



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

Interim Report 2012

CONTENTS

Corporate Information	4
Chairman's Statement	5
Management Discussion and Analysis	9
Corporate Governance and Other Information	24
Interim Condensed Consolidated Balance Sheet	35
Interim Condensed Consolidated Statement of Comprehensive Income	37
Interim Condensed Consolidated Statement of Changes in Equity	39
Interim Condensed Consolidated Cash Flow Statement	40
Notes to the Interim Condensed Consolidated Financial Information	41

LOCATION OF OUR CURRENT PROJECTS

Attributable Land Bank of 38.8 Million Sq.m. (35 Cities)

Projects held by Shimao Property

	Northeastern District	
01	Harbin Shimao Riviera New City	■
02	Mudanjiang Shimao Holiday Landscape	■
03	Mudanjiang Shimao South Bund	■
04	Shenyang Shimao Notting Hill	■
05	Shenyang Shimao Wulihe	■
06	Dalian Shimao Glory City	■
	Bohai Rim District	
07	Beijing Shimao Alhambra Palace	■
08	Beijing Dachang Project	■
09	Tianjin Shimao Wetland Century	■
10	Qingdao Shimao Century Land	■
	Western District	
11	Xianyang Shimao The Centre	■
12	Chengdu Shimao City	■
13	Chengdu Shimao Royal Bay	■
	Jiangsu and Shanghai	
14	Xuzhou Shimao Dongdu	■
15	Taizhou Shimao Riverside Garden	■
16	Nanjing Shimao Bund New City	■
17	Wuhu Shimao Riviera Garden	■
18	Wuxi Shimao The Capital	■
19	Changzhou Shimao Champagne Lake	■
20	Suzhou Shimao Canal Scene	■
21	Kunshan Shimao Butterfly Bay	■
22	Kunshan Shimao East No. 1	■
23	Shanghai Shimao Riviera Garden	■
24	Shanghai Shimao Emme County	■
	Hangzhou District	
25	Hangzhou Shimao Imperial Landscape	■
26	Hangzhou Shimao Riviera Garden	■
27	Hangzhou Shimao New West Lake	■
28	Jiaxing Shimao Century Park	■
	Ningbo District	
29	Shaoxing Shimao Dear Town	■
30	Ningbo Shimao World Gulf	■
31	Ningbo Shimao Sea Dawn	■
32	Ningbo Xiangshan Project	■
33	Ningbo Yuyao Project	■
	Central and Southern District	
34	Wuhan Shimao Splendid River	■
35	Changsha Shimao Brilliant Bay	■
36	Nanchang Shimao The Centre	■
37	Xiamen Shimao Lakeside Garden	■

