



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

世茂

INTERIM REPORT 2006

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Hui Wing Mau (*Chairman*)
Hui Sai Tan, Jason
Ip Wai Shing
Tang Ping Fai
Yao Li

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

AUDITORS

PricewaterhouseCoopers

COMPLIANCE ADVISOR

Platinum Securities Company Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China
(Asia) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4307–12, 43/F
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
Email: tong.salina@shimaogroup.com.hk
Tel: (852) 2511 9968
Fax: (852) 2511 0278

Corporate Profile

(as at 8 September 2006)

Shimao Property Holdings Limited (“Shimao Property” or the “Company”, together with its subsidiaries as the “Group”) is a leading real estate developer in China, specialising in large-scale, high quality projects in prime locations. The Group has succeeded in continuously bringing real estate projects to Shanghai, Beijing, Harbin, Nanjing, Fuzhou and other fast growing cities in China, with a portfolio comprising the development of residential, retail, office and hotel properties.

The Group currently has 17 projects located in Shanghai, Beijing, Harbin, Wuhan, Nanjing, Fuzhou, Kunshan, Changshu, Shaoxing, Wuhu, Yantai and Jiaxing that are at various stages of development. Two of the projects are held by the Group's 50% owned associated companies. Currently, the Group together with its associated companies has a land bank with a total planned GFA of approximately 14.2 million sq.m., including the piece of land successfully acquired on 25 August 2006 with a planned GFA of approximately 240,000 sq.m. located in Yantai, Shandong Province and the piece of land acquired on 1 September 2006 with a planned GFA of approximately 900,000 sq.m. located in Jiaxing, Zhejiang Province.

On 5 July 2006, Shimao Property (stock code: 813) acquired listing status on the Main Board of The Stock Exchange of Hong Kong Limited.

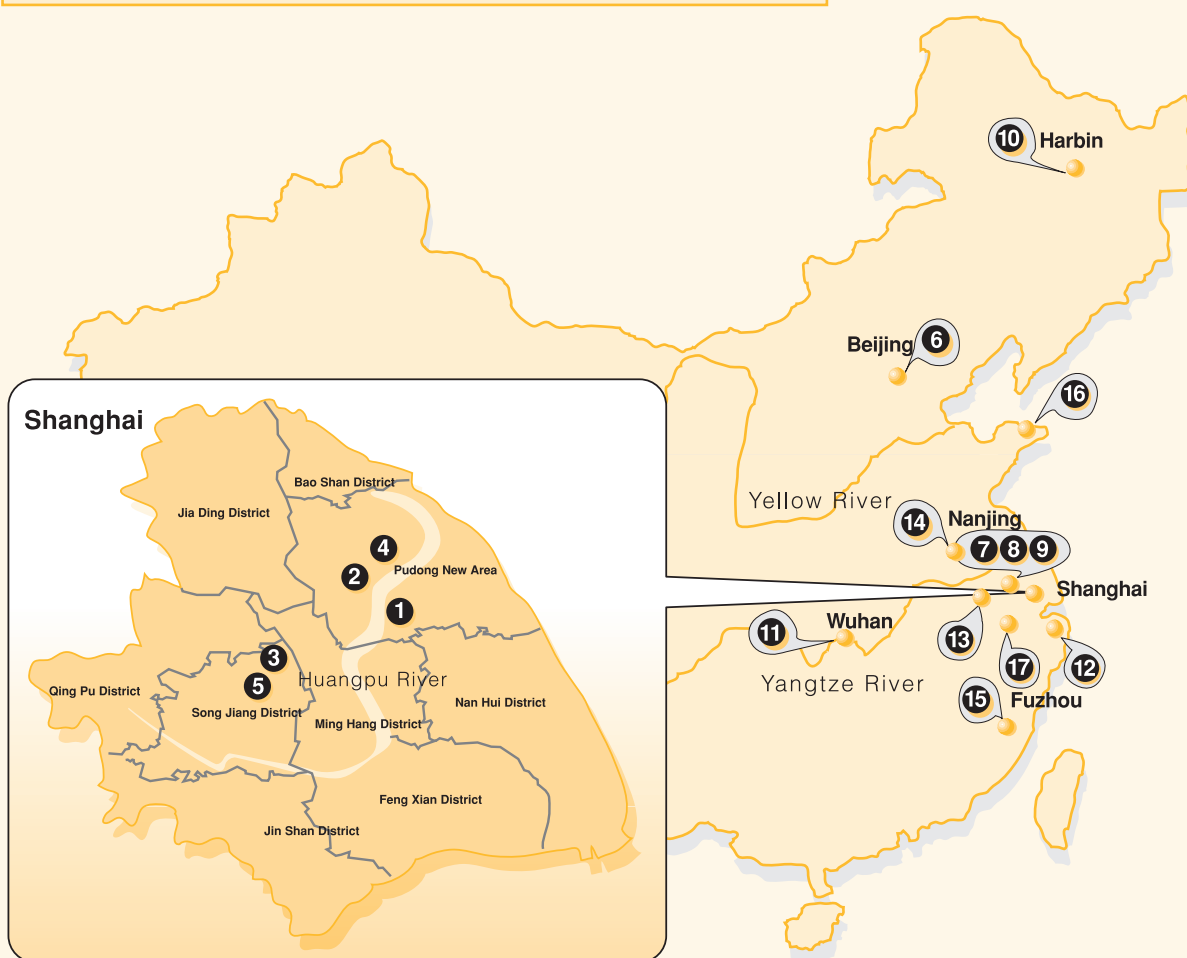
Corporate Profile

(as at 8 September 2006)

Geographic Locations of the Group's Projects

The following map shows the geographic locations of the Group's 17 property development projects:

- | | |
|---------------------------------------|-----------------------------------|
| ① Shanghai Shimao Riviera Garden | ⑨ Changshu Shimao The Center |
| ② Shanghai Shimao International Plaza | ⑩ Harbin Shimao Riviera New City |
| ③ Shanghai Shimao Sheshan | ⑪ Wuhan Shimao Splendid River |
| ④ Shanghai Hyatt on the Bund | ⑫ Shaoxing Shimao |
| ⑤ Shanghai Shimao Wonderland | ⑬ Wuhu Shimao |
| ⑥ Beijing Shimao Olive Garden | ⑭ Nanjing Shimao Riviera New City |
| ⑦ Kunshan Shimao Butterfly Bay | ⑮ Fuzhou Shimao Bund Garden |
| ⑧ Kunshan Shimao International City | ⑯ Yantai Shimao |
| | ⑰ Jiaxing Shimao |



Chairman's Statement

On behalf of the Board of Directors (the "Board") of Shimao Property, I am pleased to report the interim results of the Group for the six months ended 30 June 2006.

During the period under review, total turnover of the Group was RMB2,191.5 million, representing an increase of 11.1 times as compared with the corresponding period last year. Net profit attributable to shareholders increased by 1.3 times as compared with the same period in 2005, amounting to RMB703.6 million (2005: RMB305.8 million). Basic earnings per share was RMB0.309 (2005: RMB0.171).

Management analysis showed that after eliminating certain non-cash items (including fair value adjustment, land appreciation tax, fair value gain on an investment property and impairment of goodwill), net profit attributable to shareholders increased by 34.2 times compared with the same period in 2005, amounting to RMB799.5 million (2005: RMB22.7 million).

As stated in the Listing Prospectus, the Company intends to pursue a dividend payout policy of between 30% and 40% of its consolidated profit attributable to shareholders for the financial year ending 31 December 2006.

2006 is a year of paramount importance to Shimao Property. On 5 July 2006, the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited and have successfully become a player in the global capital markets, marking a new era for the Group's business development. Proceeds from the Global Offering amounted to HK\$4,059.3 million (equivalent of RMB4,178.6 million) with the over-allotment option fully exercised by International Underwriters. Such an achievement has reflected investors' great confidence towards the prospect of China's real estate market and of Shimao Property.

In the first half of 2006, the central government announced a series of new land and property measures aiming at reining in the overheating economy, and encouraging a steady and healthy development in the property market. In the face of such challenges facing by industry players, our leading position in the property market in the PRC, renowned brand name, strategic focus on large development projects; and our numerous competitive strengths have all enabled us to anticipate steady growth and outperform other players in the industry. These includes our huge land bank reserves; a seasoned management team; a diversified product portfolio; strong sales and marketing capabilities; and our good relationship with international business partners and the support from financial investors, we are convinced that the Company will achieve steady growth and outperform other competitors in the industry.

Looking ahead, the great strides in China's economy will result in the continuous surge in the demand for housing. Greater purchasing power is expected to result from income rises. In addition, the robust growth in the retail and business sectors would signify an ever increasing demand for large shopping malls and office buildings. On the other hand, a thriving tourism industry in China will create greater demand in hotel accommodations, thereby bringing in new business opportunities for the Group. While we will further strengthen our brand name and endeavour to advance product innovation, portfolio diversification, increase our proportion of investment properties in prime locations and develop a balanced income stream and enlarge our land bank reserves in a disciplined manner, in order to reinforcing our position as a leading high quality real estate developer.

