



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

Cultivating Lifestyle
Realising Urban Dreams

2008

Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Hui Wing Mau (*Chairman*)

Hui Sai Tan, Jason (*Vice Chairman*)

Yao Li

Ip Wai Shing

Tang Ping Fai

Tung Chi Shing

Independent Non-executive Directors

Kan Lai Kuen, Alice

Lu Hong Bing

Gu Yunchang

Lam Ching Kam

AUDIT COMMITTEE

Kan Lai Kuen, Alice (*Committee Chairman*)

Lu Hong Bing

Gu Yunchang

Lam Ching Kam

REMUNERATION COMMITTEE

Hui Wing Mau (*Committee Chairman*)

Kan Lai Kuen, Alice

Lu Hong Bing

Gu Yunchang

Lam Ching Kam

NOMINATION COMMITTEE

Hui Wing Mau (*Committee Chairman*)

Kan Lai Kuen, Alice

Lu Hong Bing

Gu Yunchang

Lam Ching Kam

CHIEF FINANCIAL OFFICER

Hui Wai Man, Lawrence

COMPANY SECRETARY

Lam Yee Mei, Katherine

QUALIFIED ACCOUNTANT

Ng Yu Yuet

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

China Construction Bank Corporation

First Commercial Bank

Industrial and Commercial Bank of China (Asia) Limited

Sumitomo Mitsui Banking Corporation

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited

2nd Floor

Strathvale House

North Church Street

P.O. Box 513

Grand Cayman KY1-1106

Cayman Islands

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4307-12, 43th 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

Corporate Communications Department

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Tel: (852) 2511 9968

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Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board") of Shimao Property Holdings Limited ("Shimao Property" or the "Company"), I herein present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008.

2008 is a difficult year. The subprime crisis in U.S. shattered global financial market, while inflation continued to worsen, causing dramatic changes to the global economic scene. Inside the PRC, negative factors - such as the tightened-up credit market, snowstorms and the major Sichuan earthquake - presented significant challenges to the PRC real estate market. In the first half of 2008, the real estate market experienced obvious slowdown in the pace of sales, particularly in some regions like the Southern China region where both sales volume and price fell. Against such uncertain conditions, the development of the Group remained steady because of the strategic expansion of the property projects of the Group into regions with relatively stable property prices, such as the Yangtze Delta region, the Bohai Rim region and second and third tier cities with promising economic prospects, as well as the additions to a diversified investment properties portfolio, thus reducing the risks resulted from market fluctuations and policy changes.

During the period under review, revenue of the Group was RMB1.8 billion, representing a decrease of 24% compared with the corresponding period of last year. Net profit attributable to shareholders was RMB919 million, totalling RMB503 million (1H 2007: RMB690 million) after excluding the net fair value gains on investment properties after tax, depreciation and amortization and goodwill/negative goodwill adjustment, representing a decrease of 35% compared with profit attributable to shareholders in the corresponding period of 2007 after excluding the one-off gain of RMB752 million on disposal of 29.99% interests in the Wuhan project. Basic earnings per share was RMB0.279.

The Board does not recommend the payment of any interim dividend (1H 2007: HK15 cents) for the six months ended 30 June 2008.

During the period under review, the Group recorded satisfactory sales results in many second tier cities and cities where the Group made its first presence, showing that the Group's nationwide strategy was very successful. Contracted sales of the Group during the first half of 2008 amounted to RMB4.4 billion, representing a growth of 42% compared with the corresponding period of last year. As regards our land bank, we actively took advantage of various opportunities for development at the beginning of the year and further strengthened our nationwide development plans. We acquired quality sites located in Dalian City, Liaoning and Hangzhou City and Ningbo City, Zhejiang. At present, the Group owns a land bank of 26.40 million sq.m., which is adequate for the property development in the next 6 to 7 years. Therefore, we have slowed down our pace of land acquisition since the beginning of this year, and will only allocate funds to increase our land bank when such land offer attractive investment return, as a consistent prudent policy of land acquisition.

Besides property sales, hotel and investment properties are also key areas of development for the Group's businesses. Leveraging on the construction of a diversified property portfolio, the Group is provided with a long-term and recurring income base, which helps to minimize the impact from the fluctuations of any single market. During the period, the hotel operation of the Group recorded an impressive growth. The occupancy rates of Le Royal Méridien Shanghai and Shanghai Le Méridien Sheshan were satisfactory while Hyatt on the Bund Shanghai was building up its reputation in the market. Their occupancy rates are expected to grow gradually. Moreover, the overall occupancy rate of Shanghai Shimao International Plaza also reached 96%, and Beijing Shimao Tower commenced operations at the beginning of the year. The abovementioned investment properties will provide a steady and considerable cash flow and they have great potential for capital gains as they are selected high quality properties.

Chairman's Statement

The restructuring proposal of the Group involving injecting 10 commercial projects into Shanghai Shimao Co., Ltd. ("Shanghai Shimao") as officially approved by the China Securities Regulatory Commission ("CSRC") on 3 September 2008 is an important milestone for the Group, which signifies the Group's access to the A share market with additional funding sources. This restructuring proposal not only enables the Group to own an independent and professional commercial property company, but also provides a stand-alone financing platform for the Group to achieve greater financial flexibility. The Group may efficiently compare the funding costs in different markets and raise capital for business development through the Chinese equity and bond markets in due course, so as to tap into more resources for the development of commercial properties, which is capital-intensive in nature, and speed up the development of its residential and hotel businesses in the future. The Group is now undertaking the restructuring of the hotel business. It is expected that such move will optimize our corporate structure and centralize the resources of, and add new driving force to, the development of our hotel business.

The macroeconomic control measures introduced by the central government in response to inflationary pressures to prevent the economy from overheating have taken effect. The development of the real estate market is returning to soundness and the government objective of regulating the real estate market is achieved. In the second half year, the Group will successively launch some of our quality projects; however, considering the current impacts suffered by the real estate and financial markets, we have lowered the 2008 contracted sales target by 20% to RMB14.0 billion. Meanwhile, the Group will further enhance its product quality and maintain its gearing ratio at a reasonable level. Moreover, we will adopt more prudent strategies in respect of land and project acquisitions to preserve our capital resources. In general, the Group will continue to strengthen its nationwide brand development strategy and endeavor to develop more major high quality property and commercial projects, so as to consolidate its competitive position in the PRC real estate market.

On behalf of the Board, I would like to thank our colleagues for their dedication, loyalty and enthusiasm. I would also like to thank our customers, business partners and shareholders for supporting the Group and sharing its vision and strategy for future development, driving the Group to continue to reap fruitful results.

Hui Wing Mau

Chairman

Hong Kong, 25 September 2008

Management Discussion and Analysis

MARKET REVIEW

Global economy was turbulent during the period under the impacts of the U.S. subprime crisis. Amid challenges from many sides, China's economy maintained stable growth during the first half of 2008. In the first half of 2008, GDP reached RMB13,061.9 billion, representing an increase of 10.4% compared with the corresponding period of last year.

Meanwhile, as the pressure of inflation was apparent, the central government introduced a series of macroeconomic control measures since the second half of 2007 with the aim of preventing the economy from overheating and ensuring a steady and healthy development of the real estate market. These measures resulted in a marked drop in property prices in some regions where there were overheated property boom due to speculations. Other negative factors, such as the significant adjustments in China's stock market, the snowstorm and the Sichuan earthquake, appreciation in Reminbi and worsening inflation during the first half of 2008, propelled negative market sentiments and caused the first instance where both area sold and sales volume fell in the PRC real estate market.

Subsequent to the recent turmoil with global and domestic financial market, the central government had expressly adjusted the principles of China's macroeconomic control measures from "two preventions" (prevention of economic overheating and prevention of inflation) to "one maintenance and one control", which means maintaining steady but relatively quicker pace of economic growth while controlling excessive increase of commodity price. On 15 September 2008, the People's Bank of China announced the lowering of loan rate and required reserve ratio for the first time since January 2002 and November 1999 respectively. These are measures of the central government in response to the unprecedented turmoil of the current international financial market and the ever increasing economic risks in China, with the aim of reducing the risks of an economic downturn.

BUSINESS REVIEW

The restructuring proposal of Shanghai Shimao by the Group involving injecting 10 commercial projects into Shanghai Shimao as approved by the Ministry of Commerce, was officially approved by the CSRC on 3 September 2008. Upon implementation of the proposal, Shanghai Shimao will become one of the biggest listed commercial property developer in the A share market and, in turn, Shimao Property will become the first Hong Kong listed company which successfully gains access to the A share market through asset injection. Upon completion of the restructuring, Shimao Property will have controlling interest in Shanghai Shimao Enterprises Development Co., Ltd. (a private company which holds approximately 37% equity interests in Shanghai Shimao before the restructuring) and will have aggregate effective interests of approximately 64.2% in Shanghai Shimao. The Group expects an unaudited non-recurring gain of approximately RMB1.17 billion (subject to change in valuation as at the completion date) from this restructuring based on the asset valuation as at 31 August 2007, as set out in the shareholders' circular dated 15 November 2007.

For the six months ended 30 June 2008, the business development of the Group consisted of three categories: property development, property investment and hotel property.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

1) Property development

During the period under review, revenue from property sales (including attributable share of revenue of associated companies) amounted to RMB1.4 billion, a drop of 42% compared with the corresponding period of last year. Total GFA recognized (including GFA of about 4,398 sq.m. contributed by associated companies) reached 113,408 sq.m., while total completed area was 86,487 sq.m. The drop in recognized revenue from property sales during the first half year was mainly due to the majority of the Group's sold properties were to be completed in the second half of 2008.

During the period under review, contracted sales were RMB4.4 billion, up 42% compared with the corresponding period of last year. Total contracted area sold was 433,965 sq.m., representing an increase of 52% compared with the corresponding period of last year. Pre-sales during the first half year received satisfactory response. Projects including Hangzhou Shimao Riviera Garden, Wuhan Shimao Splendid River, Shandong Yantai Shimao No. 1 The Harbour, Changzhou Shimao Champagne Lakeside Garden, Kunshan Shimao Butterfly Bay and Kunshan Shimao East No. 1 New City all recorded favorable market response, thereby maintaining a steady growth in sales during the first half year. A number of major new projects are scheduled for sale in the second half year.