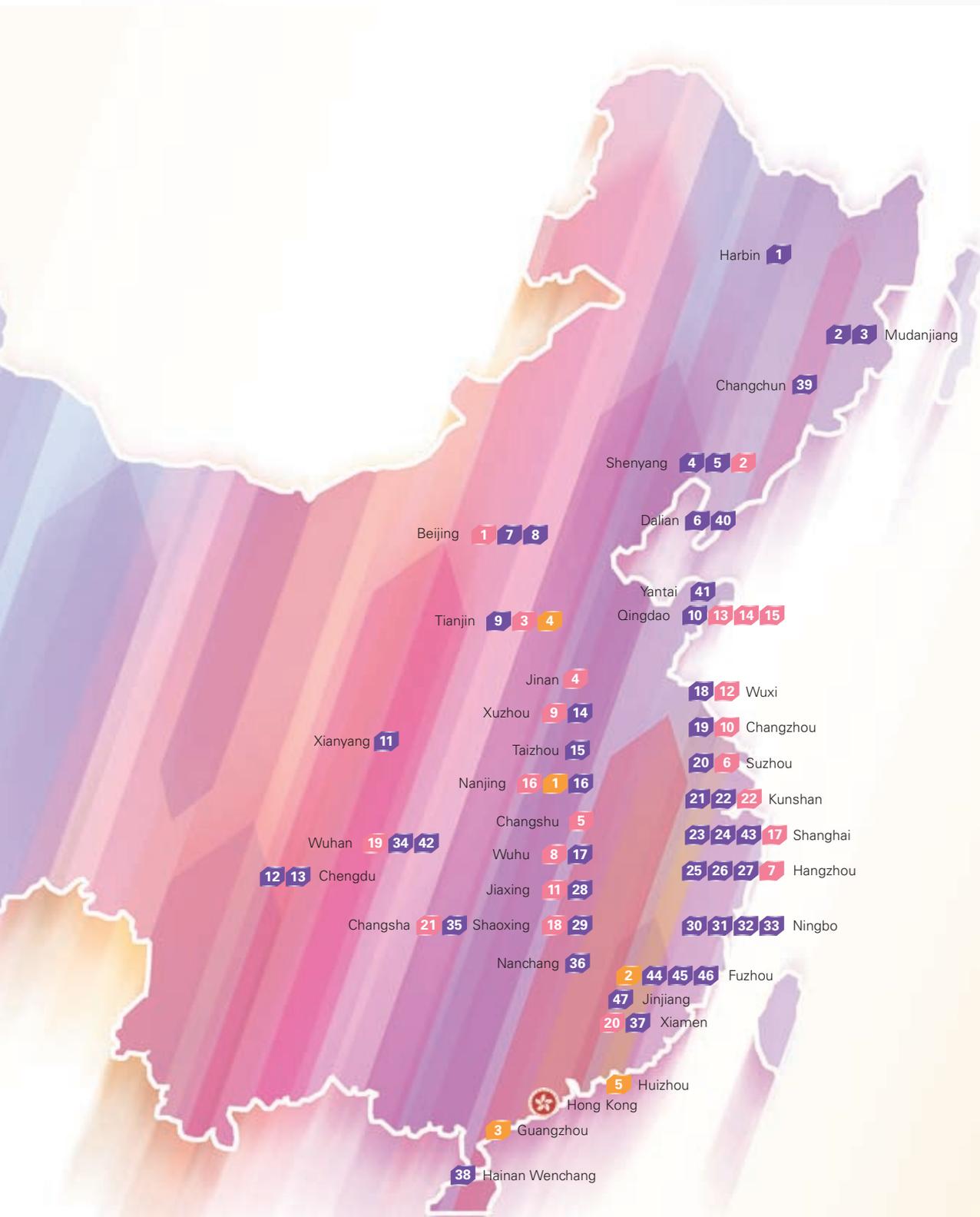
	Tourism Property	
38	Hainan Wenchang Moonriver	■
39	Changchun Project	■
40	Dalian Shimao Dragon Bay	■
41	Yantai Shimao No. 1 The Harbour	■
42	Wuhan Shimao Dragon Bay	■
43	Shanghai Shimao Sheshan Villas	■
44	Fuzhou Shimao Skyscrapers	■
45	Fuzhou Guling Project	■
46	Fuzhou Minhou Shimao Dragon Bay	■
47	Fujian Jinjiang Shimao Dragon Bay	■

Projects held by Shanghai Shimao

01	Beijing Shimao International Plaza	■
02	Shenyang Shimao Wulihe (Commercial)	■
03	Tianjin Wuqing Project	■
04	Jinan Jiefangge Project	■
05	Changshu Shimao The Centre	■
06	Suzhou Shimao Canal Scene (Commercial)	■
07	Hangzhou Shimao Riviera COSMO	■
08	Wuhu Shimao Riviera Garden (Commercial)	■
09	Xuzhou Shimao Dongdu (Commercial)	■
10	Changzhou Shimao Champagne Lake (Commercial)	■
11	Jiaxing Shimao Century Park (Commercial)	■
12	Wuxi Shimao The Capital (Commercial)	■
13	Qingdao Shimao International Plaza	■
14	Qingdao Jiaonan Project	■
15	Qingdao Shi'ao Tower	■
16	Nanjing Shimao Bund New City	■
17	Shanghai Shimao Wonderland	■
18	Shaoxing Shimao Mall	■
19	Wuhan Shimao Carnival	■
20	Xiamen Shimao MO Sky Mansion	■
21	Changsha Shimao Brilliant Bay (Commercial)	■
22	Kunshan Shimao International City	■

Joint Venture Projects

01	Nanjing Future City	■
02	Fuzhou Pingtan Future City	■
03	Guangzhou Asian Game City	■
04	Tianjin Jinnan New City	■
05	Huizhou Fumao Venetian Bay	■



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Yao Li

Independent Non-executive Directors

Kan Lai Kuen, Alice
Lu Hong Bing
Lam Ching Kam

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CHIEF FINANCIAL OFFICER

Hui Wai Man, Lawrence

COMPANY SECRETARY

Lam Yee Mei, Katherine

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
China Construction Bank Corporation
Agricultural Bank of China Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 813

INVESTOR AND MEDIA RELATIONS

Investor Relations Department
Email: ir@shimaoproperty.com
Tel: (852) 2511 9968
Fax: (852) 2511 0278

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the interim results of Shimaoproperty Holdings Limited ("Shimaoproperty" or the "Company", and together with its subsidiaries, the "Group") for the six months ended 30 June 2012.

