 billion. Total equity was RMB57.4 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB43.6 billion.

As of 30 June 2014, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB21.1 billion (31 December 2013: RMB19.6 billion), total borrowings amounted to approximately RMB54.7 billion (31 December 2013: RMB49.3 billion). Total net borrowings were approximately RMB33.6 billion (31 December 2013: RMB29.7 billion). Net gearing ratio increased slightly from approximately 57.4% as at 31 December 2013 to approximately 58.4% as at 30 June 2014.

The maturity of the borrowings of the Group as at 30 June 2014 is set out as follows:

	RMB million
Bank borrowings and borrowings from other financial institutions	
Within 1 year	9,624
Between 1 and 2 years	12,158
Between 2 and 5 years	12,896
Over 5 years	6,250
Senior notes	
Within 1 year	3,056
Between 2 and 5 years	2,139
Over 5 years	8,575

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	3,152	19,394
HK\$	4,385	3,481
RMB	31,823	31,823

12. FINANCING ACTIVITIES

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.

On 22 January 2014, the Group issued a total of US\$600 million senior notes due on 22 January 2021. The interest rate is 8.125%, which effectively extended the average maturity period of the Group's loans.

In July 2014, the Group acquired a total of US\$665 million and HK\$555 million syndicated loan. The new syndicated loan was used to redeem and repay 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 3 August 2014, the Group early redeemed an aggregate principal amount of US\$500 million of all outstanding 9.65% fixed rate notes due in 2017.

The Group continued to maintain good debt structure, of which short-term borrowings is approximately 23% and long-term borrowings is approximately 77% as at 30 June 2014. The cash coverage ratio continued to increase from approximately 166% as at 31 December 2013 to approximately 167% as at 30 June 2014, which indicated the Group kept high liquidity and low debt pressure.



13. 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 is not exposed to material exchange rate risk and the Board expects that any fluctuation of exchange rate will not have material adverse effect on the operations of the Group.

14. PLEDGE OF ASSETS

As of 30 June 2014, 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 RMB54.2 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB28.9 billion. The Group had also pledged shares of certain subsidiaries for a total borrowing of RMB1.6 billion.

15. CONTINGENCIES

As of 30 June 2014, the Group had provided guarantees for approximately RMB6.1 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 RMB5.6 billion in its portion of equity interests in certain associated companies and joint ventures for their borrowings.

16. CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE COMMITMENTS

As of 30 June 2014, the Group had contracted capital and property development expenditure but not provided for amounted to RMB38.8 billion.

17. EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2014, the Group employed a total of 6,854 employees. Total remuneration for the period amounted to RMB688.7 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 64, the Chairman and Executive Director of Shimao Property Holdings Limited (the "Company") and the founder of the Group. With over 24 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, vice president of All-China Federation of Returned Overseas Chinese, 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 ("SFO"). 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 37, 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 15 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 the Standing Committee of All-China Youth Federation and 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 the brother of Ms. Hui Mei Mei, Carol, the Vice Chairman and the President of Shanghai Shimao.

LIU SAI FEI

Mr. Liu Sai Fei, aged 52, 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 29 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 56, 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 30 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 43, has joined the Group since July 2004 and was appointed an Executive Director of the Company since 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 20 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 42, has joined the Group since January 2011 and was appointed an Executive Director of the Company since 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 11 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 59, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 22 years' experience in corporate finance. She is a responsible officer of three licensed corporations registered under the SFO, 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 (the "Stock Exchange"). 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: Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, China Engerine International (Holdings) Limited and Cosmopolitan International Holdings Limited. She is also an independent director of AVIC International Maritime Holdings Limited (formerly known as 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 47, 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 21 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 53, 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 12 years. Mr. Lam has been in the property development and construction industry for 30 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.

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 follows:

- (a) The purpose of the Share Option Scheme is to provide the participants with 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 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 schemes 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 the 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 for the six months ended 30 June 2014, nor was there any share options outstanding as at 31 December 2013 and 30 June 2014.

INFORMATION ON SHARE OPTIONS (continued)

SHARE OPTION SCHEME OF SHANGHAI SHIMAO

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

- (a) The purpose of the 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's 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 employee with incentives through profit sharing, thus securing the sustainable and healthy development of Shanghai Shimao.
- (b) Options granted under the Shanghai Shimao Scheme are incentives to directors, senior management and mid-level key managerial personnel of Shanghai Shimao. The shares subject to the options granted under the 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 the Shanghai Shimao Scheme.
- (c) 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.
- (d) Subject to the fulfilment of various conditions as provided in the Shanghai Shimao Scheme, the options granted under the Shanghai Shimao Scheme can be exercised in two batches 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.
- (e) Performance targets have been imposed as conditions for the grant of options under the Shanghai Shimao Scheme.
- (f) No amount is payable on application or acceptance of the options by the grantees of the options.
- (g) The exercise price of the options granted under the Shanghai Shimao Scheme was RMB9.84 per A Share, which was the higher of the followings: (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. During the six months ended 30 June 2014, the exercise price of the options granted under the Shanghai Shimao Scheme has been adjusted to RMB9.60 per A Share as a result of distribution of dividends for the six months ended 30 June 2013 and for the year ended 31 December 2013.
- (h) During the six months ended 30 June 2014, 1,400,000 options were cancelled by Shanghai Shimao pursuant to the Shanghai Shimao Scheme. As at 30 June 2014, the total number of A Shares which would be issued under the options granted under the Shanghai Shimao Scheme was 8,600,000 A Shares, representing approximately 0.73% of the total number of A Shares in issue as at 30 June 2014 if all the options are exercised.
- (i) Shanghai Shimao Scheme will expire on 27 June 2016.
- (j) During the six months ended 30 June 2014, no options was granted by Shanghai Shimao under the Shanghai Shimao Scheme.

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

INFORMATION ON SHARE OPTIONS (continued)

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 2014, 2,527,524 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 2014, 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 SFO as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (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	2,256,699,442 ^(Note 1)	64.986%
Hui Sai Tan, Jason	Beneficial owner	2,344,679 ^(Note 2)	0.068%
Liu Sai Fei	Beneficial owner	624,269 ^(Note 3)	0.018%
Xu Younong	Beneficial owner	187,034 ^(Note 4)	0.005%
Tang Fei	Beneficial owner	154,622 ^(Note 5)	0.004%
Liao Lujiang	Beneficial owner	197,015 ^(Note 6)	0.006%

Notes:

1. These 2,256,699,442 shares represents the interest in the Company held by Gemfair Investments Limited and Shiyang Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
2. The interests disclosed include 120,804 shares granted under the Share Award Scheme.
3. The interests disclosed include 247,669 shares granted under the Share Award Scheme.
4. The interests disclosed represent 102,034 shares granted under the Share Award Scheme.
5. The interests disclosed represent 89,622 shares granted under the Share Award Scheme.
6. The interests disclosed represent 125,470 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.