On behalf of the management of Shimao Property, I would like to express my sincere gratitude to our shareholders and business partners for their steadfast support and trust, and also to our employees for their dedication. I am confident that together we can achieve even greater success for the year as a whole.

Hui Wing Mau
Chairman

Hong Kong, 31 August 2006

Management Discussion and Financial Analysis

MARKET OVERVIEW

According to the National Bureau of Statistics, China's economy has continued to demonstrate steady growth, the gross domestic product (GDP) of China increased by 10.9% year-on-year for the first half of 2006, reaching RMB9,144.3 billion, 0.9% above the growth rate from the corresponding period last year. The persistent high economic growth, coupled with the increase in both disposable income of urban households and urbanisation rates are all instrumental to the proliferation of China's real estate market.

During the period, the central government has announced a number of macroeconomic measures such as monetary policies, credit availability and fixed assets investments with an objective to maintain China's economic growth at a sustainable level. Specific measures relevant to the real estate market included imposing tighter controls over land supply, raising the benchmark rate for bank loans, controlling the ratio of the construction of high-end residential housing versus small-sized residential units. Furthermore, foreign buyers will be subject to a value-added tax for capital gain from the disposal of properties. In the first half of 2006, investment on domestic real estate stood at RMB769.5 billion, representing an increase of 24.2%, equivalent to 0.7% above the relevant growth rate in the corresponding period in the previous year. The average selling price of properties in 70 large and medium cities increased by 5.6% as compared with the corresponding period in 2005, with a year-on-year decline of growth rate by 3.3%.

The Group is of the view that the aforementioned land and property policies implemented by the central government will facilitate better-regulated investment in the domestic real estate market as well as instil greater balance to supply and demand chains, that will ultimately create a healthier competitive landscape, leading to consolidation amongst industry players and allowing greater room for more reputable property developers to seek further development.

According to the information from China National Tourism Association, China's domestic tourist sector has continuously benefited from the robust economic growth during the period. During the first four months ended 30 April 2006, foreign visitor arrivals (excluding those from Hong Kong, Macau and Taiwan) visiting China reached 6.53 million, representing an increase of 6.1%. International tourists received by Shanghai city stood at 1.21 million. In addition, as China will host more international conferences, exhibitions and trade shows in the future, the number of business travellers and tourists entering the PRC is expected to increase continuously, creating greater demand for hotel accommodation.

BUSINESS OVERVIEW

Project Development

During the first six months of 2006, property development business of the Group consists of 15 projects that are located in Shanghai, Beijing, Harbin, Wuhan, Nanjing, Fuzhou, Kunshan, Changshu, Shaoxing and Wuhu. Currently, the Group has a total planned GFA land bank of approximately of 13.3 million sq.m., including a newly added plot of land in Yantai, Shandong Province secured on 25 August 2006, which contributed an additional 239,100 sq.m. planned GFA to the Group's existing land bank reserves.

Projects completed during the first six months of 2006 are:

Project Name	Total Saleable Area (sq.m.)	Group's Interest in Project (%)
Shanghai Shimao Riviera Garden	105,559	100%

Management Discussion and Financial Analysis

The Group has successfully completed Block 7 of Shanghai Shimao Riviera Garden with a saleable GFA of 105,559 sq.m. in May 2006.

Projects expected to be completed in the second half of 2006 are:

Project Name	Total Planned Saleable Area	Group's Interest in Project
	(sq.m.)	(%)
1) Shanghai Shimao Riviera Garden	93,053	100%
2) Shanghai Shimao Sheshan Villa	33,641	100%
3) Harbin Shimao Riviera New City — Phase 1	345,639	100%
4) Beijing Shimao Olive Garden	67,345	100%
5) Changshu Shimao The Center	133,817	100%
6) Kunshan Shimao Butterfly Bay	225,022	100%
7) Nanjing Shimao Riviera New City Phase 1	121,129	50%
8) Fuzhou Shimao Bund Garden	116,866	50%
Total	1,136,512	

In respect of the above planned saleable GFA completion in the second half year of 2006, Block 6 of Shanghai Shimao Riviera Garden with saleable GFA 93,053 sq.m. was completed on schedule in July 2006. Among the above properties to be completed, we have presold GFA of approximately 502,000 sq.m. (including 175,000 sq.m. contributed from the associated companies) as of 30 June 2006.

Property Sales and Other Income

During the period under review, 97.8% of the Group's turnover was attributable to the sale of residential properties, whereas 2.2% of the turnover was generated from hotel operations and leasing income from retail properties.

In the first half of 2006, the Group's total sales of properties amounted to RMB2,144.1 million, representing an increase of 11.8 times over the same period in 2005. Total GFA sold was 115,105 sq.m. (2005: 5,084 sq.m), representing an increase of 21.6 times from the corresponding period last year. This is mainly attributable to the completion of Block 7 of Shanghai Shimao Riviera Garden during the period and the units sold were booked as revenue which provided a significant income contribution to the Group.

Management Discussion and Financial Analysis

Breakdown of property sales by projects in the first half of 2006 is as follows:

Project Name	Booked Saleable Area (sq.m.)	Turnover (RMB' million)
Shanghai Shimao Riviera Garden	104,767	2,113.0
Harbin Shimao Riviera New City	10,338	31.1
Total	115,105	2,144.1
Fuzhou Shimao Bund Garden — attributable (<i>Note 1</i>)	1,417	14.4

Note 1: The Group's share of sales of properties from Fuzhou Shimao Bund Garden, an associated company, were not included in the turnover of the Group for the six months ended 30 June 2006.

The increase in the Group's turnover was mainly attributable to the completion of Block 7 of Shanghai Riviera Garden in the first half of 2006. There was no completions in the corresponding period of 2005 among the subsidiary project companies except for the two residential blocks and retail units at the Fuzhou Shimao Bund Garden project that were completed by an associated company.

Investment and Hotel Properties

The Group not only focuses on the development of properties sales, but also continues to expand into the development of long-term investment properties such as retails, offices and hotel properties. The secured rental income will provide more stable income streams in the long run. During the period under review, turnover from the Group's investment properties for lease and hotels operations amounted to RMB47.4 million (2005: RMB14.5 million), representing an increase of 226% over the same period last year.

At the same time, the Group recorded a fair value gain from Phase I retail properties of Shanghai Shimao International Plaza which contributed approximately RMB407 million to profit before tax and RMB272.7 million to profit after tax in the first half of 2006 (2005: RMB464.1 million and RMB310.9 million respectively).

Completed Investment and Hotel Properties

As of 30 June 2006, completed investment and hotel properties of the Group included Phase I retail properties of Shanghai Shimao International Plaza and hotel properties of Shanghai Le Meridien Sheshan. Shanghai Shimao International Plaza is the tallest building in Puxi and Phase I was completed in December 2004 with a total gross floor area of 38,819 sq. m. The project is intended for retail purposes. During the period under review, rental income from the investment property was RMB15.7 million (2005: RMB14.5 million).

Shanghai Le Meridien Sheshan is a five star resort hotel located in the Songjiang district, with a total gross floor area of 69,328 sq.m. It has 327 rooms and an international convention center that are managed by the Starwood Group. Trial operation for the hotel has commenced in November 2005 and with the official opening commenced in June 2006. Turnover generated from the hotel operations was RMB31.7 million during the period under review (2005: nil).

Management Discussion and Financial Analysis

Investment and Hotel Properties Under Development

Investment and hotel properties under development of the Group include two five-star hotels and one retail mall, namely Le Royal Meridien Shanghai, Shanghai Hyatt on the Bund, both of which are hotel properties and Phase II retail properties of Shanghai Shimao International Plaza. Located on Nanjing Road Puxi and the starting point of the walking street, Le Royal Meridien Shanghai has 770 rooms with a planned total GFA of 99,696 sq.m. The Group has already engaged the Starwood Group to manage the hotel this coming September 2006. It is expected that the hotel will commence operation in September 2006.

Shanghai Hyatt on the Bund is located in Hongkou District, which is a business and commercial sector of the Bund area. The Hotel is adjacent to the Huangpu River, facing the Oriental Pearl TV Tower and overlooking the Bund and Lujiazui. The project's total planned gross floor area is 100,972 sq.m. It is expected to be completed by the end of this year and will commence trial operation in the first quarter of 2007. The Group also signed the hotel's management contract with The Hyatt hotels group.

Phase II retail properties of Shanghai Shimao International Plaza is under development. Total planned GFA is 32,420 sq.m. and is scheduled to commence business by the first quarter of 2007.