2012 INTERIM RESULTS

During the period under review, China witnessed a noticeable slowdown in economic growth. This was due to its ongoing application of austerity policies to combat inflation, and the external impact of global instability triggered by the European debt crisis. With the key goal of stabilizing economic growth, the central government eased certain monetary policies, for instance lowering the deposit reserve ratio to 20% through two downward adjustments in February and May 2012, and cutting the interest rate by 0.25% in June 2012. This was the first interest rate cut since December 2008, and it helped foster a more favourable environment for monetary liquidity.

Since early this year, the central government has not imposed any further stringent regulatory policies on the real estate market. Rather, it has maintained a general focus on enforcing existing policies such as the restrictions relating to property purchases, loans and prices. The day after the National Bureau of Statistics published property price data for 70 large and medium cities in June, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued an "Urgent Notice on Further Strengthening Land Administration on Real Estate to Consolidate the Regulatory Achievement on Real Estate Market". This document asserted that regulation of the real estate market would continue to be enforced uncompromisingly. However, by reiterating existing policies, the notice mainly reaffirmed the current focus on enforcing regulatory measures within the real estate industry.

The State Council decided to send eight inspection teams to 16 provinces (municipalities) in late July, to carry out special inspections regarding the implementation of its regulatory policies within the real estate market. A large-scale government investigation like this is often seen as a prelude to new policies. If the inspection teams identify significant problems and property prices continue to rise over the coming one to two months, new regulatory policies are likely to be promulgated.

To address these market uncertainties in a proactive manner, the Group has made it a top strategic priority to accelerate its turnover and maximize its cash collection activities. As such, Shimaoproperty has been realigning its development and selling strategies and implementing a series of initiatives introduced last year for strengthening its internal management systems. Given that the government's restrictive policies on property purchases have suppressed speculative demand for property, the Group has placed more stress on optimizing its products and improving their quality. This has led to the development of a more rational product mix, greater adaptability of the product portfolio to market demand, and a significant rise in product value. As a result, the Group achieved satisfactory contracted sales of RMB22.5 billion in the first half of 2012, an outstanding success for its ongoing reforms given the challenging real estate environment.

CHAIRMAN'S STATEMENT

During the period under review, revenue of RMB13.69 billion was recognized, representing an increase of 12.4% over the same period in 2011. Operating profit decreased slightly by 3.4% to approximately RMB5.97 billion. Profit attributable to shareholders amounted to RMB3.11 billion (1H 2011: RMB3.30 billion), a slight decrease of 5.5% compared with the same period in 2011. Excluding the net impact of major after tax non-cash items: fair value gains of investment properties of RMB1.03 billion (1H 2011: RMB1.21 billion), net gain on disposal of equity interests in subsidiaries of RMB0.38 billion (1H 2011: nil), depreciation and amortisation of RMB0.13 billion (1H 2011: RMB0.11 billion) and goodwill impairment of RMB29.39 million (1H 2011: RMB10.65 million) which totaled RMB1.25 billion (1H 2011: RMB1.09 billion), net profit from core business attributable to shareholders amounted to approximately RMB1.86 billion (1H 2011: RMB2.21 billion), a year-on-year decrease of 15.5%. The board of directors of the Company (the "Board") resolved not to declare the payment of any interim dividend for the six months ended 30 June 2012.

REVIEW AND OUTLOOK

At the beginning of the year, the Group set a targeted contracted sales for 2012 of RMB30.6 billion. In the first half of 2012, the Group realized contracted sales of RMB22.5 billion, representing 73% of the annual target. Total sales area amounted to 1.95 million sq.m., and average selling price was RMB11,545 per sq.m.. This remarkable sales achievement demonstrated the initial success of our internal management enhancement programme, led by the management team.

The Group has been making continuous efforts to improve its internal management since the end of last year. These have included strengthening its financial position, boosting its capabilities in the design and production of innovative products, and improving the overall quality of its projects so as to enhance brand-name awareness and brand loyalty.

TURNOVER ACCELERATED TO SCALE DOWN GEARING RATIO

At the end of last year, the Group had a slightly higher net gearing ratio than many of its peers. In response, at the beginning of 2012, the Group made it a first priority to lower the gearing ratio. It aimed to achieve this by utilizing the profit contributed by its property sales and investment activities, and by generating stable and significant operating cash flows by accelerating turnover and sales.