DISCLOSURE OF INTERESTS IN SECURITIES (continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2014 was the Company, any of its subsidiaries or its holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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
Long position			
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%
Shiyang Finance Limited ("Shiyang Finance")	Note (3)	308,715,442	8.89%

Notes:

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the six months ended 30 June 2014, the following Director of the Company was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

Mr. Hui Wing Mau, the Chairman and an Executive Director of the Company, currently owns property development interests in the PRC through a number of private companies (collectively the "Private Group").

The Directors of the Company, including those interested in the businesses of the Private Group, will, as and when required under the Company's Articles of Association, abstain from voting on any board resolution in respect of any contract, arrangement or proposal in which he/she or any of his/her associates has a material interest.

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into the following agreements:

1. A 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 in the amount of US\$610,000,000 and HK\$468,000,000 have been made available to the Company for a term of 36 months from the date of the credit agreement.
2. A facility agreement on 21 May 2013 between, among others, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd., a company which is indirectly owned as to 25% by the Company as the borrower, the Company as one of the sponsors, certain financial institutions as specified in the facility agreement as initial lenders, a term loan facility in the amount of RMB1,000,000,000 have been made available to the borrower for a term of 36 months from the date of the facility agreement.
3. A 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 in the amount of US\$320,000,000 and HK\$1,950,000,000 have been made available to the Company for a term of 48 months from the date of the credit agreement.
4. A facility agreement on 10 October 2013 between, among others, Charm Talent Limited, a company which is indirectly owned as to 25% by the Company as the borrower, the Company as one of the guarantors, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as original lenders and mandated lead arrangers, a transferable term loan facility in the amount of HK\$2,700,000,000 have been made available to the borrower for a term of 36 months from the first utilization date.
5. A credit agreement on 12 June 2014 among others, the Company as borrower, certain subsidiaries of the Company as guarantors, The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited as mandated lead arrangers and coordinators, The Bank of East Asia, Limited, Standard Chartered Bank (Hong Kong) Limited, Sumitomo Mitsui Banking Corporation, Tai Fung Bank Limited, Goldman Sachs Bank USA, China CITIC Bank International Limited, JPMorgan Chase Bank, N.A., Hong Kong Branch, Morgan Stanley Senior Funding, Inc. and UBS AG, Hong Kong Branch as mandated lead arrangers, certain financial institutions as specified in the credit agreement as original lenders and Standard Chartered Bank (Hong Kong) Limited as facility agent, multi-currency term loan facilities in the amount of US\$665,000,000 and HK\$555,000,000 have been made available to the Company for a term of 48 months from the date of the credit agreement.

As provided in each of the above agreements, 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; or (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 of directors of the Company (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 each of the above loan facilities may be cancelled and all amounts outstanding may become immediately due and payable.

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

The Board comprises six Executive Directors and three Independent Non-executive Directors. The Company benefits from the collective experience of its Directors of the Company, who come from a variety of different backgrounds. Brief biographical particulars of all the Directors of the Company, 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 shareholders' value. The Board sets strategies for the Company and monitors the performance and activities of the executive management.

The Board is responsible for performing the corporate governance duties set out in the code provision D.3.1 of the Corporate Governance Code (the "Code") of the Listing Rules. The principal role and function of the Board in relation to corporate governance is to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employee(s) and Director(s), and to review the Company's compliance with the Code and disclosure in the corporate governance report under the annual report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") 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 Board.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings will be sent to all members of the Audit Committee for their comment and records respectively.

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 Audit 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 2014 have been reviewed by the Audit Committee and the auditor of the Company.

CORPORATE GOVERNANCE (continued)

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) 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 to the Board on the remuneration package of the Directors and senior management and evaluate, make recommendations on the Company’s share option scheme, share award scheme, retirement scheme and the performance assessment system and bonus and commission policies.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) 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.

COMPANY SECRETARY

Ms. Lam Yee Mei, Katherine is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of company secretary of the Company. The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy, procedures and all applicable rules and regulations. The Company Secretary reports to the Board through the chairman and vice chairman whilst all members of the Board have access to the advice of the Company Secretary.

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

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All Directors of the Company confirmed they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014 except for one deviation as set out below.

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

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.

Mr. Hui, the Chairman of the Board, provides leadership to the Board in terms of establishing policies and business directions and ensures that the Board discharges its responsibilities. The other Executive Directors are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies set by the Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, 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 6,011,500 shares of the Company at a total consideration of approximately HK\$95 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 or by post to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of HK30 cents per ordinary share for the six months ended 30 June 2014. The dividend will be payable on Wednesday, 5 November 2014 to shareholders whose names appear on the register of members of the Company on Wednesday, 15 October 2014.

The register of members of the Company will be closed on Tuesday, 14 October 2014 and Wednesday, 15 October 2014. During these two days, no transfer of shares will be registered. In order to establish entitlements to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 13 October 2014.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 26 August 2014

Independent Auditor's Report



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF SHIMAO PROPERTY HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 40 to 76, which comprises the interim condensed consolidated balance sheet of Shimao Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2014

Interim Condensed Consolidated Balance Sheet

As at 30 June 2014

		Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
	Note		
ASSETS			
Non-current assets			
Property and equipment	6	10,515,033	10,378,052
Investment properties	6	27,136,376	26,941,944
Land use rights	6	5,507,072	5,645,416
Intangible assets	6	1,841,332	1,847,573
Associated companies	7	1,609,802	1,650,578
Joint ventures	8	6,828,565	5,365,806
Amounts due from related parties	9	2,484,619	2,266,694
Available-for-sale financial assets		330,143	408,440
Deferred income tax assets		1,358,475	1,306,338
Other non-current assets	10	3,810,496	2,008,313
		<u>61,421,913</u>	<u>57,819,154</u>
Current assets			
Properties under development		71,456,523	62,559,873
Completed properties held for sale		15,252,057	11,604,899
Trade and other receivables and prepayments	11	13,088,650	11,217,421
Prepayments for acquisition of land use rights	10	13,063,074	9,632,388
Prepaid income taxes		2,282,228	2,154,779
Amounts due from related parties	9	1,097,041	1,206,095
Restricted cash	12	2,945,389	2,547,231
Cash and cash equivalents	12	18,186,652	17,026,018
		<u>137,371,614</u>	<u>117,948,704</u>
Total assets		<u>198,793,527</u>	<u>175,767,858</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	13	356,275	356,275
Share premium		5,968,228	6,059,274
Reserves			
– Proposed dividend		826,958	2,195,555
– Others		36,441,410	33,131,146
		<u>43,592,871</u>	<u>41,742,250</u>
Non-controlling interests		<u>13,855,292</u>	<u>10,109,612</u>
Total equity		<u>57,448,163</u>	<u>51,851,862</u>