Land Bank Reserves

During the period, through tender, auctions and listing-for-sale, the Group has successfully secured various plots of land in different provinces and cities in China for future development. On 11 May 2006, the Group had successfully tendered and secured a plot of land in Shaoxing with a planned GFA of approximately 1,299,700 sq.m. On 18 May 2006, the Group entered into a land grant contract for a plot of land in Wuhu with a planned GFA of approximately 609,000 sq. m. In addition, on 25 August 2006, we successfully secured a plot of land in Yantai with a planned GFA of approximately 239,100 sq.m. Subsequent to these new acquisitions, the Group's total land bank reserves now stood at 13.3 million sq.m.

Management Discussion and Financial Analysis

As of 30 June 2006, the Group's land bank reserves totalled 13.0 million sq.m. (excluding the plot of land acquired in Yantai in August 2006), with details of which are analysed as follows:

	Completed — Of which held for investment/ held for sales GFA (sq.m.)	Under Development Planned GFA (sq.m.)	Held for Future Development Planned GFA (sq.m.)	Pending Land Use Rights Planned GFA (sq.m.)	Group's Interest in Project (%)
Shanghai Shimao Riviera Garden	1,961	299,077	43,000	39,800	100%
Shimao International Plaza	38,819	132,116	—	—	100%
Shanghai Shimao Sheshan	69,328	49,128	28,058	—	100%
Shanghai Hyatt on the Bund	—	100,972	—	—	100%
Shanghai Shimao Wonderland	—	—	551,000	—	100%
Beijing Shimao Olive Garden	—	288,457	—	—	100%
Kunshan Shimao Butterfly Bay	—	567,058	657,960	—	100%
Kunshan Shimao International City	—	—	202,400	1,126,784	100%
Changshu Shimao The Center	—	263,680	188,650	1,522,678	100%
Harbin Shimao Riviera New City — Phase 1	93,806	490,765	—	—	100%
Harbin Shimao Riviera New City — Phase 3	—	—	—	949,238	100%
Wuhan Shimao Splendid River	—	173,749	—	1,642,251	100%
Shaoxing Shimao	—	—	—	1,299,700	100%
Wuhu Shimao	—	—	—	609,000	100%
Fuzhou Shimao Bund Garden	10,494	137,225	—	—	50%
Nanjing Shimao Riviera New City — Phase 1	7,134	242,636	226,493	—	50%
Nanjing Shimao Riviera New City — Phase 2	—	—	—	962,653	50%
Total	221,542	2,744,863	1,897,561	8,152,104	
Group Attributable GFA	212,728	2,554,933	1,784,315	7,670,778	

In August 2006, we had obtained land use rights certificates for the site area of 209,170 sq.m. in respect of Shaoxing Shimao project and the related planned GFA is approximately 400,000 sq.m. As a result, the total planned GFA with land use rights increased to approximately 5.3 million sq.m.

BUSINESS OUTLOOK

The Board is fully confident in the future prospects of the Group's future development. With China's overall domestic economy maintaining a healthy growth momentum, the real estate market will become better regulated, thereby allowing further room for the Group's expansion.

Management Discussion and Financial Analysis

In view of the brilliant prospect for the real estate industry, Shimao Property has formulated a series of development strategies. By leveraging our highly-effective human capital resources, sound corporate reputation in the market, extensive experience, outstanding management as well as the widely known “SHIMAO” brand name, the Group will make the best efforts to adhere to the following business development strategies:

- **Continue to enhance the “SHIMAO” brand name by delivering value to our customers** — We will continue to focus on the quality and innovation in our property projects and continue to seek industry recognition for the “SHIMAO” brand in China and the rest of the world through marketing initiatives;
- **Continue to create innovative products and develop market-leading projects** — We will continue to develop high quality projects in residential housing, hotels, retail and office property;
- **Continue to pursue property diversification and increase our proportion of investment properties for a balanced revenue structure** — We will continue to expand into the hotel, retail and office property sectors in China to achieve greater balance in our revenue streams; and
- **Continue to expand our land bank reserve in a disciplined manner** — We will continue to leverage our strong brand name and financial track record to obtain attractive financing and re-financing opportunities. We will continue to focus on developing large-scale projects to achieve greater economies of scale in resource utilisation.

The Group will adhere to its pledge in “Cultivating Lifestyle, Realising Urban Dreams” and strive to develop quality real estate projects and maximise return for shareholders.

SUBSEQUENT EVENT

On 25 August 2006, the Group has secured a piece of land, designated “Plot B” situated at a prime location at the scenic seaside city of Yantai, Shandong Province for approximately RMB372 million. The area of the land is in excess of 34,000 sq.m. with a total planned GFA of approximately 239,100 sq.m. The Group intends to develop several high-rise commercial buildings on the site, one of which will be a premium luxury five-star sea view hotel, complete with its own mid-level seaview grand terrace. The purchase is the first move of Shimao Property to increase its land bank reserves since becoming listed in July 2006. The land will be the third addition to the Group’s portfolio subsequent to recent acquisitions in Shaoxing and Wuhu in May 2006. The acquisition signifies the Group’s commitment to implement its strategic development plan along the coastal area of the Bohai Sea.

FINANCIAL ANALYSIS

Interim Results

	1H 2006	1H 2005	2005
	RMB’ million	RMB’ million	RMB’ million
Turnover	2,191.5	181.5	2,500.4
Gross profit	758.8	67.0	597.0
Operating profit	923.7	459.5	1,303.1
Profit attributable to shareholders for the period/year	703.6	305.8	908.0
Earnings per share — Basic (RMB)	0.309	0.171	0.508

Management Discussion and Financial Analysis

For the six months ended 30 June 2006, the Group generated 97.8% of the turnover from the property sales and 2.2% of the turnover from hotel operations and leasing of retail property, the details of the turnover are set out as follows:

	1H 2006	1H 2005	2005
	RMB' million	RMB' million	full year RMB' million
Property sales	2,144.1	167.0	2,462.8
Hotel operating income	31.7	—	9.7
Rental income from investment properties	15.7	14.5	27.9
Total	2,191.5	181.5	2,500.4

The turnover of the Group was RMB2,191.5 million (1H 2005: RMB181.5 million), representing a sharp increase of 11.1 times over the same period of 2005. The increase in the Group's turnover was mainly attributable to the completion and delivery of Block 7 of Shanghai Shimao Riviera Garden in the first half of 2006. There were no completions in the corresponding period of 2005 among the subsidiary project companies except for two residential blocks with retail units at the Fuzhou Shimao Bund Garden project that were completed by an associated company. In addition, hotel operating income from our Shanghai Le Meridien Sheshan hotel rose for the first time during the period under review.

Operating profit amounted to RMB923.7 million for the period ended 30 June 2006, an increase of 101.0% over the same period of 2005. The increase is primarily due to the increase in gross profit from RMB67.0 million for the period ended 30 June 2005 to RMB758.8 million for the period ended 30 June 2006.

Profit attributable to shareholders for the period grew by 130.1% from RMB305.8 million in 2005 to RMB703.6 million in 2006.

Analysis on the Financial Performance after exclusion of Management Analysed Non-cash Items

	1H 2006	1H 2005	2005
	RMB' million	RMB' million	full year RMB' million
Management analysed gross profit	1,119.6	110.8	1,109.3
Management analysed operating profit	939.5	39.2	912.8
Management analysed profit attributable to shareholders for the period/year	799.5	22.7	629.8
Management analysed earnings per share — Basic (RMB)	0.351	0.013	0.352

Management Discussion and Financial Analysis

The interim results comprise of certain non-cash items, including fair value adjustment, land appreciation tax provision, fair value gains on an investment property and impairment of goodwill. The components of these non-cash items, which have been excluded in preparing the above management analyses, are set out as follows:

	1H 2006 RMB' million	1H 2005 RMB' million	2005 full year RMB' million
Fair value adjustment	331.0	22.1	350.1
Land appreciation tax	29.8	21.7	162.2
Included in cost of sales	360.8	43.8	512.3
Fair value gains on an investment property	(407.0)	(464.1)	(902.6)
Impairment of goodwill — included in other operating expenses	62.0	—	—
Total addition/(deduction) before tax	15.8	(420.3)	(390.3)
Total addition/(deduction) after tax and minority interests	95.9	(283.1)	(278.2)

The management analysed gross profit after netting off non-cash items included in cost of sales was RMB1,119.6 million (1H 2005: RMB110.8 million) which translates to a management analysed gross profit margin of 51.1%.

The management analysed operating profit after netting off non-cash items included in costs of sales, fair value gains on an investment property, impairment of goodwill was RMB939.5 million, an increase of 23.0 times over the same period of 2005.

The management analysed profit attributable to shareholders after netting of non-cash items for the period was RMB799.5 million compared to RMB22.7 million in 2005, an increase of 33.8 times.

Liquidity, Financial Resources and Bank Loans

During the period under review, the Group's liquidity continued to improve as its financial resources were well allocated. As of 30 June 2006, total assets of the Group stood at RMB17,860.6 million, of which current assets reached RMB8,742.1 million. As of the same date, total liabilities were RMB12,100.2 million, whereas non-current liabilities were RMB3,878.3 million. Equity attributable to the shareholders of the Company amounted to RMB5,760.4 million.