The Group included sales revenue and cash flows in its comprehensive results ranking and assessment system during the period. The fulfilment of these metrics will contribute directly to the performance assessment and bonus sizes for its business territories, which include the Jiangsu and Shanghai region, the Hangzhou region, the Ningbo region, the South Central region, the Western region, the Northeast region and Bohai Rim region, and the tourism properties sector. Great efforts in the collection of receivables saw the Group's total cash inflows from sales and others amounted to RMB18.09 billion, giving it the scope to reduce its gearing ratio substantially to 68.3% by mid 2012, as compared with 81.7% at the end of 2011.

CHAIRMAN'S STATEMENT

In addition, the Group pressed ahead with the collection of mortgage payments, providing banks with the credit history of quality customers to facilitate prioritized lending while extending its cooperation with local small banks with available credit limits. To optimize its loan structure, the Group repaid approximately RMB2.5 billion of entrusted borrowings in the first half of 2012, and it intends to suspend all high-interest financing from institutions such as trust institutions, lower the proportion of its short-term loans and gradually increase the proportion of its long-term borrowings in the second half of 2012. The Group also carried out negotiations on the formation of a consortium with foreign institutions and expanded its cooperation with foreign banks. In the first half of 2012, the Group entered into a Strategic Cooperation Agreement on Mortgage Products with the Bank of East Asia and the Hongkong and Shanghai Banking Corporation Limited. Besides, the Group possesses sufficient cash on hand. As at 30 June 2012, the Group had cash of approximately RMB15.25 billion, as well as unutilized credit facilities of approximately RMB10.00 billion.

As at 30 June 2012, the Group had an attributable land bank of approximately 38.80 million sq.m.. During the period, the Group took raising sales and asset turnover as its first priority and made no acquisitions of land. Because it has adequate land reserves for future development, the Group will not need to make enormous cash expenditure for land acquisition due to insufficient land reserves. During the period, the Group paid RMB3,241 million as land premium. In the future, it will be able to utilize its funds more flexibly as the pressure of spending on land is reduced.

OPTIMIZING DESIGN FOR MORE INNOVATIVE PRODUCTS

In 2012, the Group made the all-round upgrading of its product quality and the creation of innovative products as its top priorities for the year. Shimao Property placed stress on optimizing its products and improving product quality, leading to a more rational product mix, higher adaptability of its product portfolio to market demand, and significantly improved product value. Revised design schemes for a total of 21 projects were approved by the government. In addition, the Company carried out design scheme reviews of 33 projects, facade and basement special reviews of 17 projects, and construction drawing reviews for 12 key projects to ensure product quality.

To expand its market share through a commitment to innovating products, the Group offered more diversified new products combining low density and high-rise units, such as villas and penthouses, seeking to maximize the proportion of low density units for higher profitability. The Group also set up display areas at both existing and new projects, featuring two kinds of sample interiors showcasing the attributes of its urban and vacation units respectively to attract consumers by giving them a genuine experience of the comfort of dwelling. The Group also upgraded its criteria for acceptance inspection upon delivery. By strengthening acceptance inspection controls on the projects delivered in the first half of 2012, the Group guaranteed construction and landscape quality and increased customer satisfaction, while keeping costs under effective control.

CHAIRMAN'S STATEMENT

IMPROVING THE TALENT GROWTH SYSTEM AND REDEFINING BUSINESS TERRITORIES

As part of the refinement of its management operations, the Group has redefined its business territories since the beginning of last year. They have been reclassified as follows: the Jiangsu and Shanghai region, the Hangzhou region, the Ningbo region, the South Central region, the Western region, the Northeast region and Bohai Rim region, and the tourism properties sector. Teams were established and resources allocated by region under the management model of "a single team for the same city and the same land parcel", a move which significantly reduced management costs and enhanced efficiency.

The Group convenes regional coordination meetings on a monthly basis to address regional issues more efficiently. A system comprising monthly regional ranking, quarterly assessment and year-end overall review has been implemented, with the ranking and assessment results strictly linked to bonus payments. In the first half of 2012, the Group conducted assessment and management based on the performance ranking system, achieving sound results.