For the six months ended 30 June 2008, the completed projects include the following:

Project	Group's interest in project	GFA completed (sq.m)
Changshu Shimao The Center	100%	13,063
Kunshan Shimao Butterfly Bay	100%	63,290
Shanghai Shimao Sheshan Villas	100%	10,134
Total		<u>86,487</u>

The Group expects 17 projects to be completed during the second half of 2008, with a total GFA of approximately 1,600,000 sq.m. As at 30 June 2008, the saleable GFA of the available-for-sale inventories of the Group's completed projects was about 410,000 sq.m. Therefore, the Group's total saleable GFA will reach approximately 2 million sq.m. in the second half year.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

1) Property development (continued)

The projects to be completed and available for sale in the second half of 2008 are as follows:

Project	Saleable GFA (‘000 sq.m.)	Interest attributable to the Group
Completion in the second half of 2008		
Shanghai Shimaos Sheshan Villas	18	100%
Changshu Shimaos The Center	185	100%
Kunshan Shimaos Butterfly Bay	105	100%
Kunshan Shimaos East No. 1 New City (new project)	122	100%
Wuhan Shimaos Splendid River	170	70%
Shaoxing Shimaos Dear Town	57	100%
Wuhu Shimaos Riviera Garden (new project)	173	100%
Jiaxing Shimaos Century Park (new project)	78	100%
Changzhou Shimaos Champagne Lakeside Garden (new project)	160	100%
Shenyang Shimaos Wulihe (new project)	40	100%
Suzhou Shimaos Canal Scene (new project)	100	100%
Hangzhou Shimaos Riviera Garden (new project)	156	100%
Shanghai Shimaos Fengxian Project (new project)	70	90%
Harbin Shimaos Riviera New City	62	100%
Taizhou Shimaos Project (new project)	38	100%
Ningbo Shimaos Project (new project)	13	100%
Fuzhou Shimaos Skyscrapers (new project)	50	100%
Subtotal	1,597	
Inventory as at 30 June 2008	409	
Total	2,006	

Management Discussion and Analysis

BUSINESS REVIEW (continued)

2) Hotel properties and investment properties

Hotel properties and investment properties are among the key businesses to be developed by the Group. The Group actively overweighs its hotels and investment properties, in an attempt to construct a diversified portfolio of properties and establish a solid foundation on which the Group generates a steady source of income in the long run, thereby minimizing the impact from the fluctuations of any single market.

Hotel properties

During the period under review, revenue generated from hotel properties amounted to RMB390 million, increased by 82% compared with the corresponding period of last year, mainly due to the steady revenue from Le Royal Méridien Shanghai and Shanghai Le Méridien Sheshan during the period. Hyatt on the Bund Shanghai commenced its operations in 2007. The number of the Group's hotel rooms as of 30 June 2008 was more than 1,700, commanding the largest market share in the top hotels in Shanghai.

Breakdown of revenue generated from hotel properties as of 30 June 2008:

Hotel	Number of rooms	Revenue		EBITDA	
		1H 2008	1H 2007	1H 2008	1H 2007
		RMB'million	RMB'million	RMB'million	RMB'million
Shanghai Le Méridien Sheshan	327	63	55	20	15
Le Royal Méridien Shanghai	770	193	159	78	48
Hyatt on the Bund Shanghai	631	134	—	45	(20)

Currently, the Group has 16 hotels across China that are under construction or planning. Upon completion of these 16 hotels, together with 3 completed hotels, our total number of rooms will be increased to 7,764.

We are now undertaking the restructuring of hotel operations, which has been in smooth progress, in the hope of optimizing our corporate structure and centralizing the resources of, and adding new driving force to, the developing of the hotel business.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

2) Hotel properties and investment properties (continued)

Investment properties

Investment properties are one of the key strategies to be developed by the Group, to minimize the impact from the market fluctuations. Benefiting from our excellent products and outstanding management, our investment properties were well received by merchant tenants and recorded a remarkable growth during the first half of 2008. The Group has been dedicated to entering into long term leases with renowned tenants and attracting tenants with specific brand names in the international retail market. For the six months ended 30 June 2008, revenue from investment properties of the Group amounted to RMB88 million, up 340% compared with the corresponding period of last year. During the period, rental revenue from Shanghai Shimao International Plaza — Phase 1 and Phase 2 increased by 295% to RMB79 million. Beijing Shimao Tower completed at the beginning of the year also generated steady rental revenue.

Breakdown of rental revenue from investment properties:

			Revenue	
Retail & Office	Location	Type	1H 2008	1H 2007
			RMB'million	RMB'million
Shanghai Shimao				
International Plaza – Phase 1 and Phase 2	Shanghai	Retail	79	20
Beijing Shimao Tower	Beijing	Retail and office	9	—

In respect of commercial buildings, approximately 1,900,000 sq.m. of leasable area were under construction or planning.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

2) Hotel properties and investment properties (continued)

Projects of hotels and investment properties to be completed during the second half of 2008:

Project	Location	Interest attributable to the Group
1 Shanghai Shimao Sheshan Villas	Shanghai	100%
2 Wuhan Shimao Splendid River	Wuhan	70%
3 Harbin Shimao Bund New City	Harbin	100%
4 Wuhu Shimao Riviera Garden	Wuhu	100%
5 Kunshan Shimao East No. 1 New City	Kunshan	100%
6 Shenyang Shimao Wulihe	Shenyang	100%
7 Fuzhou Shimao Skyscrapers	Fuzhou	100%
8 Kunshan Shimao Butterfly Bay	Kunshan	100%
9 Changshu Shimao The Center	Changshu	100%
10 Shaoxing Shimao Dear Town	Shaoxing	100%
11 Jiaxing Shimao Century Park	Jiaxing	100%
12 Hangzhou Shimao Riviera Garden	Hangzhou	100%
13 Suzhou Shimao Canal Scene	Suzhou	100%
14 Changzhou Shimao Champagne Lakeside Garden	Changzhou	100%
15 Shanghai Shimao Fengxian Project	Shanghai	90%
16 Ningbo Shimao Project	Ningbo	100%
17 Taizhou Shimao Project	Taizhou	100%

Total GFA: 1,900,000 sq.m.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

3) Land bank

During the period under review, the Group secured 4 parcels of land located at Dalian, Ningbo and Hangzhou (2 parcels of land) with the GFA of 3.19 million sq.m. The accumulated GFA, with the land bank of the Group included, was approximately 26.40 million sq.m. The Group has been maintaining a consistent prudent land bank policy, pursuant to which, the Group has to give due consideration to its financial position, development market needs and land conditions before it decides to acquire any parcel of land.

The development status of the Group's land reserve as at 30 June 2008 is analysed as follows:

		Completed & held for investment & sales (sq.m.)	Under development (sq.m.)	GFA held for future development		Total GFA (sq.m.)	Project total GFA * (sq.m.)	Interest attributable to the Group (%)	Date of acquisition	
Project	Location			Premium paid (sq.m.)	Premium unpaid (sq.m.)					
1	Shanghai Shimao Riviera Garden	Shanghai	703	157,992	51,061	39,800	249,556	921,956	100	2000/Jan
2	Shanghai Shimao International Plaza and Le Royal Méri dien Shanghai	Shanghai	170,935	—	—	—	170,935	170,935	100	2001/Jun
3	Shanghai Shimao Sheshan Villas and Shanghai Le Méri dien Sheshan	Shanghai	74,870	18,478	—	—	93,348	146,514	100	2003/May
4	Hyatt on the Bund Shanghai	Shanghai	100,972	—	—	—	100,972	100,972	100	2002/May
5	Shanghai Shimao Wonderland	Shanghai	—	86,000	305,000	—	391,000	550,765	100	2005/Nov
6	Beijing Shimao Olive Garden	Beijing	11,495	—	—	—	11,495	299,853	100	2004/Aug
7	Kunshan Shimao Butterfly Bay	Kunshan	81,747	304,864	549,064	—	935,675	1,222,077	100	2004/Nov
8	Kunshan Shimao East No. 1 New City	Kunshan	—	281,696	1,047,488	—	1,329,184	1,329,184	100	2005/Oct
9	Changshu Shimao The Center	Changshu	29,866	456,571	1,227,284	—	1,713,721	1,975,931	100	2004/Dec
10	Harbin Shimao Riviera New City	Harbin	217,067	83,660	974,229	—	1,274,956	1,693,564	100	2004/Mar
11	Wuhan Shimao Splendid River	Wuhan	200	311,491	200,570	1,121,808	1,634,069	1,816,000	70	2005/Feb
12	Shaoxing Shimao Dear Town	Shaoxing	17,905	444,149	350,206	352,727	1,164,987	1,301,700	100	2006/Mar
13	Wuhu Shimao Riviera Garden	Wuhu	—	194,388	294,695	119,917	609,000	609,000	100	2006/Mar
14	Yantai Shimao No. 1 The Harbour	Yantai	—	280,000	—	—	280,000	280,000	100	2006/Aug
15	Jiaxing Shimao Century Park	Jiaxing	—	181,642	868,358	—	1,050,000	1,050,000	100	2006/Aug
16	Changzhou Shimao Champagne Lakeside Garden	Changzhou	—	297,920	854,490	347,590	1,500,000	1,500,000	100	2006/Oct
17	Shenyang Shimao Wulihe	Shenyang	—	334,802	1,452,418	—	1,787,220	1,787,220	100	2006/Dec
18	Beijing Shimao Tower	Beijing	70,175	—	—	—	70,175	70,175	100	2006/Dec
19	Suzhou Shimao Canal Scene	Suzhou	—	190,742	1,019,117	290,141	1,500,000	1,500,000	100	2007/Jan
20	Xuzhou Shimao Dongdu	Xuzhou	—	173,440	377,245	749,315	1,300,000	1,300,000	100	2007/Feb
21	Hangzhou Shimao Riviera Garden	Hangzhou	—	195,857	522,983	—	718,840	718,840	100	2007/Feb
22	Fuzhou Shimao Skyscrapers	Fuzhou	—	380,000	120,000	—	500,000	500,000	100	2007/May
23	Beijing Shimao Sanlitum Project	Beijing	—	—	212,000	—	212,000	212,000	100	2007/May
24	Xianyang Shimao Project	Xianyang	—	—	161,353	22,850	184,203	184,203	60	2007/Jan
25	Taizhou Shimao Project	Taizhou	—	85,000	315,000	—	400,000	400,000	100	2007/Oct
26	Shanghai Shimao Fengxian Project	Shanghai	—	90,112	259,888	—	350,000	351,200	90	2007/Oct
27	Nanjing Shimao Bund New City	Nanjing	38,911	181,928	174,383	832,835	1,228,057	1,442,978	50	2003/Jul
28	Fuzhou Shimao Bund Garden	Fuzhou	4,040	—	—	—	4,040	286,094	50	2002/Dec
29	Mudanjiang Shimao Beishan Project	Mudanjiang	—	—	1,502,897	297,103	1,800,000	1,800,000	100	2007/Dec
30	Mudanjiang Shimao Jiangnan Project	Mudanjiang	—	—	—	700,000	700,000	700,000	100	2007/Dec
31	Hangzhou Jiangbin I	Hangzhou	—	—	365,392	243,594	608,986	608,986	50	2008/Jan
32	Hangzhou Jiangbin II	Hangzhou	—	—	169,013	112,674	281,687	281,687	50	2008/Jan
33	Dalian Lvshunkou Shimao Project	Dalian	—	—	360,849	1,239,151	1,600,000	1,600,000	85	2008/Jan
34	Ningbo Shimao Project	Ningbo	—	—	420,000	280,000	700,000	700,000	100	2008/Jan
Total		818,886	4,730,732	14,154,983	6,749,505	26,454,106	29,411,834			
Attributable Interest in GFA (sq.m.)		797,351	4,537,310	13,595,761	5,623,398	24,553,820				