As at the end of June 2006, the Group had aggregate cash and bank balances of approximately RMB1,267.0 million (31 December 2005: RMB733.8 million), and total bank loans amounted to approximately RMB3,333.4 million (31 December 2005: RMB2,637.7 million). Total net debts were RMB2,066.4 million (31 December 2005: RMB1,903.9 million). Net gearing ratio decreased from 75.8% to 35.9% primarily due to new equity fundings of RMB1,632.4 million raised from the Financial Investors and the capitalization of the amount due to Gemfair Investments Limited ("Gemfair") of HK\$880.0 million (equivalent to RMB914.7 million) during the period under review. Since the listing on 5 July 2006, the Company has raised additional fundings of approximately HK\$4,059.3 million (equivalent of RMB4,178.6 million) and is at present in a net cash position.

Management Discussion and Financial Analysis

Pledge of Assets

As of 30 June 2006, the Group had properties, plant and equipment, land use rights, properties under development, completed properties held for sale and investment properties with a total carrying amount of approximately RMB10,187.4 million (31 December 2005: RMB6,575.0 million) that is pledged in favour of banks in order to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB3,333.4 million (31 December 2005: RMB2,637.7 million).

Contingent Liabilities

As of 30 June 2006, the Group had provided guarantees for approximately RMB1,978.5 million (31 December 2005: RMB1,450.2 million) 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 Commitments

As of 30 June 2006, the Group has contracted but not provided for capital and property development expenditure that has amounted to RMB8,771.6 million.

Financial Policies

The Group will continue to control financial risks in a prudent manner and proactively adopt internationally recognised corporate management standards to safeguard the interests of shareholders.

Employees and Remuneration Policy

As of 30 June 2006, the Group employed a total of 1,123 employees. Total remuneration for the period amounted to RMB79.8 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 serve the Group. In relation to staff training, the Group also provides different training programmes for staff to improve their skills and develop their respective expertise.

Corporate Governance and Other Information

DISCLOSURE OF INTERESTS IN SECURITIES

Directors' and chief executive's interests and short positions in the share capital of the Company and the associated corporations

As at 30 June 2006, the Company had not received any notice of interests to be recorded under section 352 of the Securities and Futures Ordinance ("SFO") as the shares of the Company had not been listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

At 31 August 2006, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) *Long positions in the shares of the Company*

Name of director	Capacity	Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Hui Wing Mau	—	(Note)	2,000,000,000	65.26%

Note: These 2,000,000,000 shares represents the interests in the Company held by Gemfair Investments Limited, a company which is directly wholly-owned by Mr. Hui Wing Mau.

(2) *Long positions in the underlying shares of the Company*

Share options were granted to Mr. Hui Sai Tan, Jason, Mr. Ip Wai Shing, Mr. Tang Ping Fai and Ms. Yao Yi pursuant to the pre-IPO share option scheme. Details in relation to the share options were stated in the section under the heading "Information on Share Options".

(3) *Long positions in the shares of associated corporation — Shimao International Holdings Limited*

Name of director	Capacity	Personal interests	Corporate interests	Other interests	Total number of ordinary shares held
Mr. Hui Wing Mau	—	—	185,185,185 (Note 1)	618,571,397 (Note 2)	803,756,582
Mr. Hui Sai Tan, Jason	—	—	—	618,571,397 (Note 2)	618,571,397
Mr. Ip Wai Shing	beneficial owner	528,000	—	—	528,000
Mr. Tang Ping Fai	beneficial owner	30,000	—	—	30,000

Corporate Governance and Other Information

Notes:

- (1) These 185,185,185 shares are shares of Shimao International Holdings Limited ("Shimao International") issuable to Dynamic Keen Developments Limited ("Dynamic Keen") upon conversion of all the convertible note issued to Dynamic Keen. Since the entire issued share capital of Dynamic Keen is owned by Mr. Hui Wing Mau, Mr. Hui Wing Mau is taken to be interested in these 185,185,185 shares of Shimao International under the SFO.
- (2) These 618,571,397 shares in Shimao International represents the interests in Shimao International which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of The W.M. Hui Unit Trust, all the units of which are held by Trident Trust Company (B.V.I.) Limited (formerly known as Trident Corporate Services (B.V.I.) Limited) as trustee of The W.M. Hui Family Trust established by Mr. Hui Wing Mau for the benefit of his wife and children. Mr. Hui Sai Tan, Jason is the son of Mr. Hui Wing Mau and accordingly, Mr. Hui Wing Mau and Mr. Hui Sai Tan, Jason are deemed to be interested in the interest by virtue of the SFO.

Save as disclosed above, no other interests or short positions 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.

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 ("Pre-IPO Options") granted under the Pre-IPO Share Option Scheme during the period from 1 January 2006 to 30 June 2006 were as follows:

Name	Date of grant	Exercise price per share	As at 1 January 2006	Number of share options			As at 30 June 2006
				Granted	Exercised	Lapsed	
Directors							
Mr. Hui Sai Tan, Jason	9 June 2006	HK\$5.625	—	2,640,000	—	—	2,640,000
Mr. Ip Wai Shing	9 June 2006	HK\$5.625	—	2,560,000	—	—	2,560,000
Mr. Tang Ping Fai	9 June 2006	HK\$5.625	—	2,640,000	—	—	2,640,000
Ms. Yao Li	9 June 2006	HK\$5.625	—	2,640,000	—	—	2,640,000
			—	10,480,000	—	—	10,480,000
Senior Management of the Company (in aggregate)							
	9 June 2006	HK\$5.625	—	6,450,000	—	—	6,450,000
Other employees and officers of the Group (in aggregate)							
	9 June 2006	HK\$5.625	—	46,990,000	—	—	46,990,000
			—	63,920,000	—	—	63,920,000

Corporate Governance and Other Information

- (b) Each option has a 6-years 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.
- (c) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (d) Performance targets had been imposed as conditions for the grant under the Pre-IPO Share Option Scheme.
- (e) Save as disclosed above, no options were granted, cancelled or lapsed under the Pre-IPO Share Option Scheme as at 31 August 2006.
- (f) The fair value of the Pre-IPO Options granted is measured based on a binomial lattice model, details of which will be set out in the 2006 annual accounts as the amount has yet to be finalised but it has minimal impact to the six months ended 30 June 2006.

Other details of the Pre-IPO Share Option Scheme are set out in note 12 to the accounts.

(2) Share Option Scheme

No options were granted, cancelled or lapsed under the Share Option Scheme as at 31 August 2006.

Corporate Governance and Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the Company had not received any notice of interests to be recorded under section 336 of the SFO as the shares of the Company had not been listed on the Stock Exchange as at that date.

At 31 August 2006, 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 positions in the shares of the Company

Name	Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
<i>Long positions</i>			
Gemfair Investments Limited ("Gemfair")	(Note 1)	2,000,000,000	65.26%
Overseas Investment Group International Limited ("Overseas Investment")	(Note 2)	2,000,000,000	65.26%
GSS III Nimble Holdings Limited ("GSS III Nimble")	(Note 3)	238,049,466	7.77%
Global Special Situations Funding III, L.P.	(Note 3)	238,049,466	7.77%
GSS III Funding, Inc.	(Note 3)	238,049,466	7.77%
Morgan Stanley	(Note 3)	245,254,466	8.00%
<i>Short positions</i>			
Morgan Stanley	(Note 3)	9,000	0.00%

Notes:

- (1) Gemfair 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) holds not less than a 30% interests 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) GSS III Nimble is owned by Global Special Situations Funding III, L.P., which is controlled and managed by its general partner, GSS III Funding, Inc.. GSS III Funding, Inc. is in turn wholly owned by Morgan Stanley. Pursuant to the SFO, each of Global Special Situations Funding III, L.P., GSS III Funding, Inc. and Morgan Stanley is deemed to be interested in the 238,049,466 shares in which GSS III Nimble is interested.

Save as disclosed above, no other interests or short positions in the shares and underlying shares of the Company were recorded in the register.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company is committed to achieving 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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. All directors confirmed they have complied with the required standard set out in the Model Code during the period from 9 June 2006 (date of adoption of the Model Code) to 30 June 2006.

Audit Committee

The Company has established an Audit Committee on 9 June 2006 with written terms of reference pursuant to the rules set out in Chapter 3 of the Listing Rules. The Audit Committee 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 unaudited consolidated interim results of the Group for the six months ended 30 June 2006 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the auditors of the Company.

Remuneration Committee

The Company has established a Remuneration Committee on 9 June 2006 with written terms of reference. The Remuneration Committee consists of five members, comprising Mr. Hui Wing Mau and the Company's 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.

Nomination Committee

The Company has established a Nomination Committee on 9 June 2006 with written terms of reference. The Nomination Committee consists of five members, comprising Mr. Hui Wing Mau and the Company's four Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Wing Mau.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board.