APPRECIATION

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

Hui Wing Mau

Chairman

Hong Kong, 27 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

PROPERTY DEVELOPMENT

1) *Recognized sales revenue*

The Group generates its turnover primarily from property development, property investment and hotel operations. Turnover for the six months ended 30 June 2012 grew by 12.4% to RMB13.69 billion, from RMB12.17 billion in the corresponding period of 2011. During the period, revenue from property sales climbed to RMB12.65 billion, 10.0% more than the corresponding period of 2011, and accounted for 92.4% of total revenue. The average recognized selling price decreased by 21.5% to RMB10,045 per sq.m. in the first half of 2012, from RMB12,803 per sq.m. in the first half of 2011. This decrease was mainly attributable to the effect of discount offers applied to certain of the Group's projects, together with the fact that compared with 2011 a much higher proportion of the Group's project sales have been made in second- and third-tier cities. The total number of projects recognized by the Group in the first half of 2012 increased to 32, compared with 25 in the first half of 2011. These included 12 projects that recognized sales revenues of over RMB500 million: Jinjiang Shimao Dragon Bay, Shanghai Shimao Riviera Garden, Suzhou Shimao Canal Scene, Changshu Shimao The Centre, Ningbo Shimao World Gulf, Tianjin Shimao Wetland Century, Shenyang Shimao Wulihe, Kunshan Shimao East No.1, Kunshan Shimao International City, Chengdu Shimao City, Xuzhou Shimao Dongdu, and Hangzhou Shimao Riviera Garden.

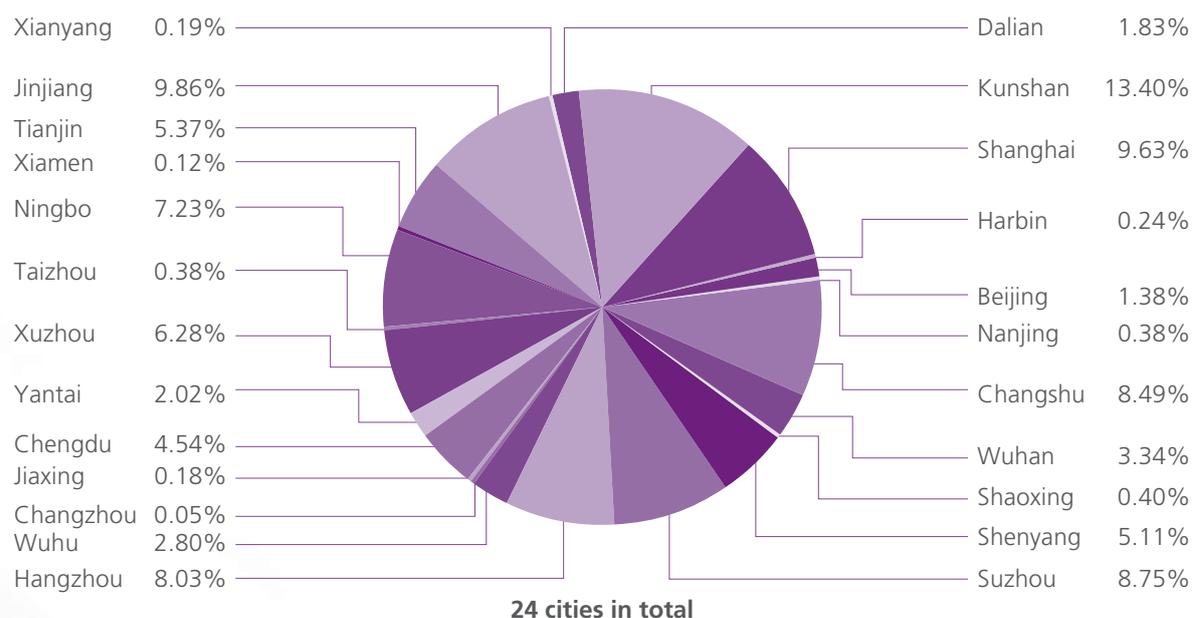
Property development recognized sales in the first half of 2012