Interim Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2014

		Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings	14	42,018,031	37,553,681
Deferred income tax liabilities		4,239,001	3,985,242
		46,257,032	41,538,923
Current liabilities			
Trade and other payables	15	24,839,231	20,995,325
Dividend payable		2,232,793	–
Advanced proceeds received		32,405,481	29,900,978
Income tax payable		9,329,210	9,327,098
Borrowings	14	12,680,261	11,775,322
Derivative financial instruments		10,716	36,898
Amounts due to related parties	16	13,585,517	10,336,395
Deferred income		5,123	5,057
		95,088,332	82,377,073
Total liabilities		141,345,364	123,915,996
Total equity and liabilities		198,793,527	175,767,858
Net current assets		42,283,282	35,571,631
Total assets less current liabilities		103,705,195	93,390,785

The notes on pages 45 to 76 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 2014

	Note	Unaudited Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Revenue	5(A)	23,675,412	16,676,901
Cost of sales	17	(15,601,859)	(10,753,275)
Gross profit		8,073,553	5,923,626
Fair value gains on investment properties		1,097,144	855,821
Other income/other gains – net	18	121,606	545,475
Selling and marketing costs	17	(624,925)	(537,456)
Administrative expenses	17	(1,414,891)	(984,253)
Other operating expenses	17	(63,894)	(57,307)
Operating profit		7,188,593	5,745,906
Finance income		65,986	133,436
Finance costs		(178,448)	(153,059)
Finance costs – net	19	(112,462)	(19,623)
Share of results of			
– Associated companies		(69,552)	(45,964)
– Joint ventures		(13,372)	272,357
		(82,924)	226,393
Profit before income tax		6,993,207	5,952,676
Income tax expense	20	(2,334,850)	(2,162,646)
Profit for the period		4,658,357	3,790,030
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss</i>			
Fair value losses on available-for-sale financial assets, net of tax		(58,723)	(23,542)
Total comprehensive income for the period		4,599,634	3,766,488
Profit for the period attributable to:			
Equity holders of the Company		4,180,298	3,470,158
Non-controlling interests		478,059	319,872
		4,658,357	3,790,030
Total comprehensive income for the period attributable to:			
Equity holders of the Company		4,142,586	3,455,039
Non-controlling interests		457,048	311,449
		4,599,634	3,766,488
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	22	120.83	100.14
– Diluted (RMB cents)	22	120.67	100.10

The notes on pages 45 to 76 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 2014

		Unaudited						
		Attributable to the equity holders of the Company					Non-controlling interests	
Note	Share capital	Share premium	Other reserves	Retained profits	Total		Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	356,275	6,059,274	3,105,243	32,221,458	41,742,250	10,109,612	51,851,862	
	-	-	-	4,180,298	4,180,298	478,059	4,658,357	
	-	-	(37,712)	-	(37,712)	(21,011)	(58,723)	
	-	-	(37,712)	4,180,298	4,142,586	457,048	4,599,634	
Transactions with owners:								
	-	-	-	-	-	3,877,322	3,877,322	
	-	(15,978)	-	-	(15,978)	(503,014)	(518,992)	
	-	-	-	-	-	(40,516)	(40,516)	
	-	-	32,993	-	32,993	-	32,993	
	-	(75,068)	-	-	(75,068)	-	(75,068)	
	-	-	191,492	(191,492)	-	-	-	
	-	-	(2,233,912)	-	(2,233,912)	(45,160)	(2,279,072)	
	-	(91,046)	(2,009,427)	(191,492)	(2,291,965)	3,288,632	996,667	
	356,275	5,968,228	1,058,104	36,210,264	43,592,871	13,855,292	57,448,163	
	356,275	8,311,805	2,054,177	25,184,893	35,907,150	5,020,082	40,927,232	
	-	-	-	3,470,158	3,470,158	319,872	3,790,030	
	-	-	(15,119)	-	(15,119)	(8,423)	(23,542)	
	-	-	(15,119)	3,470,158	3,455,039	311,449	3,766,488	
Transactions with owners:								
	-	-	-	-	-	651,000	651,000	
	-	-	6,443	-	6,443	-	6,443	
	-	(47,044)	-	-	(47,044)	-	(47,044)	
	-	-	66,086	(66,086)	-	-	-	
	-	-	(1,515,899)	-	(1,515,899)	-	(1,515,899)	
	-	(47,044)	(1,443,370)	(66,086)	(1,556,500)	651,000	(905,500)	
	356,275	8,264,761	595,688	28,588,965	37,805,689	5,982,531	43,788,220	

The notes on pages 45 to 76 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cash flows from operating activities		
Net cash (used in)/generated from operations	(1,564,126)	2,091,862
Interest received	65,986	133,436
Interest paid	(1,881,217)	(1,550,146)
PRC Income tax paid	(2,238,991)	(1,980,085)
	<u>(5,618,348)</u>	<u>(1,304,933)</u>
Net cash flows from operating activities		
Cash flows from investing activities		
Additions of property and equipment and investment properties	(1,384,576)	(2,424,244)
Sales of property and equipment	1,212	9,350
Additions of land use rights and other non-current assets	(161,610)	(484,067)
Disposal of subsidiaries	450,789	30,000
Acquisition of a subsidiary	–	(156,000)
Capital injection to joint ventures	(572,170)	(35,000)
Disposal of a joint venture	–	359,780
Advance to joint ventures	(217,925)	(776,751)
	<u>(1,884,280)</u>	<u>(3,476,932)</u>
Net cash flows from investing activities		
Cash flows from financing activities		
Proceeds from borrowings	20,570,374	17,942,827
Repayments of borrowings	(14,735,634)	(15,151,895)
Repurchases of shares	(75,068)	(47,044)
Capital contribution from non-controlling interests of subsidiaries	3,877,322	651,000
Acquisition of additional interests in subsidiaries	(518,992)	–
Repayment to non-controlling interests due to closure of subsidiary	(40,516)	–
Dividends paid to non-controlling interests	(45,160)	–
Increase in amounts due to non-controlling interests of subsidiary	11,997	1,819,210
(Increase)/decrease in restricted cash pledged for borrowings	(389,392)	616,154
	<u>8,654,931</u>	<u>5,830,252</u>
Net cash flows from financing activities		
Net increase in cash and cash equivalents	1,152,303	1,048,387
Cash and cash equivalents at the beginning of the period	17,026,018	15,893,845
Exchange gains/(losses)	8,331	(69,616)
	<u>18,186,652</u>	<u>16,872,616</u>
Cash and cash equivalents at end of the period		

The notes on pages 45 to 76 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 2014

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 26 August 2014.

These condensed consolidated interim financial statements have been reviewed, not audited.

This interim condensed consolidated financial information for the six months ended 30 June 2014 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 2013, 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 of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

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

- The Group has adopted HK(IFRIC)-Int 21 ‘Levies’. HK(IFRIC)-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of HKAS 37 ‘Provisions’. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect HK(IFRIC)-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.