Corporate Governance and Other Information

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules since 5 July 2006 (date of listing of the shares of the Company) except for the deviation from provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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 five Executive Directors and four Independent Non-executive Directors and therefore has a strong independence element in its composition.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

The shares of the Company were listed on the Stock Exchange on 5 July 2006 and accordingly neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to all the management and the staff for their ongoing contribution and hard work. In addition, I would like to thank our shareholders and business partners for their continuing support.

On behalf of the Board
Hui Wing Mau
Chairman

Hong Kong, 31 August 2006

Condensed Consolidated Interim Financial Statements

The Board is pleased to present the unaudited consolidated results of the Group for the six months ended 30 June 2006 together with comparative figures as follows. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee and the Company's auditors, PricewaterhouseCoopers.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

		(Unaudited) 30 June 2006 RMB'000	(Audited) 31 December 2005 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,943,053	3,254,452
Investment property	4	2,290,000	1,883,000
Land use rights	4	1,452,482	1,695,939
Intangible assets	4	545,291	607,291
Associated companies	7	146,960	150,220
Jointly controlled entity	8	488	500
Deferred income tax assets	15	154,952	76,484
Other non-current assets	5	585,284	577,087
		9,118,510	8,244,973
Current assets			
Land use rights under development	4	2,702,377	2,300,593
Properties under development	6	3,895,900	3,403,545
Completed properties held for sale	6	286,734	302,640
Trade and other receivables and prepayments	9	447,071	482,575
Prepaid income taxes		143,013	96,737
Amounts due from related companies	10	—	111
Restricted cash	11	59,316	29,129
Cash and cash equivalents	11	1,207,723	704,680
		8,742,134	7,320,010
Total assets		17,860,644	15,564,983
OWNERS' EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	12	247,309	—
Reserves	13	5,513,091	2,510,218
Total equity		5,760,400	2,510,218

Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2006

		(Unaudited) 30 June 2006 RMB'000	(Audited) 31 December 2005 RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings	14	2,783,027	1,913,404
Deferred income tax liabilities	15	1,095,309	967,982
		3,878,336	2,881,386
Current liabilities			
Trade and other payables	16	3,962,098	3,943,718
Advanced proceeds received from customers		3,515,951	4,132,430
Amounts due to related companies	10	—	1,266,965
Income tax payable		193,496	105,972
Borrowings	14	550,363	724,294
		8,221,908	10,173,379
Total liabilities		12,100,244	13,054,765
Total equity and liabilities		17,860,644	15,564,983
Net current assets/(liabilities)		520,226	(2,853,369)
Total assets less current liabilities		9,638,736	5,391,604

Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

		(Unaudited)	
		Six months ended 30 June	
		2006	2005
	Note	RMB'000	RMB'000
Turnover	3	2,191,468	181,539
Cost of sales	18	(1,432,645)	(114,551)
Gross profit		758,823	66,988
Fair value gains on an investment property		407,000	464,139
Other gains	17	35,313	36,687
Selling and marketing costs	18	(66,544)	(24,666)
Administrative expenses	18	(139,087)	(79,638)
Other operating expenses	18	(71,835)	(4,056)
Operating profit		923,670	459,454
Finance costs	19	(8,272)	(7,703)
Share of results of:			
— Associated companies	7	(3,260)	19,269
— Jointly controlled entity	8	(12)	—
Profit before income tax		912,126	471,020
Income tax expense	20	(208,514)	(159,711)
Profit for the period		703,612	311,309
Attributable to:			
Equity holders of the Company		703,612	305,813
Minority interests		—	5,496
		703,612	311,309
Dividends	21	—	—
Earnings per share for profit attributable to the equity holders of the Company			
— basic (RMB cents)	22	30.9	17.1
— diluted (RMB cents)	22	30.9	—

Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2006

	(Unaudited)			Total RMB'000
	Attributable to the equity holders of the Company		Minority interests	
	Share capital RMB'000	Reserves RMB'000 (Note 13)	RMB'000	
Balance at 1 January 2006	—	2,510,218	—	2,510,218
Profit for the period	—	703,612	—	703,612
Issue of shares for the Reorganisation (Notes 1 and 12(ii))	185,787	(185,787)	—	—
Issue of shares for settlement of debts (Note 12(iii))	22,093	892,578	—	914,671
Issue of shares to financial investors (Note 12(iv))	39,429	1,592,922	—	1,632,351
Share issuing expenses	—	(4,062)	—	(4,062)
Employee share option scheme — value of employee services	—	3,610	—	3,610
	247,309	3,002,873	—	3,250,182
Balance at 30 June 2006	247,309	5,513,091	—	5,760,400
Balance at 1 January 2005	—	1,914,315	535,154	2,449,469
Acquisition of additional interests in subsidiaries	—	—	(119,929)	(119,929)
Profit for the period	—	305,813	5,496	311,309
	—	305,813	(114,433)	191,380
Balance at 30 June 2005	—	2,220,128	420,721	2,640,849

Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Net cash (outflow)/inflow from operating activities	(399,097)	730,345
Net cash outflow from investing activities	(1,069,548)	(898,235)
Net cash inflow/(outflow) from financing activities	1,971,688	(523,855)
Increase/(decrease) in cash and cash equivalents	503,043	(691,745)
Cash and cash equivalents at 1 January	704,680	1,088,126
Cash and cash equivalents at 30 June	1,207,723	396,381

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

To prepare for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group has undertaken a group reorganisation (the "Reorganisation"). Pursuant to the Reorganisation, which was completed on 26 January 2006, the Company acquired the entire interests in Shimao Property Holdings (BVI) Limited ("SPHL(BVI)") by issuing shares to their common shareholder and became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 22 June 2006.

The Company's shares were listed on the Stock Exchange on 5 July 2006.

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the condensed consolidated interim financial statements have been prepared as if the Company had been the holding company of the subsidiaries comprising the Group throughout the six months ended 30 June 2006, rather than from the date on which the Reorganisation was completed. The comparative figures as at 31 December 2005 and for the six months ended 30 June 2005 have been presented on the same basis.

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2006 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated interim financial statements should be read in conjunction with the accountants' report (the "Accountants' Report") set out in Appendix I to the prospectus of the Company dated 22 June 2006.

These condensed consolidated financial statements were approved by the Board on 31 August 2006.

2. ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used for and described in the Accountants' Report.

Certain new accounting and financial reporting standards, amendments to existing standards and interpretations have been published that are effective for the financial year ending 31 December 2006. Those that are relevant to the Group's operations are as follows:

- Amendments to HKAS 39 and Hong Kong Financial Reporting Standards ("HKFRS") 4, "Financial Guarantee Contracts". The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts, and the Group has made the assertion prior to the implementation of the amendments. Consequently the Group concluded that the amendments would not have any significant impact on the Group's operations.

Notes to the Condensed Consolidated Interim Financial Statements

2. ACCOUNTING POLICIES (CONTINUED)

- Hong Kong (IFRIC) — Interpretations ("HK(IFRIC)-Int") 4 "Determining whether an Arrangement contains a Lease". The Group has reviewed its contracts. This interpretation does not have any impact on classification of the leases of the Group and on the expenses recognised in respect of them.

Other new accounting and financial reporting standards, amendments to existing standards and interpretations which have been published and effective for the financial year ending 31 December 2006 as set out below are currently not relevant to the Group's operations:

- Amendment to HKAS 19, "Actuarial Gains and Losses, Group Plans and Disclosures"
- Amendment to HKAS 39, "The Fair Value Option"
- Amendment to HKAS 21, "Net Investment in a Foreign Operation"
- Amendment to HKAS 39, "Cash Flow Hedge Accounting of Forecast Intragroup Transactions"
- HKFRS 6 "Exploration for and Evaluation of Mineral Resources"
- HK(IFRIC)-Int 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
- HK(IFRIC)-Int 6 "Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment".

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 2006.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the property development, property investment and hotel operation. The property and hotel projects undertaken by the Group are all located in the PRC. As less than 10% of the Group's consolidated turnover and results are attributable to the market outside the PRC and less than 10% of the Group's consolidated assets are located outside the PRC, no geographical segment information is presented.