Project	Recognised Sales (RMB Million)	Recognised Sold Area (sq.m.)	Average Selling Price (RMB per sq.m.)
Jinjiang Shimao Dragon Bay	1,248	62,352	20,015
Shanghai Shimao Riviera Garden	1,160	15,569	74,507
Suzhou Shimao Canal Scene	1,107	120,075	9,219
Changshu Shimao The Centre	1,074	115,383	9,308
Ningbo Shimao World Gulf	791	94,845	8,340
Tianjin Shimao Wetland Century	679	66,832	10,160
Shenyang Shimao Wulihe	647	65,583	9,865
Kunshan Shimao East No. 1	646	93,075	6,941
Kunshan Shimao International City	642	55,928	11,479
Chengdu Shimao City	575	87,123	6,600
Xuzhou Shimao Dongdu	559	126,453	4,421
Hangzhou Shimao Riviera Garden	528	56,517	9,342
Hangzhou Shimao Riviera COSMO	488	45,728	10,672
Kunshan Shimao Butterfly Bay	407	63,644	6,395
Wuhu Shimao Riviera Garden	354	35,262	10,039
Wuhan Shimao Splendid River	258	31,563	8,174
Yantai Shimao No. 1 The Harbour	255	29,006	8,791
Xuzhou Shimao Dongdu (commercial)	236	9,911	23,812
Dalian Shimao Dragon Bay	209	16,602	12,589
Beijing Shimao Alhambra Palace	175	4,077	42,924
Wuhan Shimao Dragon Bay	164	16,894	9,708
Ningbo Shimao Sea Dawn	124	15,766	7,865

MANAGEMENT DISCUSSION AND ANALYSIS

Project	Recognised Sales (RMB Million)	Recognised Sold Area (sq.m.)	Average Selling Price (RMB per sq.m.)
Shanghai Shimao Emme County	59	6,733	8,763
Shaoxing Shimao Dear Town	51	4,768	10,696
Taizhou Shimao Riverside Garden	48	6,399	7,501
Nanjing Shimao Bund New City	48	2,836	16,925
Harbin Shimao Riviera New City	30	2,560	11,719
Xianyang Shimao The Centre	24	1,891	12,692
Jiaxing Shimao Century Park	23	3,223	7,136
Dalian Shimao Glory City	22	1,816	12,115
Xiamen Shimao Lakeside Garden	15	424	35,377
Changzhou Shimao Champagne Lake	6	699	8,584
Total	12,652	1,259,537	10,045

Analysis by city – Sales of properties in turnover – RMB12.65 billion



2) Steady sales growth of the Group, with sales reaching annual target

In the first half of 2012, the Group's contracted sales amounted to RMB22.5 billion, with a total sales area of 1.95 million sq.m. and an average selling price of RMB11,545 per sq.m.. The Group's total first half sales amounted to approximately 73% of its annual target.

The Group's sales in June 2012 alone hit a record high of RMB6.03 billion (June 2011: RMB3.20 billion), representing substantial growth of 90.0% year-on-year. The contracted sales area for June 2012 was 533,649 sq.m., and the average selling price was RMB11,305 per sq.m..

The remarkable sales achieved by the Group in the first half of 2012 clearly showed the effectiveness of the sales strategy adopted by management. In the second half of 2012, the Group will launch sales with a saleable area of approximately 2.10 million sq.m.. When added to existing inventory with a saleable area of 1.34 million sq.m. as at 30 June 2012, the Group's saleable area in the second half of 2012 will reach approximately 3.44 million sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS

3) Completion of development projects and plans according to expectation

Total GFA completed by the Group in the first half of 2012 was approximately 0.99 million sq.m., as compared with 1.07 million sq.m. in the corresponding period of 2011. The Group's projects nationwide all proceeded satisfactorily on schedule during the period, with new floor area under construction amounting to approximately 2.55 million sq.m.. As at 30 June 2012, the Group had a total of 70 projects under development and in 35 cities. The increase in the number of projects under development has helped lay a solid foundation for the Group's future growth. Looking ahead to the second half of 2012, the Group's annual GFA planned for completion is approximately 3.55 million sq.m.. The Group will react flexibly to adjust construction volume according to market conditions.