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 2014

2 ACCOUNTING POLICIES (continued)

(B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations are issued but not effective for annual periods beginning 1 January 2014, and have not been early adopted.

Currently related to the Group:

- Some amendments included in Annual Improvements 2012 and 2013 which are effective for annual periods beginning on or after 1 July 2014, including:
 - Amendment to HKFRS 2 ‘Share-based payment’
 - Amendment to HKFRS 3, ‘Business combinations’ and consequential amendments to HKFRS 9, ‘Financial instruments’, HKAS 37, ‘Provisions, contingent liabilities and contingent assets’, and HKAS 39, ‘Financial instruments – Recognition and measurement’
 - Amendment to HKFRS 8, ‘Operating segments’
 - Amendment to HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’
 - Amendment to HKAS 24, ‘Related Party Disclosures’
 - Amendment to HKFRS 13, ‘Fair value measurement’
 - Amendment to HKAS 40, ‘Investment property’
- HKFRS 14, ‘Regulatory deferral accounts’, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. HKFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. HKFRS 14 is effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- HKFRS 11 (Amendment), ‘Joint arrangements’, requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a ‘business’ (as defined in HKFRS 3, Business combinations). The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. This amendment is effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- HKAS 16 and HKAS 38 (Amendment), ‘Clarification of acceptable methods of depreciation and amortisation’, clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. These amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

2 ACCOUNTING POLICIES (continued)

(B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

- HKFRS 15, 'Revenue from Contracts with Customers', establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction prices; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This amendment is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted.

- HKFRS 9, 'Financial instruments', is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. This amendment is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

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.

Not currently related to the Group (although they may affect the accounting for future transactions and events):

- Amendment to HKAS 19 regarding defined benefit plans, effective for annual periods beginning on or after 1 July 2014 with early adoption permitted.

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 2013.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

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 2013.

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 early redeemed on 3 August 2014 the senior notes issued on 3 August 2010 with outstanding principal of US\$500,000,000. The senior notes were originally due on 3 August 2017, which was reclassified from non-current liabilities to current liabilities as at 30 June 2014 (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 2014

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 2014 and 31 December 2013.

As at 30 June 2014	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	24,385,294	24,385,294
Available-for-sale financial assets				
– equity securities	330,143	–	–	330,143
Total	330,143	–	24,385,294	24,715,437
Liabilities				
Derivative financial instruments	–	–	10,716	10,716
As at 31 December 2013	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	21,940,369	21,940,369
Available-for-sale financial assets				
– equity securities	408,440	–	–	408,440
Total	408,440	–	21,940,369	22,348,809
Liabilities				
Derivative financial instruments	–	–	36,898	36,898

During the six months ended 30 June 2014, there were no transfers among levels of the fair value hierarchy.

Investment properties included in Level 3 are all completed investment properties and certain investment properties under development. The investment properties, of which the constructions are at a very early stage and the related fair values are not reliably determinable, are measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 FAIR VALUE ESTIMATION (continued)

	Six months ended 30 June 2014 RMB'000	Year ended 31 December 2013 RMB'000
Investment properties		
At fair value		
Opening balance	21,940,369	19,984,579
Additions	1,347,781	1,335,584
Disposal	–	(411,000)
Fair value gains	1,097,144	1,031,206
	<u>24,385,294</u>	<u>21,940,369</u>
At cost		
Opening balance	5,001,575	6,263,519
Additions	36,138	2,140,581
Transfer to properties under development	(2,130,972)	(3,402,525)
Disposal	(155,659)	–
	<u>2,751,082</u>	<u>5,001,575</u>
Closing balance	<u>27,136,376</u>	<u>26,941,944</u>

The valuations of the investment properties at 30 June 2014 and 31 December 2013 were carried out by an independent firm, Vigers Appraisal and Consulting Limited, who is a fellow member of the Royal Institution of Chartered Surveyors.

For completed investment properties, the fair values were determined on the basis of capitalisation 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. The valuation was determined using discounted cash flow (“DCF”) projections based on significant unobservable inputs. These inputs include future rental cash inflows, discount rates, estimated vacancy rates, capitalisation rates and terminal value.

For investment properties under development, the valuation was primarily determined 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. The valuation was based on a DCF model taking costs to complete and discount rates into account in addition to the inputs noted above.

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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 FAIR VALUE ESTIMATION (continued)

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.

There were no changes in valuation techniques during the period.

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

Investment properties at fair value

	Six months ended 30 June 2014		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	16,403,370	5,536,999	21,940,369
Additions	184,477	1,163,304	1,347,781
Net gains from fair value adjustment	304,166	792,978	1,097,144
Closing balance	<u>16,892,013</u>	<u>7,493,281</u>	<u>24,385,294</u>
	Six months ended 30 June 2013		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	15,777,119	4,207,460	19,984,579
Additions	–	352,720	352,720
Net gains from fair value adjustment	390,394	465,427	855,821
Closing balance	<u>16,167,513</u>	<u>5,025,607</u>	<u>21,193,120</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

4 FINANCIAL RISK MANAGEMENT (continued)

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

Derivatives at fair value through profit or loss

	Six-months ended 30 June	
	2014 RMB'000	2013 RMB'000
Opening balances	36,898	42,572
(Gain)/losses recognised in the income statement	(26,182)	15,919
Closing balances	10,716	58,491
Changes in unrealised (gain)/losses, under 'Other income/other gains – net'/'Other operating expenses'	(26,182)	15,919

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

The fair value of senior notes is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Non-current	11,058,106	10,288,035
Current	3,218,005	–
	14,276,111	10,288,035

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

5 SEGMENT INFORMATION

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

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

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

(A) REVENUE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of properties	22,604,611	15,689,453
Hotel operation income	537,545	460,173
Rental income from investment properties	260,007	235,776
Others	273,249	291,499
	<u>23,675,412</u>	<u>16,676,901</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION

The segment results for the six months ended 30 June 2014 are as follows:

	Property development and investment		Hotel Operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	5,617,399	16,987,212	–	–	22,604,611
– Hotel operation income	52,752	–	484,793	–	537,545
– Rental income from investment properties	182,101	77,906	–	–	260,007
– Others	238,245	35,004	–	–	273,249
Total revenue	<u>6,090,497</u>	<u>17,100,122</u>	<u>484,793</u>	<u>–</u>	<u>23,675,412</u>
Operating profit/(loss)	2,343,599	5,087,739	90,614	(333,359)	7,188,593
Finance income	11,934	43,153	370	10,529	65,986
Finance costs	(62,015)	(58,979)	(18,229)	(39,225)	(178,448)
Share of results of					
– Associated companies	35	(69,587)	–	–	(69,552)
– Joint ventures	(25,965)	12,593	–	–	(13,372)
Profit/(loss) before income tax	<u>2,267,588</u>	<u>5,014,919</u>	<u>72,755</u>	<u>(362,055)</u>	<u>6,993,207</u>
Income tax expense					<u>(2,334,850)</u>
Profit for the period					<u>4,658,357</u>
Other segment items are as follows:					
Capital and property development expenditure	6,826,916	18,869,290	38,849	–	25,735,055
Fair value gains on investment properties	811,014	286,130	–	–	1,097,144
Fair value gain on derivative financial instrument	–	26,182	–	–	26,182
Write-off of intangible assets	–	6,241	–	–	6,241
Depreciation	16,173	88,772	74,689	18,889	198,523
Amortisation of land use rights (Write back of)/provision for impairment of receivables	3,983	1,000	22,427	–	27,410
	<u>(1,103)</u>	<u>27</u>	<u>–</u>	<u>–</u>	<u>(1,076)</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 2014

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

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

	Property development and investment		Hotel Operation RMB'000	Unallocated RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000			
Revenue					
– Sales of properties	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)
– Joint ventures	–	272,357	–	–	272,357
Profit before income tax	1,484,041	4,074,659	17,625	376,351	5,952,676
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>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2014 are as follows:

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	113,563	1,496,239	–	1,609,802
Joint ventures	2,000,115	4,828,450	–	6,828,565
Intangible assets	1,709,730	674	130,928	1,841,332
Other segment assets	61,434,526	113,210,544	11,638,867	186,283,937
Total segment assets	<u>65,257,934</u>	<u>119,535,907</u>	<u>11,769,795</u>	<u>196,563,636</u>
Deferred income tax assets				1,358,475
Available-for-sale financial assets				330,143
Other assets				541,273
Total assets				<u>198,793,527</u>
Borrowings	14,177,290	15,583,441	2,062,000	31,822,731
Other segment liabilities	21,785,224	55,865,626	1,772,238	79,423,088
Total segment liabilities	<u>35,962,514</u>	<u>71,449,067</u>	<u>3,834,238</u>	<u>111,245,819</u>
Corporate borrowings				22,875,561
Deferred income tax liabilities				4,239,001
Derivative financial instruments				10,716
Other liabilities				2,974,267
Total liabilities				<u>141,345,364</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2013 are as follows:

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	84,752	1,565,826	–	1,650,578
Joint ventures	899,949	4,465,857	–	5,365,806
Intangible assets	1,709,730	6,915	130,928	1,847,573
Other segment assets	47,818,124	104,037,754	12,948,198	164,804,076
Total segment assets	<u>50,512,555</u>	<u>110,076,352</u>	<u>13,079,126</u>	173,668,033
Deferred income tax assets				1,306,338
Available-for-sale financial assets				408,440
Other assets				<u>385,047</u>
Total assets				<u>175,767,858</u>
Borrowings	12,891,450	15,611,636	798,000	29,301,086
Other segment liabilities	11,556,219	51,868,593	6,742,766	70,167,578
Total segment liabilities	<u>24,447,669</u>	<u>67,480,229</u>	<u>7,540,766</u>	99,468,664
Corporate borrowings				20,027,917
Deferred income tax liabilities				3,985,242
Derivative financial instruments				36,898
Other liabilities				<u>397,275</u>
Total liabilities				<u>123,915,996</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 2014

6 CAPITAL EXPENDITURE

	Property and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2014	10,378,052	26,941,944	5,645,416	1,847,573	44,812,985
Additions	601,352	1,383,919	102,552	–	2,087,823
Amortisation of land use rights	10,419	–	(10,419)	–	–
Transfer to properties under development	(97,502)	(2,130,972)	(51,201)	–	(2,279,675)
Fair value gains	–	1,097,144	–	–	1,097,144
Write-off of goodwill	–	–	–	(6,241)	(6,241)
Depreciation/amortisation charged to the income statement	(198,523)	–	(27,410)	–	(225,933)
Disposal of subsidiaries	(177,553)	(155,659)	(151,866)	–	(485,078)
Disposals	(1,212)	–	–	–	(1,212)
Closing net book amount as at 30 June 2014	<u>10,515,033</u>	<u>27,136,376</u>	<u>5,507,072</u>	<u>1,841,332</u>	<u>44,999,813</u>
Opening net book amount as at 1 January 2013	9,702,631	26,248,098	4,717,336	2,139,925	42,807,990
Additions	1,833,240	1,044,415	158,213	–	3,035,868
Amortisation of land use rights	7,638	–	(7,638)	–	–
Transfer to properties under development	(995,237)	(1,694,794)	(36,166)	–	(2,726,197)
Fair value gains	–	855,821	–	–	855,821
Write-off of goodwill	–	–	–	(19,183)	(19,183)
Depreciation/amortisation charged to the income statement	(165,535)	–	(22,549)	–	(188,084)
Disposals	(9,350)	–	–	–	(9,350)
Closing net book amount as at 30 June 2013	<u>10,373,387</u>	<u>26,453,540</u>	<u>4,809,196</u>	<u>2,120,742</u>	<u>43,756,865</u>

Intangible assets comprise goodwill from business combinations.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

7 ASSOCIATED COMPANIES

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Opening balance	1,650,578	1,490,441
Transfer from a subsidiary (note (a))	28,776	–
Share of results	(69,552)	(45,964)
Ending balance	<u>1,609,802</u>	<u>1,444,477</u>

Note:

- (a) In February 2014, the Group disposed of 70% equity interest in Jiaxing Shimao New Century Property Co., Ltd., a then wholly owned subsidiary, to a third party at a consideration of RMB164,534,000. The disposal had resulted in a gain of RMB85,110,000 and a net cash inflow of RMB164,323,000.

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

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net loss RMB'000
30 June 2014 and six months ended 30 June 2014	<u>14,580,709</u>	<u>(12,970,907)</u>	<u>650,048</u>	<u>(69,552)</u>

8 JOINT VENTURES

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Opening balance	5,365,806	3,985,956
Capital injection (note (a))	572,170	35,000
Transfer from/(to) subsidiaries (note (b))	903,961	(305,683)
Disposal	–	(225,096)
Share of results	(13,372)	272,357
Ending balance	<u>6,828,565</u>	<u>3,762,534</u>

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

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net loss RMB'000
30 June 2014 and six months ended 30 June 2014	<u>17,952,090</u>	<u>(11,123,525)</u>	<u>1,049,294</u>	<u>(13,372)</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

8 JOINT VENTURES (continued)

Notes:

- (a) In the six months ended 30 June 2014, the Group increased share capital of Shanghai Mao Qin Investment Management Co. Ltd., a joint venture, by an amount of RMB572,170,000. The Group's equity interests in the joint venture remained 49% after the capital injection.
- (b) In April 2014, a third party made capital injections into Nantong Shimao New Era Property Development Co., Ltd, at consideration of RMB350,000,000, and the Group's equity interests in the subsidiary was diluted from 100% to 50% accordingly. Pursuant to the revised articles of association, the Group and the third party will jointly control the operation of this entity. The disposal had resulted in a gain of RMB5,799,000 and a net cash outflow of RMB198,999,000.