* The project total GFA figures shown in these columns include saleable GFA, non-saleable GFA and car parking spaces, as well as rentable GFA and hotel GFA, as applicable.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

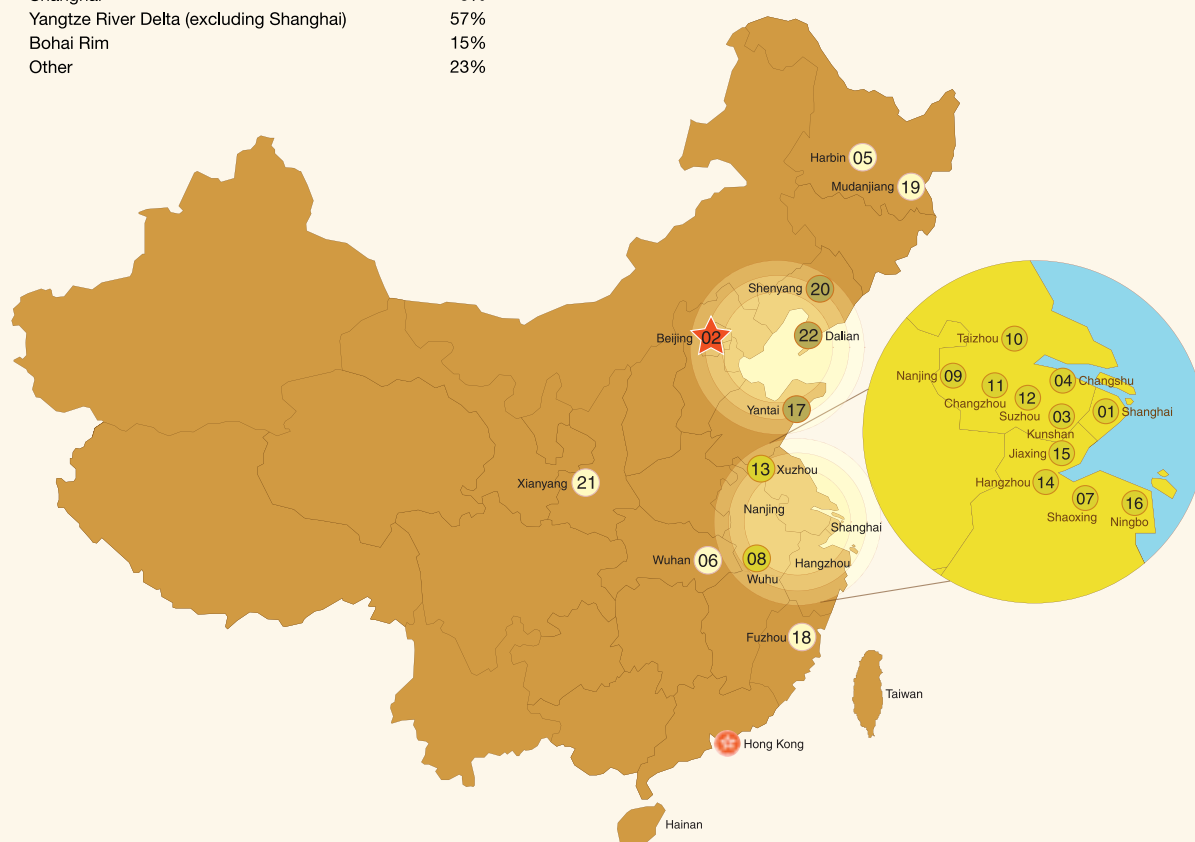
3) Land bank (continued)

Geographical locations of the Group's land bank as of 30 June 2008 are as follows:

The location of our projects

Land bank (Total Planned GFA) of 26.4 million sq.m.

Shanghai	5%
Yangtze River Delta (excluding Shanghai)	57%
Bohai Rim	15%
Other	23%



- | | |
|--|--|
| <ul style="list-style-type: none"> 01. Shanghai
Shanghai Shimao Riviera Garden
Shanghai Shimao International Plaza and
Le Royal Méri dien Shanghai
Shanghai Shimao Sheshan Villas and
Shanghai Le Méri dien Sheshan
Hyatt on the Bund Shanghai
Shanghai Shimao Wonderland
Shanghai Shimao Fengxian Project 02. Beijing
Beijing Shimao Olive Garden
Beijing Shimao Tower
Beijing Shimao Sanlitun Project 03. Kunshan
Kunshan Shimao Butterfly Bay
Kunshan Shimao East No. 1 New City 04. Changshu Shimao The Center 05. Harbin Shimao Riviera New City 06. Wuhan Shimao Splendid River 07. Shaoxing Shimao Dear Town 08. Wuhu Shimao Riviera Garden | <ul style="list-style-type: none"> 09. Nanjing Shimao Bund New City 10. Taizhou Shimao Project 11. Changzhou Shimao Champagne Lakeside Garden 12. Suzhou Shimao Canal Scene 13. Xuzhou Shimao Dongdu 14. Hangzhou
Hangzhou Shimao Riviera Garden
Hangzhou Jiangbin Project I
Hangzhou Jiangbin Project II 15. Jiaxing Shimao Century Park 16. Ningbo Shimao Project 17. Yantai Shimao No.1 The Harbour 18. Fuzhou
Fuzhou Shimao Bund Garden
Fuzhou Shimao Skyscrapers 19. Mudanjiang
Mudanjiang Shimao Beishan Project
Mudanjiang Shimao Jiangnan Project 20. Shenyang Shimao Wulihe 21. Xianyang Shimao Project 22. Dalian Shimao Lvshunkou Project |
|--|--|

● Yangtze River Delta
 ● Bohai Rim
 ● Regional Centre

Management Discussion and Analysis

THE GROUP'S PROSPECTS

Global economy of this year is being dragged by financial market crisis, it is expected that many uncertainties remain for the second half year. In addition, the Chinese government implemented relatively policies in response to the dramatic changes in financial and real estate markets, while the domestic real estate market is going through a phase of consolidation. It is increasingly obvious that the weak are being discarded while the fittest sustain. However, since there are practical demands from end users in the real estate market, while such market already underwent a considerable degree of adjustment to-date since the beginning of the year, in the long-term, the real estate market is developing in a rational and regulated direction.

In order to minimize the impacts of the unstable market, the Group keeps to exercise stringent control over its financial position and develop our diversified business strategies, and will further implement a development pattern spearheaded by three principal businesses by overweighting its investment in investment properties and hotels to optimize management and capital structure, in order to take full advantage of the opportunities for development and consolidate its competitive position in a challenging market.

1) Property development

The Group will maintain a stable growth with the growing economy of the PRC. We not only focus on the areas in the Yangtze Delta region and the Bohai Rim region to maintain our competitive edge, but also identify appropriate projects arising from local economic development in second and third tier cities.

2) Investment properties and hotel properties

More investment properties of the Group will be gradually launched in the next few years to bring about a stable source of income and considerable cash flows. As the Chinese society and economy develop rapidly and more foreign enterprises set foothold in China, the demand for high quality shopping malls and offices will be higher. The Group will develop by taking advantage of this market trend and maintain a portfolio of its properties for sale and investment properties in the proportion of 70:30. The Group will maintain a twofold investment strategy with short-term and long-term investments to minimize market risks.

The Chinese hotel industry has enormous potential. With growing income per capita and the introduction of paid leave and a policy of granting more traditional festival holidays, tourist industry and demands in the hotel industry were stimulated. The Group will capture these opportunities in pursuit of high quality hotel projects and cooperation with internationally renowned hotel groups for access to advanced hotel management experience overseas, so as to optimize its management structure and maintain its competitive position in this rapid-growing market. The Group will also make greater efforts in restructuring its hotel operations to make more room for their future development.

Management Discussion and Analysis

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

	1H 2008 RMB'million	1H 2007 RMB'million
Revenue	1,841.8	2,422.5
Gross profit	1,081.7	1,009.4
Operating profit	1,634.4	2,416.7
Profit attributable to shareholders for the period	919.1	2,083.7
Earnings per share — Basic (RMB)	0.279	0.666

Revenue

For the six months ended 30 June 2008, the revenue of the Group was approximately RMB1.84 billion (1H 2007: RMB2.42 billion), representing a decrease of 24.0% over 2007. The Group generated 74.0% (1H 2007: 90.3%) of the revenue from the sales of properties and 26.0% (1H 2007: 9.7%) of the revenue from hotel operation and leasing of commercial properties. The components of the revenue are analysed as follows:

	1H 2008 RMB'million	1H 2007 RMB'million
Sales of properties	1,363.8	2,187.9
Hotel operating income	389.9	214.4
Rental income from investment properties	88.1	20.2
Total	1,841.8	2,422.5

Management Discussion and Analysis

FINANCIAL ANALYSIS (continued)

Revenue (continued)

(i) Sales of properties

Sales of properties for the period ended 30 June 2008 and 2007 are shown below:

	1H 2008		1H 2007	
	Area (Sq.m.)	RMB million	Area (Sq.m.)	RMB million
Beijing Shimao Olive Garden	11,936	361	45,583	746
Wuhan Shimao Splendid River* (Note 1)	—	1	73,530	570
Shaoxing Shimao Dear Town	2,473	22	—	—
Harbin Shimao Riviera New City — Phase 1	47,589	204	33,558	140
Changshu Shimao The Center — Residential	2,492	28	13,743	167
Kunshan Shimao Butterfly Bay	29,447	244	19,873	173
Shanghai Shimao Sheshan Villas	7,835	339	2,704	98
Shanghai Shimao Riviera Garden (Note 2)	439	43	8,456	294
Changshu Shimao The Center — Commercial	6,799	122	—	—
Sub-total(a)	109,010	1,364	197,447	2,188
Nanjing Shimao Riviera New City — Phase 1	3,026	47	43,406	375
Fuzhou Shimao Bund Garden	1,372	20	2,138	47
Sub-total (b)	4,398	67	45,544	422
Sub-total (c) — attributable	2,199	33	22,772	211
Total (a) + (b)	113,408	1,431	242,991	2,610
Total (a) + (c)	111,209	1,397	220,219	2,399

Revenue attributable to the Group generated from associated companies holding Nanjing Shimao Riviera New City and Fuzhou Shimao Bund Garden has not been consolidated in the unaudited interim financial statements.