Project	1H completion GFA (sq.m.)	2H planned completion GFA (sq.m.)	Group's interest	Interest directly held by Shimao Property	Interest directly held by Shanghai Shimao
Shimao Property					
Xuzhou Shimao Dongdu	99,267	–	100%	100%	–
Taizhou Shimao Riverside Garden	13,053	–	100%	100%	–
Changzhou Shimao Champagne Lake	–	61,606	100%	100%	–
Kunshan Shimao Butterfly Bay	61,102	–	100%	100%	–
Kunshan Shimao East No. 1	109,747	81,838	100%	100%	–
Suzhou Shimao Canal Scene	112,943	–	100%	100%	–
Nanjing Shimao Bund New City	–	126,751	82%	50%	50%
Hangzhou Shimao Imperial Landscape	–	189,889	50%	50%	–
Hangzhou Shimao New West Lake	–	209,967	100%	100%	–
Jiaxing Shimao Century Park	–	32,440	100%	100%	–
Shaoxing Shimao Dear Town (Inc. Travel)	–	219,720	100%	100%	–
Wuhan Shimao Splendid River	–	33,106	100%	100%	–
Xiamen Shimao Lakeside Garden	–	65,407	100%	100%	–
Huizhou Fumao Venetian Bay	–	10,533	50%	50%	–
Nanchang Shimao The Centre	–	40,811	100%	100%	–
Changsha Shimao Brilliant Bay	20,001	55,928	100%	100%	–
Chengdu Shimao City	–	209,900	100%	100%	–
Tianjin Shimao Wetland Century	134,957	–	75%	75%	–
Shenyang Shimao Wulihe	–	97,750	100%	100%	–
Shenyang Shimao Notting Hill	–	32,090	100%	100%	–
Harbin Shimao Riviera New City	–	158,551	100%	100%	–
Dalian Shimao Glory City	–	19,282	100%	100%	–
Mudanjiang Shimao Holiday Landscape	–	114,348	100%	100%	–
Mudanjiang Shimao South Bund	–	37,948	100%	100%	–
Wuhan Shimao Dragon Bay	32,437	34,863	100%	100%	–
Wuhan Shimao Carnival	–	106,012	82%	49%	51%
Dalian Shimao Dragon Bay	103,081	–	100%	100%	–
Fuzhou Shimao Skyscrapers	–	149,195	100%	100%	–
Fuzhou Minhou Shimao Dragon Bay	19,025	208,466	100%	100%	–
Fujian Jinjiang Shimao Dragon Bay	–	57,840	100%	100%	–
Sub-total	705,613	2,354,241			

MANAGEMENT DISCUSSION AND ANALYSIS

Project	1H completion GFA (sq.m.)	2H planned completion GFA (sq.m.)	Group's interest	Interest directly held by Shimao Property	Interest directly held by Shanghai Shimao
Shanghai Shimao					
Changshu Shimao The Centre	105,498	34,311	64%	–	100%
Kunshan Shimao International City	125,235	88,364	64%	–	100%
Wuhu Shimao Riviera Garden (Commercial)	51,368	–	64%	–	100%
Xuzhou Shimao Dongdu (Commercial)	2,755	9,461	64%	–	100%
Tianjin Wuqing Project	–	38,647	64%	–	100%
Suzhou Shimao Canal Scene (Commercial)	–	18,393	64%	–	100%
Qingdao Shimao International Plaza	–	16,448	64%	–	100%
Sub-total	284,856	205,624			
Total	990,469	2,559,865			

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

With the expectation that existing government macro policies will be maintained, the Group has remained prudent in land acquisition and made no additional land acquisitions in the first half of 2012. The Group is committed to expanding its land bank in a disciplined manner and adhering to prudent management, striking a balance between achieving rapid development and managing risks effectively. As at 30 June 2012, the Group's average land cost was RMB1,503 per sq.m.. The relatively low-cost land should help the Group achieve a higher profit margin in the future.

As at 30 June 2012, Shimao Property had an attributable land bank of approximately 38.80 million sq.m., making it one of the leading real estate developers in China in terms of land bank size. Geographically, majority of the land bank were situated in second- and third-tier cities at provincial capital level. These are cities with enormous development potential and emerging real estate markets, ensuring ample room for project development with relatively low risk.

PROPERTY INVESTMENT

Shimao Property develops commercial properties through its 64.2% owned subsidiary Shanghai Shimao Co. Ltd ("Shanghai Shimao"), which is primarily engaged in the development and operation of commercial properties. Besides grasping development opportunities in the domestic commercial property market, Shanghai Shimao also provides different types of commercial properties and high-quality services by adopting professional development and marketing strategies. It continues to work on achieving greater integration for increased competitiveness, and aims to become a highly successful listed company in the professional development and operation of commercial properties. In line with its annual target plan, Shanghai Shimao is steadily pushing ahead with the development and operation of a range of commercial ventures that include plazas, department stores, cinemas and child-focused businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment properties – operating target in 2012

Commercial & Office Tower for Lease	GFA (sq.m.)
Shaoxing Shimao Mall	181,605
Kunshan Shimao Plaza	88,249
Beijing Shimao Gongsan Plaza	77,562
Beijing Shimao Tower	72,195
Shanghai Shimao International Plaza	71,239
Xuzhou Shimao Dongdu (commercial)	59,471
Suzhou Shimao Canal Scene (commercial)	49,993
Changshu Shimao The Centre	43,357
Shenyang Shimao Wulihe (commercial)	40,904
Wuhu Shimao Riviera Garden (commercial)	35,364
Shanghai Shimao Shangdu Tower	9,585
Changshu Cineplex	4,591
Wuhu Art Centre	59,433
Others	2,900
Total	796,448