In January 2014, the Group disposed of 47.67% equity interest in Changshu Shimao New Era Property Co., Ltd., a then wholly owned subsidiary, to a third party at a consideration of RMB280,000,000. In April 2014, the third party made a further capital injection amounting to RMB250,000,000 which led the equity interest hold by the third party in the entity increase to 62.35%. According to the revised articles of association, the Group and the third party would jointly control the operation of the entity. The disposal had resulted in a gain of RMB2,431,000 and a net cash inflow of RMB277,019,000.

In January 2014, the Group disposed of 53.85% equity interest in Suzhou Shimao New Way Property Co., Ltd, a then wholly owned subsidiary, to a third party at a consideration of RMB280,000,000. In March 2014, the third party made a further capital injection amounting to RMB80,000,000 which led the equity interest hold by the third party in the entity increase to 60%. According to the revised articles of association, the Group and the third party will jointly control the operation of the entity. The disposal had resulted in a gain of RMB11,083,000 and a net cash inflow of RMB208,446,000.

9 AMOUNTS DUE FROM RELATED PARTIES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Included in non-current assets		
– Joint ventures	1,950,661	1,632,736
– Associated companies	533,958	633,958
	2,484,619	2,266,694

The Group made advances to several joint ventures and associated companies 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 joint ventures and associated companies have surplus cash.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

9 AMOUNTS DUE FROM RELATED PARTIES (continued)

	30 June 2014 RMB'000	31 December 2013 RMB'000
Included in current assets		
– Companies with common directors	256	632
– Associated companies	1,072,966	1,091,338
– Joint ventures	23,819	114,125
	1,097,041	1,206,095

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

The carrying amounts of amounts due from related companies approximate their fair values.

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 2014, prepayments of RMB771,008,000 (31 December 2013: RMB711,950,000) 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 2014, prepayments of RMB13,063,074,000 (31 December 2013: RMB9,632,388,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets.

As at 30 June 2014, the Group made prepayments of RMB3,039,488,000 (31 December 2013: RMB1,296,363,000) for acquisition of certain equity interests, including RMB2,186,000,000 as the prepayment for the acquisition of 7.74% equity interest in Shenyin & Wanguo Securities Co., Ltd., which was rejected by China Security and Regulatory Committee in July 2014. As at the approval date of this interim condensed consolidated financial information, the Group was still in the process of communication with original shareholders to settle the repayments.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Bidding deposits for land use rights (note (a))	2,994,410	2,931,703
Trade receivables (note (b))	4,295,005	3,718,236
Prepaid business taxes on pre-sale proceeds	1,817,693	1,525,849
Prepayments for construction costs	1,885,161	1,247,085
Other receivables	2,096,381	1,794,548
	<u>13,088,650</u>	<u>11,217,421</u>

Notes:

- (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 wins the bid at the auction. If the Group does not win, the amount will be fully refunded.
- (b) Trade receivables mainly arose from sales of properties. Consideration in respect of properties sold is receivable 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:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 90 days	2,793,846	2,585,657
Over 90 days and within 365 days	1,139,537	925,691
Over 365 days	361,622	206,888
	<u>4,295,005</u>	<u>3,718,236</u>

As at 30 June 2014, receivables arising from sales of properties was approximately RMB4,111,464,000 (31 December 2013: RMB3,520,625,000).

Trade receivables are analysed as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Fully performing under credit terms	2,674,458	2,477,227
Past due but not impaired	1,620,547	1,241,009
	<u>4,295,005</u>	<u>3,718,236</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 90 days	443,565	464,295
Over 90 days and within 365 days	815,360	569,826
Over 365 days	361,622	206,888
	<u>1,620,547</u>	<u>1,241,009</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 provision was made against past due receivables as at 30 June 2014 (31 December 2013: Nil).

As at 30 June 2014, provision for impairment of other receivables was approximately RMB32,931,000 (31 December 2013: RMB34,007,000).

As at 30 June 2014, the fair value of trade receivables, bidding deposits for land use rights, and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

As at 30 June 2014 and 31 December 2013, trade and other receivables of the Group were mainly denominated in RMB.

12 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

As at 30 June 2014, the Group's bank deposits of approximately RMB526,223,000 (31 December 2013: RMB517,457,000) was restricted and deposited in certain banks as guarantee deposits for mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The Group's cash of approximately RMB2,419,166,000 (31 December 2013: RMB2,029,774,000) 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.

The effective interest rate on bank deposits as at 30 June 2014 was 0.34% (31 December 2013: 0.34%).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

13 SHARE CAPITAL

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

	Par value	Number of shares	Nominal value of ordinary shares	
	HK\$	'000	HK\$'000	Equivalent to RMB'000
Authorised:				
At 30 June 2014, and 31 December 2013	0.1	<u>5,000,000</u>	<u>500,000</u>	
Issued and fully paid:				
At 30 June 2014, and 1 January 2014		<u>3,472,572</u>	<u>347,257</u>	<u>356,275</u>
At 30 June 2013, and 1 January 2013		<u>3,472,572</u>	<u>347,257</u>	<u>356,275</u>

(B) SHARE OPTION SCHEME

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. During the six months ended 30 June 2014, 1,400,000 options were cancelled by Shanghai Shimao pursuant to the A Share Option Scheme. As at 30 June 2014, the total number of A shares which would be issued under the options granted under the A Share Option Scheme was 8,600,000 A shares. During the six months ended 30 June 2014, the exercise price of the options granted under the A Share Option Scheme has been adjusted to RMB9.60 per A share as a result of distribution of dividends for the six months ended 30 June 2013 and for the year ended 31 December 2013. 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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

13 SHARE CAPITAL (continued)

(C) 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 be 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 31 December 2013, the Trust purchased 10,757,500 ordinary shares from market, totaling HK\$138,044,000 (equivalent to RMB110,843,000), of which 4,336,654 shares were granted to eligible employees according to the Share Scheme during the year ended 31 December 2013. For the six months ended 30 June 2014, the Trust purchased 6,011,500 ordinary shares from market, totaling HK\$95,168,000 (equivalent to RMB75,068,000), of which 2,527,524 shares were granted to eligible employees according to the Share Scheme. For the six months ended 30 June 2014, there were 2,142,703 shares which have been vested.

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.