- (a) Turnover for the six months ended 30 June 2006 consists of the following:

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Sale of properties	2,144,120	167,043
Hotel operating income	31,640	—
Rental income from an investment property	15,708	14,496
	2,191,468	181,539

Notes to the Condensed Consolidated Interim Financial Statements

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information is as follows:

Primary reporting format — business segment

The segment results for the six months ended 30 June 2006 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment turnover	2,144,120	31,640	15,708	—	2,191,468
Segment results	562,967	(16,768)	416,550	(39,079)	923,670
Finance costs	(3,788)	(243)	(4)	(4,237)	(8,272)
Share of results of					
— Associated companies	(3,260)	—	—	—	(3,260)
— Jointly controlled entity	—	—	—	(12)	(12)
Profit/(loss) before income tax	555,919	(17,011)	416,546	(43,328)	912,126
Income tax expense					(208,514)
Profit for the period					703,612
Other segment items are as follows:					
Capital and property development expenditure	2,025,086	358,045	47,734	1,790	2,432,655
Depreciation	3,770	14,189	167	675	18,801
Amortisation of land use rights as expenses	692	536	—	—	1,228
Fair value gains on an investment property	—	—	407,000	—	407,000
Impairment of goodwill	62,000	—	—	—	62,000

Notes to the Condensed Consolidated Interim Financial Statements

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information is as follows: (continued)

Primary reporting format — business segment (continued)

The segment results for the six months ended 30 June 2005 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment turnover	167,043	—	14,496	—	181,539
Segment results	4,472	(8,122)	501,921	(38,817)	459,454
Finance costs	(1,206)	(10)	—	(6,487)	(7,703)
Share of results of — Associated companies	19,269	—	—	—	19,269
Profit/(loss) before income tax	22,535	(8,132)	501,921	(45,304)	471,020
Income tax expense					(159,711)
Profit for the period					311,309
Other segment items are as follows:					
Capital and property development expenditure	778,896	428,022	48,355	1,195	1,256,468
Depreciation	2,633	163	140	328	3,264
Amortisation of land use rights as expenses	79	—	—	—	79
Fair value gains on an investment property	—	—	464,139	—	464,139
Bad debt recovered	—	—	25,000	—	25,000

Notes to the Condensed Consolidated Interim Financial Statements

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information is as follows: (continued)

Primary reporting format — business segment (continued)

The segment assets and liabilities as at 30 June 2006 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	9,399,705	4,798,624	3,063,340	296,575	17,558,244
Associated companies	146,960	—	—	—	146,960
Jointly controlled entity	—	—	—	488	488
	9,546,665	4,798,624	3,063,340	297,063	17,705,692
Deferred income tax assets					154,952
					17,860,644
Segment liabilities	9,051,122	1,473,716	285,497	194,600	11,004,935
Deferred income tax liabilities					1,095,309
					12,100,244

The segment assets and liabilities as at 31 December 2005 are as follows:

	Property development RMB'000	Hotel RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	8,552,881	4,160,709	2,438,283	185,906	15,337,779
Associated companies	150,220	—	—	—	150,220
Jointly controlled entity	—	—	—	500	500
	8,703,101	4,160,709	2,438,283	186,406	15,488,499
Deferred income tax assets					76,484
					15,564,983
Segment liabilities	9,351,518	1,253,744	34,246	1,447,275	12,086,783
Deferred income tax liabilities					967,982
					13,054,765

Notes to the Condensed Consolidated Interim Financial Statements

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information is as follows: (continued)

Primary reporting format — business segment (continued)

Unallocated costs mainly represent corporate expenses.

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

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

4. CAPITAL EXPENDITURE

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment property RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2006	3,254,452	3,996,532	1,883,000	607,291	9,741,275
Additions	688,885	538,889	—	—	1,227,774
Land use right amortisation capitalised to property, plant and equipment	18,517	(18,517)	—	—	—
Land use right amortisation capitalised to property under development	—	(20,313)	—	—	(20,313)
Transfer to cost of sales	—	(340,504)	—	—	(340,504)
Fair value gains	—	—	407,000	—	407,000
Impairment	—	—	—	(62,000)	(62,000)
Depreciation/amortisation charged to the income statement (Note 18)	(18,801)	(1,228)	—	—	(20,029)
Closing net book amount as at 30 June 2006	3,943,053	4,154,859	2,290,000	545,291	10,933,203
Representing:					
Non-current		1,452,482			
Current		2,702,377			
		4,154,859			

Notes to the Condensed Consolidated Interim Financial Statements

4. CAPITAL EXPENDITURE (CONTINUED)

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment property RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2005	2,007,526	4,216,413	969,861	181,743	7,375,543
Additions	463,485	77,474	—	—	540,959
Land use right amortisation capitalised to property, plant and equipment	17,391	(17,391)	—	—	—
Land use right amortisation capitalised to property under development	—	(18,349)	—	—	(18,349)
Transfer to cost of sales	—	(11,453)	—	—	(11,453)
Fair value gains	—	—	464,139	—	464,139
Disposals	(665)	—	—	—	(665)
Acquisition of a subsidiary	—	—	—	1,556	1,556
Acquisition of additional interests in subsidiaries	—	—	—	923	923
Depreciation/amortisation charged to the income statement (Note 18)	(3,264)	(79)	—	—	(3,343)
Closing net book amount as at 30 June 2005	2,484,473	4,246,615	1,434,000	184,222	8,349,310
Additions	767,735	169,065	10,500	—	947,300
Land use right amortisation capitalised to property, plant and equipment	16,632	(16,632)	—	—	—
Land use right amortisation capitalised to property under development	—	(18,341)	—	—	(18,341)
Transfer to cost of sales	—	(383,219)	—	—	(383,219)
Fair value gains	—	—	438,500	—	438,500
Disposals	(8,756)	(727)	—	—	(9,483)
Acquisition of a subsidiary	381	—	—	412,765	413,146
Acquisition of additional interests in subsidiaries	—	—	—	10,304	10,304
Depreciation/amortisation charged to the income statement	(6,013)	(229)	—	—	(6,242)
Closing net book amount as at 31 December 2005	3,254,452	3,996,532	1,883,000	607,291	9,741,275
Representing:					
Non-current		1,695,939			
Current		<u>2,300,593</u>			
		<u>3,996,532</u>			

Notes to the Condensed Consolidated Interim Financial Statements

4. CAPITAL EXPENDITURE (CONTINUED)

Except for investment property which is carried at fair value, all the above are stated at historical cost less depreciation/amortisation and impairment losses. The investment property was revalued on an open market value and existing use basis as at 30 June 2006, 30 June 2005 and 31 December 2005 by DTZ Debenham Tie Leung Limited, an independent professional qualified valuer.

As at 30 June 2006, the property, plant and equipment amounting to RMB3,442,421,000 (2005: RMB2,196,351,000) and land use rights amounting to RMB2,707,249,000 (2005: RMB1,813,330,000) had been pledged as collateral for the Group's borrowings (Note 14). As at 30 June 2006, the investment property had also been pledged for the Group's borrowings (Note 14).

Intangible assets comprise goodwill from acquisitions.

5. OTHER NON-CURRENT ASSETS

As at 30 June 2006, the Group had made prepayments of RMB585,284,000 (2005: RMB577,087,000) for certain land use rights, the ownership certificates of which have not been obtained. The amounts are included in other non-current assets.

6. PROPERTIES UNDER DEVELOPMENT/COMPLETED PROPERTIES HELD FOR SALE

	30 June 2006 RMB'000	31 December 2005 RMB'000
Properties under development comprises:		
Construction costs and capitalised expenditures	3,763,855	3,281,949
Interest capitalised	132,045	121,596
	3,895,900	3,403,545

As at 30 June 2006, properties under development of approximately RMB1,604,962,000 (2005: RMB648,738,000) have been pledged as collateral for the Group's borrowings (Note 14).

As at 30 June 2006, completed properties held for sale of approximately RMB142,780,000 (2005: RMB33,538,000) have also been pledged as collateral for the Group's borrowings (Note 14).

7. ASSOCIATED COMPANIES

	Six months ended 30 June 2006 RMB'000	2005 RMB'000	From 1 July 2005 to 31 December 2005 RMB'000
Balance at beginning of the period	150,220	91,035	151,748
Capital injection	—	41,444	—
Share of results			
— (Loss)/profit before income tax	(4,865)	28,759	367
— Income tax credit/(charge)	1,605	(9,490)	(1,895)
Balance at end of the period	146,960	151,748	150,220

Notes to the Condensed Consolidated Interim Financial Statements

8. JOINTLY CONTROLLED ENTITY

The jointly controlled entity represents the Group's 50% interests in Shanghai Shimao Savills Property Management Co., Ltd. ("Shimao First Pacific"), a property management company established in Shanghai, the PRC, on 16 September 2005, with a registered capital of RMB1,000,000.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2006 RMB'000	31 December 2005 RMB'000
Trade receivables (<i>Note</i>)	3,049	3,046
Deposits for resettlement costs	103,450	146,650
Other receivables	54,268	27,253
Prepayments for construction costs	101,402	103,056
Prepaid business tax and land appreciation tax on pre-sale proceeds	184,902	202,570
	447,071	482,575

Note: Trade receivables mainly arise from sales of properties. Consideration in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements. All trade receivables at each of the balance sheet dates were aged less than one year.