* Attributable interests is 70.01%

Note 1: The figures in 1H 2008 are the income of the sales of parking spaces (1H 2007: nil).

Note 2: Including the income of the sales of parking spaces of RMB30 million (1H 2007: RMB 62 million).

Management Discussion and Analysis

FINANCIAL ANALYSIS (continued)

Revenue (continued)

(ii) Hotel Income

Hotel operating income are analysed below:

	1H 2008 RMB'million	1H 2007 RMB'million
Shanghai Le Méridien Sheshan	62.5	55.3
Le Royal Méridien Shanghai	193.4	159.1
Hyatt on the Bund Shanghai	134.0	—
	<hr/>	<hr/>
Total	389.9	214.4
	<hr/>	<hr/>

Hotel operating income increased approximately 81.9% to RMB389.9 million from RMB214.4 million over the corresponding period of 2007. Increase was mainly due to contribution of Hyatt on the Bund Shanghai, which was opened in the second half period of 2007.

(iii) Rental Income

Rental income from investment properties amounted to RMB88.1 million was generated from the shopping malls of Shanghai Shimao International Plaza and Beijing Shimao Tower. The rental income increased by 3.4 times.

	1H 2008 RMB'million	1H 2007 RMB'million
Shanghai Shimao International Plaza	79.4	20.2
Beijing Shimao Tower	8.7	—
	<hr/>	<hr/>
Total	88.1	20.2
	<hr/>	<hr/>

Cost of Sales

The cost of sales are analysed as follows:

	1H 2008 RMB'million	1H 2007 RMB'million
Sales taxes	91.9	123.2
Land cost, construction cost and capitalised borrowing costs	473.0	1,178.2
Direct operating costs for hotels and commercial properties	195.1	111.8
	<hr/>	<hr/>
Total	760.0	1,413.2
	<hr/>	<hr/>

Management Discussion and Analysis

FINANCIAL ANALYSIS (continued)

Fair value gains on investment properties

For the period under review, the Group recorded total fair value gains of RMB805.4 million (1H 2007: RMB1,072.7 million) contributed by Shanghai Shimao International Plaza and Beijing Shimao Tower. Net fair value gains after relevant deferred income tax of RMB201.3 million recognised was RMB604.1 million (1H 2007: RMB804.5 million).

Other gains

Other gains of RMB404.3 million for the first half of 2008 (1H 2007: RMB789.5 million) included mainly net foreign exchange gain. Decrease was due to RMB751.5 million gain on disposal of 29.99% interests in the Wuhan project in the first half of 2007.

Selling and marketing costs and administrative expenses

Selling and marketing costs for the period was RMB113.2 million (1H 2007: RMB56.5 million). The increase was mainly due to number of projects with selling activities increased. Administrative expenses increased by 51% which was mainly due to an increase of staff costs as a result of increased number of employees and increased administrative expenses of hotel operation.

Operating profit

Operating profit amounted to RMB1.63 billion for the period ended 30 June 2008, an decrease of 32.4% over the same period of 2007.

Finance costs – net

Net finance costs increased to RMB158.3 million (1H 2007: RMB42.6 million) mainly due to more interest expenses incurred for increased borrowing in the first six months of 2008.

Share of results of associated companies & jointly controlled entities

Share of losses of associated companies amounted to RMB13.5 million (1H 2007: share of profit of RMB43.2 million). The decrease was mainly due to the two projects, Fuzhou Shimao Bund Garden was mostly sold out before 2008 and Nanjing Shimao Riviera New City had no further completion during the first half period of 2008. Share of results of jointly controlled entities amounted to RMB7.7 million.

Taxation

The Group's tax provisions amounted to RMB551.8 million in which LAT was RMB212.9 million (1H 2007: RMB298.8 million, in which LAT was RMB205.6 million) for the period.

Profit attributable to shareholders

Profit attributable to shareholders for the period decreased by 55.9% from RMB2,083.7 million in 2007 to RMB919.1 million in 2008.

Management Discussion and Analysis

FINANCIAL ANALYSIS (continued)

Liquidity and financial resources

As of 30 June 2008, total assets of the Group were RMB44.87 billion, of which current assets reached RMB19.9 billion. Hotel properties are stated at cost less depreciation and impairment losses rather than at fair value. In order to provide shareholders with additional non-balance sheet information on the value of the Group's net assets, the Directors have appointed an independent valuer, DTZ Debenham Tie Leung Limited to perform a fair market valuation of the Group's hotel properties as at 30 June 2008. If these hotel were to be stated at fair value instead of at cost less depreciation and impairment losses, the Group's net assets value would have been increased by RMB8.32 billion (31 December 2007: RMB 5.43 billion). Total liabilities were RMB25.55 billion, whereas non-current liabilities were RMB13.19 billion. Equity attributable to the shareholders of the Company amounted to RMB18.98 billion.

As of 30 June 2008, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB2.77 billion (31 December 2007: RMB5.01 billion), total borrowings amounted to approximately RMB14.67 billion (31 December 2007: RMB11.64 billion). Total net debts were RMB11.90 billion (31 December 2007: RMB6.63 billion). Adjusted net gearing ratio (calculated by total borrowings less cash and restricted cash divided by total equity (after adjustment for the after-tax net valuation surplus of RMB8.32 billion (31 December 2007: RMB5.43 billion) of the three completed hotels)) increased from 27.4% as at 31 December 2007 to 43.0% as at 30 June 2008.

In the light of the above, the Directors have provided for shareholders' additional information a calculation of the Group's adjusted net gearing ratio as at 30 June 2008 and 31 December 2007 on the basis set out below:

	As at 30 June 2008 RMB'million	As at 31 December 2007 RMB'million
Net assets value per balance sheet	19,323	18,812
Adjusting the value of hotels to fair value	11,097	7,236
Less: Related deferred tax	(2,774)	(1,809)
	<u>8,323</u>	<u>5,427</u>
Adjusted net assets value	<u>27,646</u>	<u>24,239</u>
Net borrowings as per balance sheet (*)	<u>11,902</u>	<u>6,631</u>
Adjusted net gearing ratio	<u>43.0%</u>	<u>27.4%</u>

* Total borrowings less cash and restricted cash.

Management Discussion and Analysis

FINANCIAL ANALYSIS (continued)

Liquidity and financial resources (continued)

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	1,228	8,305
HK\$	120	106
RMB	6,261	6,261

Financing activities

During the six months ended 30 June 2008, another US\$300 million short term notes was issued. The notes was fully repaid on 17 September 2008.

In spite of the adjustment on the Group's ratings in July 2008 by rating agency, the banks have shown continued support to the Group. We have continued to maintain a good relationship with them.

Foreign exchange risks

Other than financing activities such as foreign currency borrowings which were denominated in foreign currencies, the Group conducts its business almost exclusively in RMB. The Group would be affected mainly by the outstanding foreign currency borrowings which include US\$328 million syndicated loans, US\$300 million short term notes (fully repaid on 17 September 2008), US\$600 million Senior Notes and a HK\$120 million bank loan as at 30 June 2008.

Management Discussion and Analysis

FINANCIAL ANALYSIS (continued)

Pledge of assets

As of 30 June 2008, the Group had pledged properties, plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties and cash and cash equivalents with a total carrying amount of RMB15.97 billion to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB5.27 billion.

Contingent liabilities/financial guarantees

As of 30 June 2008, the Group had provided guarantees for approximately RMB2.41 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties.

Capital and property development expenditure commitments

As of 30 June 2008, the Group had contracted capital and property development expenditure but not provided for amounted to RMB11.55 billion.

Employees and remuneration policy

As of 30 June 2008, the Group employed a total of 4,270 employees. Total remuneration for the period amounted to RMB262 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. Share option schemes were adopted to attract and retain talents to contribute to 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

INFORMATION ON SHARE OPTIONS

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”) on 9 June 2006.

(1) Pre-IPO Share Option Scheme

- (a) Movement of share options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2008 was as follows:

Name of Director	Date of grant (DD/MM/YY)	Exercise price per share (HK\$)	Number of share options				Exercise Period (DD/MM/YY)	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
			As at 1 Jan 2008	Exercised	Lapsed	As at 30 Jun 2008		
Hui Sai Tan, Jason	09/06/06	5.625	1,848,000	—	—	1,848,000	01/04/07–08/06/12	—
Yao Li	09/06/06	5.625	1,848,000	(396,000)	—	1,452,000	01/04/07–08/06/12	12.14
Ip Wai Shing	09/06/06	5.625	1,792,000	—	(57,600)	1,734,400	01/04/07–08/06/12	—
Tang Ping Fai	09/06/06	5.625	2,248,000	(400,000)	(59,400)	1,788,600	01/04/07–08/06/12	16.78
			7,736,000	(796,000)	(117,000)	6,823,000		—
Senior Management and Employees of the Group	09/06/06	5.625	36,031,050	(4,080,350)	(1,579,800)	30,370,900	01/04/07–08/06/12	14.33
			43,767,050	(4,876,350)	(1,696,800)	37,193,900		

- (b) The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal stake in the Company and help motivate the participants to optimize their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of the Group.
- (c) Options to subscribe for a total of 63,920,000 ordinary shares of the Company have been granted to directors and selected employees on 9 June 2006.
- (d) Each option has a 6-year exercise period with 30% vesting on 31 March 2007, another 30% vesting on 31 March 2008 and the remaining 40% vesting on 31 March 2009.