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

	Number of unvested shares granted Six months ended 30 June	
	2014	2013
Unvested shares, beginning	4,336,654	–
Granted	2,527,524	2,142,703
Vested	(2,142,703)	–
	<hr/> 4,721,475 <hr/>	<hr/> 2,142,703 <hr/>
Unvested shares, ending		

The weighted average fair value of the unvested units granted during the period ended 30 June 2014 is HKD67,233,804 (equivalent to RMB53,504,661).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

13 SHARE CAPITAL (continued)

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

	Six months ended 30 June	
	2014 '000	2013 '000
Shares issued and fully paid at 30 June	3,472,572	3,472,572
Treasury shares at 1 January	(10,758)	(4,000)
Treasury shares purchased for Share Award Scheme	(6,012)	(3,535)
Vested shares under the Share Award Scheme	2,143	–
Shares outstanding at 30 June	3,457,945	3,465,037

14 BORROWINGS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (note (i))	23,942,037	20,728,780
– secured by shares of subsidiary guarantors (note (ii))	7,158,774	7,412,356
– secured by shares of a listed subsidiary (note (iii))	745,000	680,000
– unsecured	1,012,473	772,443
Long-term borrowings from other financial institutions		
– secured by assets (note (i))	3,300,000	2,556,450
Senior notes – secured (note (iv))	13,770,736	9,901,163
Medium-term notes – unsecured (note (v))	1,000,000	–
	50,929,020	42,051,192
Less: Long-term bank borrowings due within one year	(4,934,495)	(3,568,061)
Senior note due within one year (note (iv))	(3,056,494)	–
Long-term borrowings from other financial institutions due within one year	(920,000)	(929,450)
Amounts due within one year	(8,910,989)	(4,497,511)
	42,018,031	37,553,681
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (note (i))	1,459,000	2,591,934
– secured by shares of a listed subsidiary (note (iii))	890,000	490,000
– unsecured	1,220,272	1,933,021
Short term borrowings from other financial institutions and non-financial institutions		
– secured by assets (note (i))	200,000	1,455,316
– unsecured (note (vi))	–	807,540
Current portion of long-term borrowings	8,910,989	4,497,511
	12,680,261	11,775,322

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

14 BORROWINGS (continued)

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Opening balance at 1 January	49,329,003	40,993,941
Additions of borrowings	20,570,374	17,942,827
Acquisition of a subsidiary	–	2,068,449
Amortisation of issuance expenses	63,075	24,734
Reductions of borrowings	(14,735,634)	(15,151,895)
Disposal of subsidiaries	(750,000)	–
Foreign exchange losses/(gains)	221,474	(326,051)
	<u>54,698,292</u>	<u>45,552,005</u>
Closing balance at 30 June	<u>54,698,292</u>	<u>45,552,005</u>

Notes:

- (i) As at 30 June 2014, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB28,901,037,000 (31 December 2013: RMB27,332,480,000) 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 2014, secured borrowings of RMB1,736,150,000 (31 December 2013: RMB1,985,084,000) were further guaranteed by Mr. Hui Wing Mau.

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

	30 June	31 December
	2014 RMB'000	2013 RMB'000
Property and equipment	3,939,813	4,808,965
Investment properties	16,003,347	15,686,452
Land use rights	538,472	852,584
Available-for-sale financial assets	327,387	405,030
Properties under development	25,217,295	21,203,862
Completed properties held for sale	5,760,186	4,442,640
Restricted cash	2,419,166	2,029,774
	<u>54,205,666</u>	<u>49,429,307</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

14 BORROWINGS (continued)

Notes: (continued)

- (ii) On 26 November 2012, the Company entered into a multi-currency loan facility agreement with a syndicate of 6 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. 10% out of the loan principal was repaid in May 2014. 15% out of the loan principal will mature in November 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 2014, US\$549,000,000 and HK\$421,200,000 have been drawn down (31 December 2013: US\$610,000,000 and HK\$468,000,000 were drawn down).

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 share of these subsidiary guarantors. As at 30 June 2014, US\$320,000,000 and HK\$1,950,000,000 have been drawn down (31 December 2013: US\$320,000,000 and HK\$1,950,000,000 were drawn down).

- (iii) As at 30 June 2014, 338,080,000 (31 December 2013: 231,400,000) shares of Shanghai Shimao have been pledged for a total bank borrowings of RMB1,635,000,000 (31 December 2013: RMB1,170,000,000) for group companies.

- (iv) 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% originally due on 3 August 2017, which were early redeemed on 3 August 2014 and were reclassified to current liabilities as at 30 June 2014.

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. And on 22 January 2014, the Company issued senior notes with total principal of US\$600,000,000 at a fixed interest rate of 8.125% due on 22 January 2021. 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.

- (v) On 15 April 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 8.37% due on 15 April 2017.

- (vi) For the year ended 31 December 2013, the Group borrowed certain unsecured loans from a joint venture with total principal of RMB807,540,000, with interest at 6.15% per annum, which was repaid in January 2014.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

15 TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade payables (note (i))	19,889,168	16,796,749
Other taxes payable	1,268,641	1,077,113
Accrued expenses	1,324,718	982,181
Other payables (note (ii))	2,356,704	2,139,282
	<u>24,839,231</u>	<u>20,995,325</u>

Notes:

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 90 days	18,929,851	16,410,856
Over 90 days and within 1 year	959,317	385,893
	<u>19,889,168</u>	<u>16,796,749</u>

(ii) Other payables comprise:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Deposits received from customers	1,721,076	1,475,543
Fees collected from customers on behalf of government agencies	80,650	96,644
Deposits from constructors	224,815	348,523
Rental deposits from tenants and hotel customers	119,850	129,709
Others	210,313	88,863
	<u>2,356,704</u>	<u>2,139,282</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

16 AMOUNTS DUE TO RELATED PARTIES

	30 June 2014 RMB'000	31 December 2013 RMB'000
– Company with common directors	1,861	1,861
– Joint ventures	7,435,463	4,162,964
– Associated company	3,064	38,438
– Non-controlling interests	6,145,129	6,133,132
	<hr/>	<hr/>
Total	13,585,517	10,336,395

Amounts due to non-controlling interests 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.