10. AMOUNTS DUE FROM/TO RELATED COMPANIES

	30 June 2006 RMB'000	31 December 2005 RMB'000
Amounts due from related companies:		
Jointly controlled entity — Shimao First Pacific	—	111
Amounts due to related companies:		
Holding company — Gemfair	—	1,234,760
Associated companies		
— Nanjing Shimao Real Estate Development Co., Ltd.	—	22,093
— Fuzhou Shimao Investment Development Co., Ltd.	—	10,112
	—	1,266,965

The balances as at 31 December 2005 were all non-trade in nature, unsecured, interest-free and have been settled by 30 June 2006. Included in amount due to Gemfair, HK\$880,000,000 (equivalent to RMB914,671,000) had been settled by issuing shares of the Company to Gemfair on 26 January 2006 (Notes 12(iii) and 13).

Notes to the Condensed Consolidated Interim Financial Statements

11. CASH AND CASH EQUIVALENTS

	30 June 2006 RMB'000	31 December 2005 RMB'000
Bank balances and cash	1,267,039	733,809
Less: Restricted cash	(59,316)	(29,129)
	1,207,723	704,680

As at 30 June 2006, the Group's cash of approximately RMB59,316,000 (2005: RMB29,129,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties.

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

12. SHARE CAPITAL

		Par value HK\$	Number of shares '000	Nominal value of ordinary shares	
				HK\$'000	RMB'000
Authorised:					
At 1 January 2005, 30 June 2005 and 31 December 2005	(i)	0.1	3,800	380	
Increase in share capital on 26 January 2006	(i)	0.1	2,996,200	299,620	
Increase in share capital on 30 March 2006	(i)	0.1	2,000,000	200,000	
At 30 June 2006			5,000,000	500,000	
Issued and fully paid:					
At 1 January 2005, 30 June 2005 and 31 December 2005	(i)	0.1	—	—	—
Issue of shares for the Reorganisation	(ii)	0.1	1,787,440	178,744	185,787
Issue of shares for settlement of debts	(iii)	0.1	212,560	21,256	22,093
Issue of shares to financial investors	(iv)	0.1	380,495	38,050	39,429
At 30 June 2006			2,380,495	238,050	247,309

Notes:

- (i) The Company was incorporated on 29 October 2004 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each, with 1 share issued at HK\$0.1 to Gemfair, which is the holding company of the Company. Pursuant to special resolutions passed on 26 January 2006 and 30 March 2006, the authorised share capital of the Company was increased to 3,000,000,000 shares of HK\$0.1 each and 5,000,000,000 shares of HK\$0.1 each respectively.

Notes to the Condensed Consolidated Interim Financial Statements

12. SHARE CAPITAL (CONTINUED)

Notes: (continued)

- (ii) Pursuant to an agreement entered into between Gemfair and the Company on 26 January 2006, the Company issued 1,787,439,612 ordinary shares, credited as fully paid up, to Gemfair, in consideration for the acquisition of the entire share capital of SPHL(BVI).
- (iii) On 26 January 2006, two novation agreements were entered by the Company and Gemfair with Peak Castle Assets Limited ("Peak Castle") and SPHL(BVI) respectively, in which the Company agreed to assume the debts of Peak Castle and SPHL(BVI) owing to Gemfair, totalling HK\$880,000,000 (equivalent to RMB914,671,000). The Company repaid the debt by issuing total of 212,560,387 ordinary issues to Gemfair.
- (iv) Pursuant to agreements entered by the Company with third party financial investors, an aggregate of 380,494,664 ordinary shares of the Company, representing about 16% of the enlarged capital of the Company, were subscribed by these investors at a total consideration of approximately HK\$1,575,300,000 (equivalent to RMB1,632,351,000). These subscriptions were fully settled by 7 March 2006.
- (v) On 5 July 2006, the Company issued 595,124,000 ordinary shares of HK\$0.1 each at HK\$6.25 per share in connection with the listing, and raised gross proceeds of approximately HK\$3,719,525,000. In addition, on 12 July 2006, pursuant to the exercise of the over-allotment option of the listing, additional 89,268,500 ordinary shares of HK\$0.1 each were issued at HK\$6.25 per share and gross proceeds of HK\$557,928,000 were raised.

Pre-IPO share options

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 per share under the Pre-IPO Share Option Scheme is at a 10% discount to global offering price, which was determined at 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% vesting on 31 March 2007, another 30% vesting 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.

As at 30 June 2006, 63,920,000 outstanding options were not exercisable as they have not yet been vested. These options with an exercise price of HK\$5.625 per share upon vesting will be expired on 8 June 2012.

Notes to the Condensed Consolidated Interim Financial Statements

13. RESERVES

	Merger reserve RMB'000 (Note (i))	Share premium RMB'000	Share based compensation reserve RMB'000 (Note (ii))	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2006	—	—	—	2,510,218	2,510,218
Profit for the period attributable to the equity holders of the Company	—	—	—	703,612	703,612
Issue of shares for the Reorganisation (Note 12(ii))	(185,787)	—	—	—	(185,787)
Issue of shares for settlement of debts (Note 12(iii))	—	892,578	—	—	892,578
Issue of shares to financial investors (Note 12(iv))	—	1,592,922	—	—	1,592,922
Share issuing expenses	—	(4,062)	—	—	(4,062)
Employee share option scheme — value of employee services	—	—	3,610	—	3,610
Balance at 30 June 2006	(185,787)	2,481,438	3,610	3,213,830	5,513,091
Balance at 1 January 2005	—	—	—	1,914,315	1,914,315
Profit for the period attributable to the equity holders of the Company	—	—	—	305,813	305,813
Balance at 30 June 2005	—	—	—	2,220,128	2,220,128
Profit for the period attributable to the equity holders of the Company	—	—	—	602,180	602,180
Dividends	—	—	—	(312,090)	(312,090)
Balance at 31 December 2005	—	—	—	2,510,218	2,510,218

Notes:

- (i) Merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiary purchased pursuant to the Reorganisation over the nominal value of the shares of the Company issued in exchange as set out in Note 1.
- (ii) Share based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme (Note 12).
- (iii) According to the Articles of Association of the respective subsidiaries established in the PRC, which are foreign investment enterprises, the subsidiaries shall set aside certain percentage of their net income after offsetting accumulated losses from prior years as reported in their statutory accounts for the reserve fund, enterprise expansion fund and staff bonus and welfare fund. The reserve fund and enterprise expansion fund form part of the shareholders' funds. The staff bonus and welfare fund will be accounted for as liabilities. There has not been any appropriation to such funds in previous years or during the period. The appropriation to such funds is at the discretion of the board of directors of the respective subsidiaries.

Notes to the Condensed Consolidated Interim Financial Statements

14. BORROWINGS

	30 June 2006 RMB'000	31 December 2005 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings — secured	3,173,390	2,462,698
Less: Amounts due within one year	(390,363)	(549,294)
	2,783,027	1,913,404
Borrowings included in current liabilities		
Short-term bank borrowings — secured	160,000	175,000
Current portion of long-term bank borrowings	390,363	549,294
	550,363	724,294

Movement of bank borrowings is analysed as follows:

	Six months ended 30 June 2006 RMB'000	2005 RMB'000
Opening balance at 1 January	2,637,698	1,825,981
Additions of borrowings	966,192	621,890
Repayments of borrowings	(270,500)	(839,000)
Closing balance at 30 June	3,333,390	1,608,871

As at 30 June 2006, all of the Group's borrowings were secured by property, plant and equipment, investment property, land use rights (Note 4), properties under development and completed properties held for sale (Note 6).

15. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances are as follows:

	30 June 2006 RMB'000	31 December 2005 RMB'000
Deferred income tax assets	154,952	76,484
Deferred income tax liabilities	(1,095,309)	(967,982)
	(940,357)	(891,498)

Notes to the Condensed Consolidated Interim Financial Statements

15. DEFERRED INCOME TAX (CONTINUED)

Movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Assets/(liabilities)				Total RMB'000
	Temporary differences on recognition of sales and related cost of sales RMB'000	Temporary differences on recognition of expenses RMB'000	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisitions RMB'000	
Balance at 1 January 2006	211,732	48,051	(324,800)	(826,481)	(891,498)
Credited/(charged) to the income statement	4,465	31,342	(134,309)	49,643	(48,859)
Balance at 30 June 2006	216,197	79,393	(459,109)	(776,838)	(940,357)
Balance at 1 January 2005	182,523	9,229	(26,929)	(879,002)	(714,179)
Credited/(charged) to the income statement	3,251	4,422	(153,165)	7,352	(138,140)
Balance at 30 June 2005	185,774	13,651	(180,094)	(871,650)	(852,319)
Acquisition of a subsidiary	—	2,025	—	—	2,025
Credited/(charged) to the income statement	25,958	32,375	(144,706)	45,169	(41,204)
Balance at 31 December 2005	211,732	48,051	(324,800)	(826,481)	(891,498)

Notes to the Condensed Consolidated Interim Financial Statements

16. TRADE AND OTHER PAYABLES

	30 June 2006 RMB'000	31 December 2005 RMB'000
Trade payables (<i>Note (a)</i>)	2,779,727	2,697,337
Other payables (<i>Note (b)</i>)	1,077,965	1,127,609
Accrued expenses	24,382	29,343
Other taxes payable	80,024	89,429
	3,962,098	3,943,718