Corporate Governance and Other Information

INFORMATION ON SHARE OPTIONS (continued)

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

- (e) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (f) Performance targets have been imposed as conditions for the grant of options under the Pre-IPO Share Option Scheme.
- (g) Upon listing of the Company on 5 July 2006, the Pre-IPO Share Option Scheme was terminated and no further option may be granted under the Pre-IPO Share Option Scheme. However, the options granted but not yet exercised shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.

(2) Share Option Scheme

- (a) Movement of share options under the Share Option Scheme during the six months ended 30 June 2008 was as follows:

Name of Director	Date of grant (DD/MM/YY)	Exercise price per share (HK\$)	Number of share options					Exercise Period (DD/MM/YY)
			As at 1 Jan 2008	Granted	Exercised	Lapsed	As at 30 Jun 2008	
Tung Chi Shing	04/02/08	16.24	—	1,860,000	—	—	1,860,000	01/04/08–08/06/12
Kan Lai Kuen, Alice*	04/02/08	16.24	—	200,000	—	—	200,000	01/04/08–08/06/12
Lu Hong Bing*	04/02/08	16.24	—	200,000	—	—	200,000	01/04/08–08/06/12
Gu Yunchang*	04/02/08	16.24	—	200,000	—	—	200,000	01/04/08–08/06/12
Lam Ching Kam*	04/02/08	16.24	—	200,000	—	—	200,000	01/04/08–08/06/12
			—	2,660,000	—	—	2,660,000	
Senior Management and Employees of the Group	04/02/08	16.24	—	12,690,000	—	(1,492,300)	11,197,700	01/04/08–08/06/12
			—	15,350,000	—	(1,492,300)	13,857,700	

* Independent non-executive directors

Corporate Governance and Other Information

INFORMATION ON SHARE OPTIONS (continued)

(2) Share Option Scheme (continued)

- (b) The purpose of the Share Option Scheme is to provide the participants the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.
- (c) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.
- (d) 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.
- (e) The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue and any further grant of Share Options which would result in the number of shares of the Company issued as aforesaid exceeding the said 1% limit must be approved by the shareholders of the Company.
- (f) 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.
- (g) Options to subscribe for a total of 15,350,000 ordinary shares of the Company have been granted to directors and selected employees on 4 February 2008. The closing price immediately before the date on which the options were granted was HK\$14.92.
- (h) Options granted to the independent non-executive directors during the period will expire on 8 June 2012 with 50% vesting on 31 March 2008 and 50% on 31 March 2009.
- (i) Options granted to an executive director and employees during the period will expire on 8 June 2012 with 33% vesting on 31 March 2008 and 67% on 31 March 2009.
- (j) The consideration paid by each grantee for each grant of options is HK\$1.00.

Corporate Governance and Other Information

INFORMATION ON SHARE OPTIONS (continued)

(2) Share Option Scheme (continued)

- (k) Performance targets have been imposed as conditions for the grant of options to an executive director and employees under the Share Option Scheme.
- (l) The Share Option Scheme will expire on 8 June 2016.

Other details of the Pre-IPO Option Scheme and Share Option Scheme are set out in note 10 to the Condensed Consolidated Interim Financial Statements.

DISCLOSURE OF INTERESTS IN SECURITIES

Directors' and chief executive's interests and short position in the share capital of the Company

As at 30 June 2008, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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 of Hong Kong Limited (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:

(1) Long position in the shares of the Company

Name of Director	Capacity/Nature of Interest	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	2,014,001,500 (Note)	60.98%
Hui Sai Tan, Jason	Beneficial owner	792,000	0.02%
Yao Li	Beneficial owner	1,188,000	0.04%
Ip Wai Shing	Beneficial owner	438,000	0.01%
Tang Ping Fai	Beneficial owner	750,000	0.02%

Note:

These 2,014,001,500 shares represent the interest in the Company held by Gemfair Investments Limited and Wing Mau Finance Limited (now known as Shiyong Finance Limited), companies which are directly wholly-owned by Mr. Hui Wing Mau.

Corporate Governance and Other Information

DISCLOSURE OF INTERESTS IN SECURITIES (continued)

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

(2) Long position in the underlying shares of the Company

Details of the interests of Directors in the share options were stated in the section under the heading "Information on Share Options".

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

Interests of substantial shareholders

As at 30 June 2008, the interests and short positions 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 of the Company

Name	Nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Long position			
Gemfair Investments Limited ("Gemfair")	(Note 1)	1,947,984,000	58.98%
Overseas Investment Group International Limited ("Overseas Investment")	(Note 2)	1,947,984,000	58.98%
JPMorgan Chase & Co.	(Note 3)	230,828,978	6.99%
UBS AG	(Note 4)	167,243,614	5.06%
Short position			
JPMorgan Chase & Co.	(Note 5)	3,750,000	0.11%
UBS AG	(Note 6)	40,188,490	1.22%

Corporate Governance and Other Information

DISCLOSURE OF INTERESTS IN SECURITIES (continued)

Interests of substantial shareholders (continued)

Notes:

- (1) The interests disclosed represents the interests in the Company which is held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- (2) The interests disclosed represents the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his associates (directly or indirectly) hold not less than a 30% interest in the Company. Overseas Investments is the trustee of W.M. Hui Unit Trust, all the units of which are held by W.M. Hui Family Trust of which Mr. Hui Wing Mau and his immediate family are discretionary objects.
- (3) It included interests in 1,250,000 underlying shares held through certain unlisted physically settled equity derivatives. It also included 86,437,167 shares in the lending pool.
- (4) It included interests in 45,202,000 underlying shares held through certain unlisted physically settled equity derivatives.
- (5) It included interests in 1,250,000 underlying shares held through certain unlisted physically settled equity derivatives.
- (6) It included interests in 2,330,000 underlying shares held through certain listed cash settled equity derivatives and 33,591,990 underlying shares held through certain unlisted physically settled equity derivatives.

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

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company announced on 13 August 2007 that it entered into a facility agreement (the “Facility Agreement”) with certain financial institutions as lenders on 13 August 2007 for certain term and revolving credit facilities of up to US\$328,000,000 (the “Facilities”). The Facilities are for an initial period of 36 months from the date of the Facility Agreement but may be extended at the option of the Company to 84 months provided that certain conditions are met.

Pursuant to the Facility Agreement, it will be an event of default if (i) Mr. Hui Wing Mau (together with his associates), the controlling shareholder of the Company, ceases to own, directly or indirectly, at least 51% of the issued share capital of the Company giving rise to at least 51% of the voting rights in the Company or (ii) Mr. Hui Wing Mau ceases to be the Chairman of the Board. If such an event of default occurs, the Facilities may become immediately due and repayable in accordance with the terms of the Facility Agreement.

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.

Corporate Governance and Other Information

CORPORATE GOVERNANCE (continued)

BOARD OF DIRECTORS

The board of directors of the Company comprises six Executive Directors and four Independent non-executive Directors. The list of Directors is set out in the “Company Information” section under this interim report. The Company benefits from the collective experience of its Directors, who come from a variety of different backgrounds. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company’s success and monitor its affairs.

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

AUDIT COMMITTEE

The Audit Committee of the Company consists of four members, namely Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam. All of them are independent non-executive Directors. The chairman of the Audit Committee is Ms. Kan Lai Kuen, Alice.

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

The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company’s interim and annual reports.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2008 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company consists of five members, comprising Mr. Hui Wing Mau and the four independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Hui Wing Mau.

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

Corporate Governance and Other Information

CORPORATE GOVERNANCE (continued)

NOMINATION COMMITTEE

The Nomination Committee of the Company consists of five members, comprising Mr. Hui Wing Mau and the four independent non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Wing Mau.

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008 except for one deviation as set out below.

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

Mr. Hui Wing Mau 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 four independent non-executive Directors and therefore has a strong independence element in its composition.

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 confirmed they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 25 September 2008

Condensed Consolidated Balance Sheet

As at 30 June 2008

		Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,252,614	4,990,516
Investment properties	4	6,629,000	5,852,000
Land use rights	4	6,104,465	6,581,082
Intangible assets	4	411,650	415,995
Associated companies		310,639	295,142
Jointly controlled entities	6	653,494	2,662
Deferred income tax assets		305,160	441,570
Other non-current assets	5	5,304,367	3,149,502
		<u>24,971,389</u>	<u>21,728,469</u>
Current assets			
Land use rights under development	4	9,143,788	7,270,973
Properties under development		4,442,425	2,546,641
Completed properties held for sale		1,605,535	1,521,688
Trade and other receivables and prepayments	7	1,067,554	1,124,079
Prepaid income taxes		116,141	35,082
Amounts due from related companies	8	749,635	31,477
Amount due from a minority interest		6,262	6,262
Restricted cash	9	163,928	409,553
Cash and cash equivalents		2,605,600	4,596,378
		<u>19,900,868</u>	<u>17,542,133</u>
Total assets		<u><u>44,872,257</u></u>	<u><u>39,270,602</u></u>
OWNERS' EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	10	340,817	340,382
Reserves			
– Proposed dividend		—	494,088
– Others		18,636,898	17,613,714
		<u>18,977,715</u>	<u>18,448,184</u>
Minority interests in equity		<u>345,716</u>	<u>364,024</u>
Total equity		<u><u>19,323,431</u></u>	<u><u>18,812,208</u></u>

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	11,425,570	10,384,037
Deferred income tax liabilities		1,766,298	1,639,444
		<u>13,191,868</u>	<u>12,023,481</u>
Current liabilities			
Trade and other payables	13	4,420,118	3,850,927
Advanced proceeds received from customers		2,073,692	499,980
Income tax payable		2,516,519	2,831,555
Borrowings	11	3,246,629	1,252,451
Deferred income		100,000	—
		<u>12,356,958</u>	<u>8,434,913</u>
Total liabilities		<u>25,548,826</u>	<u>20,458,394</u>
Total equity and liabilities		<u>44,872,257</u>	<u>39,270,602</u>
Net current assets		<u>7,543,910</u>	<u>9,107,220</u>
Total assets less current liabilities		<u>32,515,299</u>	<u>30,835,689</u>