17 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Cost of properties sold and others	14,057,965	9,631,804
<i>Including: interests capitalised</i>	1,250,477	922,106
Business taxes and other levies on sales of properties	1,315,029	906,166
Corporate and office expenses	505,337	349,551
Staff costs – including directors' emoluments	688,743	520,024
Advertising, promotion and commission costs	484,240	333,716
Depreciation	198,523	165,535
Amortisation of land use rights	27,410	22,549
Write-off of intangible assets	6,241	19,183
(Write back of)/provision for impairment of receivables	(1,076)	5,395
Direct expenses arising from hotel operation	187,925	161,646
Direct expenses arising from investment properties	19,173	17,603
Operating lease rental expenses	52,503	41,761
Charitable donations	31,092	2,941
Auditor's remuneration	3,500	3,500
Fair value loss on derivative financial instrument	–	15,919
Others	128,964	134,998
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	17,705,569	12,332,291

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

18 OTHER INCOME/OTHER GAINS – NET

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Gain on disposal of subsidiaries/a joint venture (Notes 7 & 8)	104,423	134,684
Government grants received	191,451	135,436
Net exchange (loss)/gain	(224,576)	256,435
Fair value gain on derivative financial instrument	26,182	–
Others	24,126	18,920
	<u>121,606</u>	<u>545,475</u>

19 FINANCE COSTS – NET

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	828,824	324,340
– not wholly repayable within five years	485,567	371,229
Interest on senior notes		
– wholly repayable within five years	270,747	358,054
– not wholly repayable within five years	305,415	190,835
Interest on borrowings from other financial institutions		
– wholly repayable within five years	188,552	466,774
– not wholly repayable within five years	474	–
	<u>2,079,579</u>	<u>1,711,232</u>
Less: interest capitalised	(1,901,131)	(1,558,173)
Finance costs	178,448	153,059
Finance income	(65,986)	(133,436)
	<u>112,462</u>	<u>19,623</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

20 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current income tax		
– PRC enterprise income tax	1,638,717	1,020,632
– PRC withholding income tax	155	–
– PRC land appreciation tax	474,782	849,973
	<u>2,113,654</u>	<u>1,870,605</u>
Deferred income tax		
– PRC enterprise income tax	221,196	292,041
	<u>2,334,850</u>	<u>2,162,646</u>

(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 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%.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

21 DIVIDENDS

No dividend in respect of the six months ended 30 June 2013 was declared at the Company's board meeting held on 20 August 2013.

A final dividend in respect of the year ended 31 December 2013 of HK81 cents per ordinary share, amounting to approximately HK\$2,812,783,000 (equivalent to RMB2,233,912,000) was proposed at the Company's board meeting held on 25 March 2014, and was approved at the annual general meeting of the Company held on 23 June 2014.

At a meeting held on 26 August 2014, the directors proposed an interim dividend of HK30 cents per ordinary share out of share premium as at 30 June 2014. This proposed dividend is not reflected as a dividend payable in these condensed consolidated financial statements.

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.

	Six months ended 30 June	
	2014	2013
Profit attributable to the equity holders of the Company (RMB'000)	4,180,298	3,470,158
Weighted average number of ordinary shares in issue (thousands)	3,459,587	3,465,428
Basic earnings per share (RMB cents)	120.83	100.14

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 award scheme and the share options granted under the share option schemes assuming they were exercised.

	Six months ended 30 June	
	2014	2013
Profit attributable to the equity holders of the Company (RMB'000)	4,180,298	3,470,158
Weighted average number of ordinary shares in issue (thousands)	3,459,587	3,465,428
Adjustments for shares granted under Share Award Scheme/ share options granted under the Pre-IPO Share Option Scheme (thousands)	4,622	1,172
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,464,209	3,466,600
Diluted earnings per share (RMB cents)	120.67	100.10

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

23 CONTINGENCIES

The Group had the following contingent liabilities:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (i))	6,051,846	10,054,730
Guarantees in respect of borrowings of joint ventures and associated companies (note (ii))	5,554,429	4,783,509
	<u>11,606,275</u>	<u>14,838,239</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 obtains the "property title certificate" for the mortgagees, or when the Group obtains 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 Property Development Co., Ltd. ("Guangzhou Li He"), an associated company, provided guarantees in proportion of their respective equity interests in Guangzhou Li He for its bank borrowings. The guarantees provided by the Group to Guangzhou Li He amounted to RMB1,514,676,000 as at 30 June 2014 (31 December 2013: RMB1,537,352,000).

The Group and other shareholders of Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. ("Tianjin Jinnan"), a joint venture, provided guarantees in proportion of their respective equity interests in Tianjin Jinnan for its borrowings obtained from other financial institutions. As at 30 June 2014, the Group provided guarantee amounting to RMB156,427,000 (31 December 2013: RMB357,000,000) as well as the pledge of the Group's equity interests in Tianjin Jinnan.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

23 CONTINGENCIES (continued)

Notes: (continued)

The Group and other shareholders of Straits Construction Investment (Holdings) Limited ("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 2014, the respective guarantee provided by the Group to Straits Construction is with a maximum amount of RMB1,613,526,000 (31 December 2013: RMB903,253,000).

The Group provided no guarantees for Nanchang Shimao New Development Property Co., Ltd.'s bank borrowings as at 30 June 2014 (31 December 2013: RMB240,000,000).

The Group provided guarantees for Changsha Shimao Real Estate Co., Ltd.'s bank borrowings amounted to RMB600,000,000 as at 30 June 2014 (31 December 2013: RMB750,000,000).

The Group provided guarantees for Wuxi Shimao Real Estate Development & Construction Co., Ltd.'s bank borrowings amounted to RMB675,800,000 as at 30 June 2014 (31 December 2013: RMB675,800,000).

The Group provided guarantees for Chengdu Shimao Investment Co., Ltd.'s bank borrowings amounted to RMB70,000,000 as at 30 June 2014 (31 December 2013: RMB320,104,000).

The Group provided guarantees for Chengdu Hengyu Real Estate Development Co., Ltd.'s bank borrowings amounted to RMB924,000,000 as at 30 June 2014 (31 December 2013: Nil).

24 COMMITMENTS

(A) COMMITMENTS FOR CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE

	30 June 2014 RMB'000	31 December 2013 RMB'000
Contracted but not provided for		
– Property and equipment and investment properties	1,255,007	1,453,432
– Land use rights (including those related to associated companies and joint ventures)	14,225,779	17,662,724
– Properties being developed for sale	23,279,164	20,165,097
– Equity interest	–	1,190,000
	<u>38,759,950</u>	<u>40,471,253</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:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 1 year	188,712	192,005
After 1 year but within 5 years	533,396	731,440
After 5 years	295,978	363,989
	<u>1,018,086</u>	<u>1,287,434</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2014

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	
	2014	2013
	RMB'000	RMB'000
Operating lease rental expense paid to a related company (note)	<u>2,705</u>	<u>2,705</u>
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Construction material sold to related companies	<u>129</u>	<u>33,886</u>

Note:

On 1 January 2014, the Group renewed a lease agreement with a wholly-owned subsidiary of Shimao International Holdings Limited ("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	
	2014	2013
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	9,181	8,556
– Retirement scheme contributions	141	135
	<u>9,322</u>	<u>8,691</u>

26 SUBSEQUENT EVENTS

On 12 June 2014, the Company entered into a multi-currency loan facility agreement with a syndicate of 11 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$665,000,000 facility and a HK\$550,000,000 facility at a floating rate of interest. 15% out of the loan principal will mature in 2016, 35% will mature in 2017 and 50% will mature in 2018. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the share of these subsidiary guarantors. The loan facility was fully drawn down in July 2014.

On 3 August 2014, the Company early redeemed senior notes of US\$500,000,000 as disclosed in Note 14(iv).