Notes:

(a) The ageing analysis of trade payables is as follows:

	30 June 2006 RMB'000	31 December 2005 RMB'000
Within 90 days	2,213,916	2,238,690
Over 90 days and within 180 days	565,811	458,647
	2,779,727	2,697,337

(b) Other payables comprise:

	30 June 2006 RMB'000	31 December 2005 RMB'000
Deposits and advances from constructors	7,991	20,338
Acquisition consideration payable	—	87,000
Excess proceeds received from customers	16,468	12,579
Provisions for land appreciation tax	1,032,484	996,122
Miscellaneous	21,022	11,570
	1,077,965	1,127,609

17. OTHER GAINS

	Six months ended 30 June 2006 RMB'000	2005 RMB'000
Government grants received (<i>Note (i)</i>)	3,500	3,201
Income tax refund on reinvestment (<i>Note (ii)</i>)	3,767	—
Temporary rental and advertising income	1,872	3,110
Interest income	11,505	4,184
Net exchange gain	3,541	946
Bad debt recovered	—	25,000
Compensation from a third party for violation of contracts (<i>Note (iii)</i>)	10,219	—
Miscellaneous	909	246
	35,313	36,687

Notes to the Condensed Consolidated Interim Financial Statements

17. OTHER GAINS (CONTINUED)

Notes:

- (i) RMB3,500,000 (2005: RMB3,201,000) received during the period represents the subsidy from city of Harbin to encourage enterprise's development in local area.
- (ii) According to the tax regulations of the PRC, income tax refund on reinvestments is available to foreign investors when they reinvest their profit from invested entities in the PRC to the same or other invested entities in the PRC, instead of remitting outside the PRC. The amounts represented the income tax refund received by the Group for its reinvestment of profit from a PRC incorporated subsidiary into its other PRC incorporated subsidiaries.
- (iii) Pursuant to a final court verdict on 13 January 2006, a third party is ordered to compensate the Group for its violation of selling contracts relating to a piece of land. The compensation was received in May 2006.

18. 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	
	2006 RMB'000	2005 RMB'000
Staff costs — including directors' emoluments (<i>Note (a)</i>)	79,775	35,299
Depreciation	18,801	3,264
Amortisation of land use rights	1,228	79
Advertising, promotion and commission costs	47,341	22,206
Cost of properties sold	1,270,182	82,858
Business taxes and other levies on sales of properties (<i>Note (b)</i>)	107,765	8,430
Land appreciation tax incurred, net of the related accruals already made upon acquisition of subsidiaries (<i>Note (c)</i>)	29,767	21,672
Impairment of goodwill	62,000	—
Direct outgoings arising from investment properties	1,648	1,590

Notes:

(a) Directors' emoluments included in staff costs are as follows:

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Fees	4,296	—
Emoluments		
Salaries and other short term benefits	3,041	—
Retirement scheme contributions	25	—
Share options granted	600	—
	7,962	—

(b) Business tax

The PRC companies of the Group are subject to business taxes of 5% and other levies on their revenues from sale of properties.

Notes to the Condensed Consolidated Interim Financial Statements

18. EXPENSES BY NATURE (CONTINUED)

(c) Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including 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.

19. FINANCE COSTS

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Interest on bank borrowings		
— wholly repayable within five years	74,458	39,402
— not wholly repayable within five years	20,972	6,028
Interest on borrowing from a related company	—	3,939
	95,430	49,369
Less: Interest capitalised	(87,158)	(41,666)
	8,272	7,703

20. INCOME TAX EXPENSE

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

PRC enterprise income tax is provided for at 33% (2005: 33%) of the profits for the PRC statutory financial purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose. Two subsidiaries and a jointly controlled entity established in the Shanghai Pudong New Area of the PRC are entitled to a preferential rate of 15% (2005: 15%). In addition, another two subsidiaries established in other areas enjoyed preferential tax rates of 27% and 30% respectively (2005: 27% and 30% respectively).

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
PRC enterprise income tax		
— Current income tax	159,655	21,571
— Deferred income tax	48,859	138,140
	208,514	159,711

Notes to the Condensed Consolidated Interim Financial Statements

21. DIVIDENDS

At a meeting held on 31 August 2006, the Board did not recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: Nil).

On 31 December 2005, a dividend of HK\$300,000,000 (equivalent to RMB312,090,000) per share was declared by SPHL(BVI). The amount was included in amounts due to Gemfair, a related company, as at 31 December 2005.

22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue, a total of 1,787,439,612 ordinary shares issued for the Reorganisation were deemed to have been issued since 1 January 2005.

	Six months ended 30 June	
	2006	2005
Profit attributable to the equity holders of the Company (RMB'000)	703,612	305,813
Weighted average number of ordinary shares in issue (thousands)	2,276,841	1,787,440
Basic earnings per share (RMB cents)	30.9	17.1

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 the Pre-IPO Share Option Scheme (*Note 12*) assuming they were exercised.

	Six months ended 30 June 2006
Profit attributable to the equity holders of the Company (RMB'000)	703,612
Weighted average number of ordinary shares in issue (thousands)	2,276,841
Adjustment for share options granted under the Pre-IPO Share Option Scheme (thousands)	777
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,277,618
Diluted earnings per share (RMB cents)	30.9

No disclosure of diluted earnings per share for the six months ended 30 June 2005 has been made as there was no potential dilutive ordinary share outstanding during that period.

Notes to the Condensed Consolidated Interim Financial Statements

23. CONTINGENCIES

The Group had the following contingent liabilities as at 30 June 2006:

	30 June 2006 RMB'000	31 December 2005 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	1,978,501	1,450,222

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 financial statements for the guarantees.

24. COMMITMENTS**(a) Commitments for capital and property development expenditure**

	30 June 2006 RMB'000	31 December 2005 RMB'000
Contracted but not provided for		
— Property, plant and equipment	636,385	346,884
— Investment properties	35,288	170,917
— Land use rights	5,543,891	4,095,111
— Properties being developed by the Group for sale	2,556,072	2,272,983
	8,771,636	6,885,895

(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 2006 RMB'000	31 December 2005 RMB'000
Within one year	14,519	12,530
Between two to five years	11,192	13,039
	25,711	25,569

Notes to the Condensed Consolidated Interim Financial Statements

24. COMMITMENTS (CONTINUED)

(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 2006 RMB'000	31 December 2005 RMB'000
Within one year	48,836	27,672
Between two to five years	280,000	280,000
After five years	939,167	974,167
	1,268,003	1,281,839

25. RELATED PARTY TRANSACTIONS

(a) Other than those disclosed in Notes 10 and 12, the Group had entered into the following major related party transactions during the period:

	Six months ended 30 June 2006 RMB'000	2005 RMB'000
Interest on amount due to a related company (<i>Note (i)</i>)	—	4,543
Office rental (<i>Note (ii)</i>)	126	—
	126	4,543

Notes:

- (i) The interest for the six months ended 30 June 2005 was related to balance due to a related party which was interest bearing at rates ranging from 5.04% to 5.31% per annum. The balance was repaid by 31 December 2005.
- (ii) On 12 June 2006, the Group entered into a lease agreement with a wholly-owned subsidiary of Shimao International, a company listed on the Stock Exchange and certain directors of the Company are also its directors, to lease part of office premises owned by Shimao International in Hong Kong. During the six months ended 30 June 2005, the Group had been using the office premises at nil consideration.
- (iii) During the six months ended 30 June 2005, certain staff of the Group had rendered project management and administrative services to a wholly-owned subsidiary of Shimao International, at nil consideration. The transaction discontinued after May 2005.
- (iv) On 12 June 2006, the Group entered into a trademark framework agreement with Shanghai Shimao Enterprises Development Co., Ltd., Shanghai Shimao Co., Ltd., Shimao International and Mr. Hui Wing Mau, Chairman of the Company, 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. For the six months ended 30 June 2005 and 2006, the Group provided the trademark of "Shimao" to certain related companies at nil consideration.
- (v) A subsidiary of the Group had provided Shanghai Mason Club Co., Ltd., which certain directors of the Company are also its directors, with the right to operate one of its clubhouses at a consideration based upon certain percentage of net profit of the clubhouse when it has achieved an accumulated net profit. During the six months ended 30 June 2005 and 2006, the clubhouse was loss making and therefore no consideration had been charged.

Notes to the Condensed Consolidated Interim Financial Statements

25. RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Key management compensation**

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Fees	4,025	—
Emoluments		
— Salaries and other short-term benefits	7,096	1,273
— Retirement scheme contributions	63	31
— Share options granted	970	—
	12,154	1,304

26. SUBSEQUENT EVENTS

On 25 August 2006, the Group succeeded in a public bidding for a piece of land in Yantai, Shandong Province for a consideration of approximately RMB372,000,000.