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		Unaudited	
		Six months ended 30 June	
	Note	2008 RMB'000	2007 RMB'000
Revenue	3(a)	1,841,771	2,422,546
Cost of sales	15	(760,025)	(1,413,194)
Gross profit		1,081,746	1,009,352
Fair value gains on investment properties		805,380	1,072,658
Other gains	14	404,275	789,492
Selling and marketing costs	15	(113,159)	(56,502)
Administrative expenses	15	(506,178)	(335,075)
Other operating expenses	15	(37,619)	(63,231)
Operating profit		1,634,445	2,416,694
Finance costs - net	16	(158,306)	(42,594)
Share of results of			
– Associated companies		(13,478)	43,175
– Jointly controlled entities	6	7,721	—
Profit before income tax		1,470,382	2,417,275
Income tax expense	17	(551,809)	(298,836)
Profit for the period		918,573	2,118,439
Attributable to:			
Equity holders of the Company		919,099	2,083,661
Minority interests		(526)	34,778
		918,573	2,118,439
Dividends	18	—	480,829
Earnings per share for profit attributable to the equity holders of the Company			
– basic (RMB cents)	19	27.9	66.6
– diluted (RMB cents)	19	27.7	65.9

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008 (Unaudited)

	Note	Attributable to the equity holders of the Company			Total
		Share capital	Reserves	Minority interests	
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		340,382	18,107,802	364,024	18,812,208
Profit for the period		—	919,099	(526)	918,573
Minority interest arising on acquisition of a subsidiary		—	—	10,680	10,680
Employee share option scheme					
– value of employee services		—	50,523	—	50,523
– proceeds from shares issued		435	24,041	—	24,476
2007 final dividend	18	—	(464,567)	(28,462)	(493,029)
Balance at 30 June 2008		340,817	18,636,898	345,716	19,323,431
Balance at 1 January 2007		317,521	11,210,848	—	11,528,369
Profit for the period		—	2,083,661	34,778	2,118,439
Issue of shares for placement	10(a)(i)	21,506	3,775,339	—	3,796,845
Minority interest arising on disposal of interest in a subsidiary	14	—	—	248,470	248,470
Acquisition of a subsidiary		—	—	8,766	8,766
Employee share option scheme					
– value of employee services		—	23,948	—	23,948
– proceeds from shares issued		1,203	66,491	—	67,694
2006 final dividend		—	(606,155)	—	(606,155)
Balance at 30 June 2007		340,230	16,554,132	292,014	17,186,376
Profit for the period		—	2,008,121	47,225	2,055,346
Acquisition of subsidiaries		—	—	24,785	24,785
Employee share option scheme					
– value of employee services		—	14,609	—	14,609
– proceeds from shares issued		152	11,769	—	11,921
2007 interim dividend		—	(480,829)	—	(480,829)
Balance at 31 December 2007		340,382	18,107,802	364,024	18,812,208

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008 (Unaudited)

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Net cash outflow from operating activities	(405,139)	(1,542,134)
Net cash outflow from investing activities	(3,655,039)	(4,534,746)
Net cash inflow from financing activities	2,091,423	4,408,238
Decrease in cash and cash equivalents	(1,968,755)	(1,668,642)
Cash and cash equivalents at 1 January	4,596,378	5,949,589
Effect of foreign exchange rate changes	(22,023)	(67,642)
Cash and cash equivalents at 30 June	2,605,600	4,213,305

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Shimao Property Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 1-1111 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 Stock Exchange of Hong Kong Limited on 5 July 2006.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 are prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair values, and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

These condensed consolidated interim financial statements were approved by the Company’s board of directors on 25 September 2008.

2 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements for the year ended 31 December 2007.

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

Starting from 2006, the Group chose to early adopt HK(IFRIC) - Int 11 “HKFRS 2-Group and Treasury Share Transactions” which are effective for annual periods beginning on or after 1 March 2007. This interpretation does not have any significant impact on the Group’s consolidated financial statements.

The following new interpretations are also mandatory for the first time for annual periods beginning on or after 1 January 2008 but are not currently relevant to the Group.

- HK(IFRIC) - Int 12, “Service Concession Arrangements”
- HK(IFRIC) - Int 14, “HKAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction”

The Group has not early adopted any new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but are not yet effective for the financial year ending 31 December 2008.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

3 SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and hotel operation. The property and hotel projects undertaken by the Group are all located in the PRC. 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, no geographical segment information is presented.

(a) Revenue

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

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Sales of properties	1,363,788	2,187,908
Hotel operating income	389,861	214,371
Rental income from investment properties	88,122	20,267
	<u>1,841,771</u>	<u>2,422,546</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

3 SEGMENT INFORMATION (continued)

(b) Segment information

Business segment

For the six months ended 30 June 2008

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue	1,363,788	389,861	88,122	—	1,841,771
Segment results	614,756	33,129	841,341	145,219	1,634,445
Finance costs - net	(24,127)	(32,183)	(56,916)	(45,080)	(158,306)
Share of results of					
– Associated companies	(13,478)	—	—	—	(13,478)
– Jointly controlled entities	7,345	—	—	376	7,721
Profit before income tax	584,496	946	784,425	100,515	1,470,382
Income tax expense					(551,809)
Profit for the period					918,573
Other segment items are as follows:					
Capital and property development expenditure	6,346,729	64,304	9,570	12,628	6,433,231
Depreciation	6,140	95,946	9,053	1,867	113,006
Amortisation of land use rights as expenses	1,708	13,755	—	—	15,463
Fair value gains on investment properties	—	—	805,380	—	805,380
Impairment of goodwill	4,345	—	—	—	4,345
Provision for impairment of receivables	—	—	2,405	—	2,405

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

3 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

Business segment (continued)

For the six months ended 30 June 2007

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue	2,187,908	214,371	20,267	—	2,422,546
Segment results	1,500,741	(29,940)	1,045,409	(99,516)	2,416,694
Finance (costs)/income - net	(621)	(7,522)	(36,173)	1,722	(42,594)
Share of results of					
– Associated companies	43,175	—	—	—	43,175
Profit/(loss) before income tax	1,543,295	(37,462)	1,009,236	(97,794)	2,417,275
Income tax expense					(298,836)
Profit for the period					2,118,439
Other segment items are as follows:					
Capital and property development expenditure	5,069,404	1,182,233	581,410	—	6,833,047
Depreciation	4,963	58,705	53	1,117	64,838
Amortisation of land use rights as expenses	3,188	14,222	—	—	17,410
Fair value gain on an investment property	—	—	1,072,658	—	1,072,658
Impairment of goodwill	12,912	—	40,149	—	53,061

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

3 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

Business segment (continued)

The segment assets and liabilities as at 30 June 2008 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	24,160,121	6,905,510	11,311,810	1,225,523	43,602,964
Associated companies	310,639	—	—	—	310,639
Jointly controlled entities	650,456	—	—	3,038	653,494
	<u>25,121,216</u>	<u>6,905,510</u>	<u>11,311,810</u>	<u>1,228,561</u>	<u>44,567,097</u>
Deferred income tax assets					305,160
Total assets					<u>44,872,257</u>
Segment liabilities	7,477,234	422,700	474,749	735,646	9,110,329
Borrowings	3,797,444	1,953,400	270,000	8,651,355	14,672,199
	<u>11,274,678</u>	<u>2,376,100</u>	<u>744,749</u>	<u>9,387,001</u>	<u>23,782,528</u>
Deferred income tax liabilities					1,766,298
Total liabilities					<u>25,548,826</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

3 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

Business segment (continued)

The segment assets and liabilities as at 31 December 2007 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	18,719,406	6,877,120	10,948,648	1,986,054	38,531,228
Associated companies	295,142	—	—	—	295,142
Jointly controlled entity	—	—	—	2,662	2,662
	<u>19,014,548</u>	<u>6,877,120</u>	<u>10,948,648</u>	<u>1,988,716</u>	<u>38,829,032</u>
Deferred income tax assets					<u>441,570</u>
Total assets					<u>39,270,602</u>
Segment liabilities	5,819,837	559,413	586,786	216,426	7,182,462
Borrowings	2,031,095	1,878,690	395,000	7,331,703	11,636,488
	<u>7,850,932</u>	<u>2,438,103</u>	<u>981,786</u>	<u>7,548,129</u>	<u>18,818,950</u>
Deferred income tax liabilities					<u>1,639,444</u>
Total liabilities					<u>20,458,394</u>

Unallocated results mainly represent the net results of exchange gain and corporate expenses.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries relating to respective segments. They exclude deferred income tax assets.

Segment liabilities comprise operating liabilities. They exclude borrowings and deferred income tax liabilities.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

4 CAPITAL EXPENDITURE

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2008	4,990,516	13,852,055	5,852,000	415,995	25,110,566
Additions	297,342	1,581,725	5,620	—	1,884,687
Land use rights amortisation capitalised to property, plant and equipment	45,728	(45,728)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(61,815)	—	—	(61,815)
Transfer to property, plant and equipment	34,000	—	(34,000)	—	—
Transfer to cost of sales	—	(62,521)	—	—	(62,521)
Fair value gains	—	—	805,380	—	805,380
Impairment	—	—	—	(4,345)	(4,345)
Depreciation/amortisation charged to the consolidated income statement	(113,006)	(15,463)	—	—	(128,469)
Disposals	(1,966)	—	—	—	(1,966)
Closing net book amount as at 30 June 2008	<u>5,252,614</u>	<u>15,248,253</u>	<u>6,629,000</u>	<u>411,650</u>	<u>27,541,517</u>
Representing:					
Non-current		6,104,465			
Current		<u>9,143,788</u>			
		<u>15,248,253</u>			

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

4 CAPITAL EXPENDITURE (continued)

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at					
1 January 2007	4,609,870	4,356,920	4,000,000	475,023	13,441,813
Acquisition of a subsidiary	190	—	—	4,674	4,864
Additions	485,642	2,093,748	—	—	2,579,390
Land use rights amortisation capitalised to property, plant and equipment	1,648	(1,648)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(35,359)	—	—	(35,359)
Transfer to investment properties	(684,342)	—	684,342	—	—
Transfer to cost of sales	—	(216,679)	—	—	(216,679)
Fair value gains	—	—	1,072,658	—	1,072,658
Impairment	—	—	—	(53,061)	(53,061)
Depreciation/amortisation charged to the consolidated income statement	(64,838)	(17,410)	—	—	(82,248)
Disposals	(489)	—	—	—	(489)
Closing net book amount as at					
30 June 2007	4,347,681	6,179,572	5,757,000	426,636	16,710,889
Additions	683,930	5,943,026	15,729	—	6,642,685
Acquisition of subsidiaries	1,413	2,516,000	—	—	2,517,413
Land use rights amortisation capitalised to property, plant and equipment	49,160	(49,160)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(44,830)	—	—	(44,830)
Transfer from investment properties	3,324	—	(3,324)	—	—
Transfer to cost of sales	—	(677,840)	—	—	(677,840)
Fair value gains	—	—	82,595	—	82,595
Impairment	—	—	—	(10,641)	(10,641)
Depreciation/amortisation charged to the consolidated income statement	(93,594)	(14,713)	—	—	(108,307)
Disposals	(1,398)	—	—	—	(1,398)
Closing net book amount as at					
31 December 2007	<u>4,990,516</u>	<u>13,852,055</u>	<u>5,852,000</u>	<u>415,995</u>	<u>25,110,566</u>
Representing:					
Non-current		6,581,082			
Current		<u>7,270,973</u>			
		<u>13,852,055</u>			

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

4 CAPITAL EXPENDITURE (continued)

Except for investment properties which are carried at fair value, all the above are stated at historical cost less depreciation/ amortisation and impairment losses. The investment properties were revalued on an open market value and existing use basis as at 30 June 2008 and 31 December 2007 by DTZ Debenham Tie Leung Limited, an independent professional qualified valuer.

Intangible assets comprise goodwill from acquisitions.

5 OTHER NON-CURRENT ASSETS

As at 30 June 2008, the Group has made prepayments of RMB4,169,367,000 (2007: RMB2,679,501,000) for certain land use rights, the ownership certificates of which have not been obtained. As at 30 June 2008, RMB1,135,000,000 (2007: RMB470,001,000) have been advanced to certain local government authorities for use of land resettlement and site formation. The amounts are included in other non-current assets.

6 JOINTLY CONTROLLED ENTITIES

During the period, the Group and China Overseas Land & Investment Ltd. ("COLI Group") set up two jointly controlled entities to hold two pieces of land in the city of Hangzhou. A total of RMB1,389,872,000 was advanced to these two jointly controlled entities and the PRC subsidiary of one jointly controlled entity, of which RMB643,111,000 was included in interests in jointly controlled entities and RMB746,761,000 was included in amounts due from related companies (Note 8) respectively. The balances are unsecured, interest-free and have no fixed repayment terms.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade receivables — net (note)	396,877	518,105
Deposits for resettlement costs	108,450	198,450
Other receivables	210,743	235,100
Prepayments for construction costs	245,362	137,930
Prepaid business taxes on pre-sale proceeds	106,122	34,494
	<u>1,067,554</u>	<u>1,124,079</u>

Notes:

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 90 days	272,397	503,788
Over 90 days and within 365 days	124,480	14,317
	<u>396,877</u>	<u>518,105</u>

As at 30 June 2008, provision for impairment of receivables was approximately RMB2,405,000 (2007: Nil).

As at 30 June 2008, the fair value of trade receivables, deposits for resettlement costs, and other receivables of the Group approximate their carrying amounts.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

8 AMOUNTS DUE FROM RELATED COMPANIES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Common directors		
Shanghai Shimao Co., Ltd.	396	281
Shimao International Holdings Limited	396	281
Shanghai Shimao Enterprises Development Co., Ltd.	412	196
Shanghai Mason Club Co., Ltd.	60	60
Associated companies		
Nanjing Shimao Real Estate Development Co., Ltd. (note (i))	446	29,457
Fujian Shimao Investment Development Co., Ltd.	434	282
Jointly controlled entity		
Shanghai Shimao Savills Property Management Co., Ltd.	730	920
Hangzhou Shimao Shiyong Property Co., Ltd. (Note 6)	746,761	—
	749,635	31,477

Notes:

- (i) During the six months ended 30 June 2008, the Group utilised the dividend receivable from Nanjing Shimao Real Estate Development Co., Ltd. for further capital injection.

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

9 RESTRICTED CASH

As at 30 June 2008, the Group's cash of approximately RMB112,124,000 (2007: RMB120,668,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 20). Bank balances and cash of approximately RMB51,804,000 (2007: RMB288,885,000) were pledged as collateral for the Group's borrowings (Note 12).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

10 SHARE CAPITAL

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

		Par value HK\$	Number of shares '000	Nominal value of ordinary shares	
				HK\$'000	RMB'000
Authorised:					
At 30 June 2007, 31 December 2007 and 30 June 2008			5,000,000	500,000	
Issued and fully paid:					
At 1 January 2007			3,064,888	306,489	317,521
Issue of shares for placement	(i)	0.1	218,460	21,846	21,506
Employee share option scheme					
– Shares issued	(b)	0.1	12,225	1,222	1,203
At 30 June 2007			3,295,573	329,557	340,230
Employee share option scheme					
– Shares issued	(b)		2,219	222	152
At 31 December 2007			3,297,792	329,779	340,382
Employee share option scheme					
– Shares issued	(b)		4,876	488	435
At 30 June 2008			3,302,668	330,267	340,817

Note:

- (i) Pursuant to a placing agreement entered by the Company, Gemfair and the placing agent, Gemfair sold an aggregate of 305,845,000 ordinary shares of the Company to third party financial investors at HK\$17.88 per share. In connection with this, a subscription agreement was entered by the Company and Gemfair whereby 218,460,500 ordinary shares of the Company, representing about 9.29% of the then enlarged capital of the Company, were subscribed by Gemfair at HK\$17.88 per share with a total consideration, net of related expenses of approximately HK\$3,856,869,000 (equivalent to RMB3,796,845,000). The placing and subscriptions were fully completed by 9 May 2007.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

10 SHARE CAPITAL (continued)

(b) Pre-IPO Share Option Scheme

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

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

	Six months ended 30 June		1 July 2007 to 31 December
	2008	2007	2007
	'000	'000	'000
Balance at beginning of the period	43,767	63,920	46,542
Lapsed	(1,697)	(5,153)	(556)
Exercised	(4,876)	(12,225)	(2,219)
Balance at end of the period	37,194	46,542	43,767

Out of the 37,194,000 outstanding options (31 December 2007: 43,767,000 options), 13,571,300 options (2007: 3,567,600) were vested and exercisable. During the period, 4,876,000 options were exercised (Year ended 31 December 2007: 14,444,000 options) at exercise price of HK\$5.625 per share, totaling HK\$27,427,500 (equivalent to RMB24,476,000).

The fair value of the options granted determined using the binomial model was HK\$92,324,000 at the grant date. The significant inputs to the model were share price of HK\$6.25 at the grant date, exercise price of HK\$5.625, volatility of 30.5%, expected dividend yield of 3.3%, an expected option life of 6 years and an annual risk-free interest rate of 4.7%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past one year of the grant date of similar listed companies.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

10 SHARE CAPITAL (continued)

(c) Share Option Scheme

Pursuant to the shareholders' resolution passed on 9 June 2006, another share option scheme ("Share Option Scheme") was approved. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any members of the Group, advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture partners and service providers of any members of the Group). The total number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No option may be granted under the Share Option Scheme after 10 years since its adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the higher of (i) the closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant and (iii) the nominal value of a share of the Company on the date of grant.

Pursuant to the board resolution, options for a total of 15,350,000 ordinary shares of the Company under this scheme have been granted to independent non-executive directors, an executive director and selected employees on 4 February 2008. The exercise price is HK\$16.24 per share. A total of 800,000 options are granted to the independent non-executive directors with 50% vested on 31 March 2008 and 50% vesting on 31 March 2009. 1,860,000 options are granted to an executive director with 33% vested on 31 March 2008 and remaining 67% vesting on 31 March 2009. A total of 12,690,000 options are granted to selected employees with 33% vested on 31 March 2008 and remaining 67% vesting on 31 March 2009. Options are conditional on the employee performance and become exercisable immediately after each vesting date. The exercise period expires on 8 June 2012.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

10 SHARE CAPITAL (continued)

(c) Share Option Scheme (continued)

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

	Six months ended 30 June 2008 '000
Balance at beginning of the period	—
Granted	15,350
Lapsed	(1,492)
	<hr/>
Balance at end of the period	13,858
	<hr/>

Out of the 13,858,000 outstanding options (31 December 2007: Nil), 4,317,350 options (2007: Nil) were vested and exercisable. During the period, no options were exercised (2007: Nil).

The fair value of the options granted determined using the binomial model was HK\$84,681,000 at the grant date. The significant inputs to the model were share price of HK\$16.24 at the grant date, exercise price of HK\$16.24, volatility of 56.14%, expected dividend yield of 2.16%, an expected option life of about 4 years and an annual risk-free interest rate ranged from 1.47% to 1.95%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical daily share prices of the Company over an 80-week period.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

11 BORROWINGS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings - secured (notes (i) and (iii))	7,197,265	6,169,708
Long-term bank borrowings - unsecured	800,000	400,000
Senior notes - secured (note (ii))	4,035,549	4,283,410
Less: Amounts due within one year	(607,244)	(469,081)
	11,425,570	10,384,037
Borrowings included in current liabilities		
Short-term bank borrowings - secured (note (i))	297,600	489,270
Short-term bank borrowings - unsecured	295,980	294,100
Senior notes - unsecured (note (iv))	2,045,805	—
Current portion of long-term bank borrowings	607,244	469,081
	3,246,629	1,252,451

Movement of bank borrowings is analysed as follows:

	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Opening balance at 1 January	11,636,488	8,122,989
Additions of borrowings	5,014,252	2,813,539
Amortisation of issue expenses	25,967	6,817
Repayments of borrowings	(1,507,739)	(1,417,624)
Foreign exchange gain	(496,769)	(124,815)
Closing balance at 30 June	14,672,199	9,400,906

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

11 BORROWINGS (continued)

Notes:

- (i) As at 30 June 2008, the Group's total secured bank borrowings of RMB5,270,844,000 (2007: RMB4,294,785,000) were secured by mortgages of certain property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash (Note 12).
- (ii) On 29 November 2006, the Company issued a total of US\$600,000,000 senior notes, including US\$250,000,000 at a floating rate of interest due on 1 December 2011 and US\$350,000,000 at a fixed rate of interest due on 1 December 2016. The Company may at its option redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain subsidiaries other than those established under the laws of the PRC ("Subsidiary Guarantors"), and secured by a pledge of the shares of these Subsidiary Guarantors.
- (iii) On 13 August 2007, the Company entered into a bank facility agreement with a syndicate of 20 international and local banks. Pursuant to the agreement, the Group obtained a 3-year extendible syndicated loan facility amounting to US\$328,000,000 at a floating rate of interest due on 13 August 2010. The loan is secured by shares in certain subsidiaries.
- (iv) On 26 February 2008, the Company entered into an agreement with a bank for an issuance of senior notes amounting to US\$300,000,000 which are due on 18 September 2008. The loan has been repaid on 17 September 2008 (Note 23(b)).

12 PLEDGED ASSETS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Properties under development	579,615	421,643
Completed properties held for sale	78,443	253,487
Property, plant and equipment (Note 4)	3,739,646	3,884,379
Land use rights (Note 4)	4,890,986	2,780,897
Investment properties (Note 4)	6,629,000	5,852,000
Restricted cash (Note 9)	51,804	288,885
	15,969,494	13,481,291

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

13 TRADE AND OTHER PAYABLES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade payables (note (i))	3,448,400	3,355,038
Accrued expenses	202,901	139,951
Other taxes payable	85,261	202,090
Other payables (note (ii))	218,989	153,848
Dividend payable (Note 18)	464,567	—
	<u>4,420,118</u>	<u>3,850,927</u>

Notes:

- (i) As at 30 June 2008, the ageing analysis of trade payables is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 90 days	3,035,698	3,036,524
Over 90 days and within 180 days	412,702	318,514
	<u>3,448,400</u>	<u>3,355,038</u>

- (ii) Other payables comprise:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Excess proceeds received from customers	40,328	40,332
Deposits and advances from constructors	21,618	20,362
Rental deposits from tenants and hotel customers	56,701	35,270
Decoration fee collected from customers on behalf of decorators	22,955	20,985
Fees collected from customers on behalf of government agencies	48,923	7,109
Welfare payable	6,886	6,125
Miscellaneous	21,578	23,665
	<u>218,989</u>	<u>153,848</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

14 OTHER GAINS

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Gain on partial disposal of a subsidiary (note)	—	751,516
Net exchange gain	392,765	30,815
Subsidy income	5,203	—
Temporary rental and advertising income	1,257	418
Government grants received	—	2,468
Gain on disposal of fixed assets	457	—
Miscellaneous	4,593	4,275
	<u>404,275</u>	<u>789,492</u>

Note:

On 14 April 2007, the Group entered into a sales and purchase agreement with Jade VIII, Inc., owned by a fund managed by Morgan Stanley Real Estate, to dispose 29.99% interest in a subsidiary at a consideration of RMB1,000,000,000. The disposal resulted in a gain of approximately RMB751,516,000.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

15 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	
	2008	2007
	RMB'000	RMB'000
Staff costs - including directors' emoluments	261,769	171,894
Depreciation	113,006	64,838
Amortisation of land use rights	15,463	17,410
Advertising, promotion and commission costs	83,340	43,039
Cost of properties sold	472,974	1,178,093
Business taxes and other levies on sales of properties	68,731	111,598
Impairment of goodwill	4,345	53,061
Provision for impairment of receivables (Note 7)	2,405	—
Write-down of completed properties held for sale to net realisable value	—	11,268
Direct outgoings arising from investment properties	9,992	8,763
Auditors' remuneration	1,320	1,015
Charitable donations	22,649	5,080
Operating lease rental expenses	20,028	14,037
Hotel operating expenses	231,847	132,490
Office expenses	38,394	29,337
Other expenses	70,718	26,079
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	1,416,981	1,868,002
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

16 FINANCE COSTS - NET

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	261,618	126,590
– not wholly repayable within five years	20,712	18,550
Interest on senior notes		
– wholly repayable within five years	106,512	78,213
– not wholly repayable within five years	95,494	106,583
Interest income	(23,272)	(63,501)
	<hr/>	<hr/>
	461,064	266,435
Less: Interest capitalised	(302,758)	(223,841)
	<hr/>	<hr/>
	158,306	42,594
	<hr/>	<hr/>

17 INCOME TAX EXPENSE

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong.

(b) PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2007: 33%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

The new Corporate Income Tax Law has been enacted to reduce the PRC enterprise income tax rate from 33% to 25% with effect from 1 January 2008.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

17 INCOME TAX EXPENSE (continued)

(c) PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership. Upon acquisition of subsidiaries which are engaged in property development, an accrual for land appreciation tax is made based on the fair value of the properties being developed by the subsidiaries for sale before arriving at the goodwill/negative goodwill on the acquisition.

(d) PRC withholding income tax

According to the new Corporate Income Tax Law, 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 will 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.

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Current tax		
– PRC enterprise income tax	75,613	160,773
– PRC land appreciation tax	212,932	205,642
	<u>288,545</u>	<u>366,415</u>
Deferred tax		
– PRC enterprise income tax	237,128	(67,579)
– PRC withholding income tax	26,136	—
	<u>263,264</u>	<u>(67,579)</u>
	<u>551,809</u>	<u>298,836</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

18 DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2007 of HK15 cents per ordinary share, amounting to HK\$494,336,000 (equivalent to RMB480,829,000) has been declared at the Company's board meeting held on 16 August 2007.

A final dividend in respect of 2007 of HK16 cents per ordinary share, amounting to approximately HK\$528,397,000 (equivalent to RMB464,567,000) has been approved at the annual general meeting of the Company held on 23 June 2008.

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2008.

19 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	
	2008	2007
Profit attributable to the equity holders of the Company (RMB'000)	919,099	2,083,661
Weighted average number of ordinary shares in issue (thousands)	3,298,891	3,126,776
Basic earnings per share (RMB cents)	27.9	66.6

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under Pre-IPO Share Option Scheme and Share Option Scheme assuming they were exercised (Note 10).

	Six months ended 30 June	
	2008	2007
Profit attributable to the equity holders of the Company (RMB'000)	919,099	2,083,661
Weighted average number of ordinary shares in issue (thousands)	3,298,891	3,126,776
Adjustment for share options granted under Pre-IPO Share Option Scheme and Share Option Scheme (thousands)	22,595	34,758
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,321,486	3,161,534
Diluted earnings per share (RMB cents)	27.7	65.9

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

20 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2008.

	30 June 2008 RMB'000	31 December 2007 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	<u>2,410,303</u>	<u>2,132,064</u>

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the interim financial statements for the guarantees.

21 COMMITMENTS

(a) Commitments for capital and property development expenditure

	30 June 2008 RMB'000	31 December 2007 RMB'000
Contracted but not provided for		
– Property, plant and equipment	538,329	268,466
– Land use rights	6,134,385	5,521,734
– Properties being developed by the Group for sale	1,816,528	2,091,617
– Advances to government authorities for land resettlement and site formation	<u>3,065,000</u>	<u>3,630,000</u>
	<u>11,554,242</u>	<u>11,511,817</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

21 COMMITMENTS (continued)

(b) Operating lease commitments

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within one year	27,228	25,451
Between two to five years	34,735	63,346
	61,963	88,797

(c) Operating lease rentals receivable

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within one year	15,309	14,761
Between two to five years	27,216	32,755
After five years	18,962	21,060
	61,487	68,576

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

22 RELATED PARTY TRANSACTIONS

- (a) Other than those disclosed in Notes 6 and 8, the Group had entered into the following major related party transactions during the period:

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Trademark fee earned from related companies (note (ii))	680	750
Operating lease rental expense paid to a related company (note (iii))	2,201	1,052
Property management fee and reimbursement of staff costs charged by a jointly controlled entity (note (iv))	4,989	1,046
	<u>7,870</u>	<u>2,848</u>

Notes:

- (i) On 30 November 2007, the independent shareholders of the Company approved the injection of a number of retail and commercial properties in the PRC into Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a company listed in the Shanghai Stock Exchange, satisfied by issuance of up to 630,000,000 shares of Shanghai Shimao and assumption of payables of RMB73,700,000 to be settled in cash and cash equivalents. Mr. Hui Wing Mau, Chairman of the Company, is also the Chairman of Shanghai Shimao.

In connection with the aforementioned transaction, the Company will also subscribe for new shares of Shimao Enterprises Development Co., Ltd. ("Shimao Enterprises"), currently holding approximately 37% interest in Shanghai Shimao, for not more than RMB750,000,000 (the "Subscription"). It is intended that Shimao Enterprises will become at least a 51% owned subsidiary of the Company after the Subscription. Shimao Enterprises is currently 93.33% owned by the nephew of Mr. Hui Wing Mau.

In connection with the aforementioned transaction, Shimao Enterprises will subscribe for up to 62,240,000 shares of Shanghai Shimao at a consideration of RMB750,000,000.

The aforementioned transaction and the Subscription has not been completed on 30 June 2008 and subject to completion of certain legal procedures.

On 3 September 2008, Shanghai Shimao received approval from China Securities Regulatory Commission ("CSRC") for the transaction and the Subscription (Note 23(a)).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008 (Unaudited)

22 RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (ii) On 12 June 2006, the Group entered into a trademark framework agreement with certain related companies, namely Nanjing Shimao Real Estate Development Co., Ltd., Fujian Shimao Investment Development Co., Ltd., Shanghai Shimao, Shimao International Holdings Limited ("Shimao International") and Mr. Hui Wing Mau, to use the "Shimao" trademarks and devices. Pursuant to the agreement, the Group agrees to grant non-exclusive licenses to these related companies at an annual royalty fee of HK\$300,000 per project from 5 July 2006 to 31 December 2008.
- (iii) On 12 June 2006, the Group entered into a lease agreement with a wholly-owned subsidiary of Shimao International, of which certain directors of the Company are also directors, to lease part of office premises of Shimao International in Hong Kong.
- (iv) Shanghai Shimao Savills Property Management Co., Ltd., a jointly controlled entity of the Group, provided property management services to certain properties of the Group.

(b) Key management compensation

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Fees	5,509	4,816
Other emoluments		
Salaries and other short-term employee benefits	5,252	5,227
Share options granted	8,306	7,272
Retirement scheme contributions	79	99
	<u>19,146</u>	<u>17,414</u>

23 SUBSEQUENT EVENTS

- (a) As described in Note 22(a)(i), the transactions with Shanghai Shimao and Shimao Enterprises have been approved by CSRC on 3 September 2008.
- (b) As described in Note 11(iv), the senior notes of US\$300 million was repaid on 17 September 2008.