Commercial & Office Tower under Development	GFA (sq.m.)
Jinan Jiefangge Project	110,659
Suzhou Shimao Canal Scene (commercial)	147,960
Wuhan Shimao Carnival	188,570
Shenyang Shimao Wulihe (commercial)	50,242
Hangzhou Shimao Riviera COSMO	52,748
Changshu Shimao The Centre (commercial)	72,425
Xiamen Shimao MO Sky Mansion	87,242
Kunshan Shimao International City	88,364
Total	798,210

With regard to the development of commercial properties, during the period Shanghai Shimao recorded contracted sales of RMB4.54 billion and a contracted sales area of 325,000 sq.m., representing year-on-year growth of 63.3% and 85.7% respectively. In the first half of the year, Shanghai Shimao stepped up its launch of property projects for sale in Xiamen, Changshu, Suzhou, Hangzhou, Kunshan, Xuzhou, Tianjin, Nanjing and Wuhan, and its effective promotional and marketing efforts resulted in good market response and sales results. In the second half of the year, Shanghai Shimao will increase its marketing efforts and accelerate the pace of launching commercial property projects, enhance its management standards and the professionalism of its teams, and strengthen its decision-making processes to ensure all its annual targets are met successfully. As at the end of June, Shanghai Shimao held good land reserves of 8.54 million sq.m. (held as an interest in Shanghai Shimao) for the support of future commercial development. Shanghai Shimao will adhere to its original development plan with the aim of acquiring new property projects in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Shanghai Shimao's plaza operations are based in core locations including Shanghai, Shaoxing, Suzhou, Changshu, Kunshan and Xuzhou, giving it a strong foothold in the Yangtze River Delta economic region. The Group's professional management teams managed its commercial plazas across China expertly, and reported record highs in consumer flow and operational results. These good results were achieved by matching the business mode with local consumer demand, as well as providing customers with advanced and comfortable shopping environments. Besides meeting strong consumer demand, Shanghai Shimao's plazas have also become important platforms for the development of local entertainment, culture and dining options. During the period, Shanghai Shimao organized a variety of recreational activities in plazas in different areas, which not only attracted large numbers of local consumers, but also brought new elements to the quality of life and cultures of the cities in a uniquely "Shimao" style. In the second half of the year, Shanghai Shimao will start phase 2 of its Kunshan Shimao Mall project, which includes the development of a variety of property types such as commercial streets and commercial buildings. The phase 2 project is an extension of Kunshan Shimao Mall's commercial complex that will consolidate Kunshan Shimao Mall's success in business model and development.

Shanghai Shimao actively adjusted both operational strategies and management methods at its department store operations by closely tracking consumer demand and market trends. Famous brands and quality shops matching local market demand were introduced. By perfecting the allocation and deployment of products targeting specific groups of customers, brand building of different products at different department stores was achieved. Shanghai Shimao aims to leverage the peak sales season in the second half of the year to realize significant growth in revenue from its department store operations while continuously focusing on the long-term operation of its department stores by evaluating their operating capability and the contribution to total revenue.

Regarding its investment in cinema theatres, Shanghai Shimao reported rapid growth and development against a backdrop of strong momentum in the domestic film market. Shimao's theatres recorded a total of approximately RMB46 million in revenue from operations (from a total of 10 theatres) in the first half of the year, representing year-on-year growth of 185%, from the provision of viewing services to more than 1.52 million person-time. Shanghai Shimao's theatres saw dramatic growth in revenue from ticket sales, and sales of peripherals and accessories. During the period, the theatres of Shimao, adhering to their annual strategies and operation targets, further enhanced their internal management structures while focusing on boosting the efficiency of their professional teams, promoting inter-departmental coordination and integration. They carried out in-depth studies relating to theatre management, film screenings and non-box office sales, as aids to generating significant growth for the year. In the second half of the year, Shimao's theatres will develop external business and new theatres as well as proceed with the project management and preparation of new theatres in a speedy way in order to fully accomplish all the missions and targets.

As for the Group's development of its child-focused business, during the period "Shitian I Kids" constructed two additional outlets in Fuyang and Wuxi, making a total of 12 outlets in operation. In the first half of the year, the children's playgrounds business improved training and management of staff at its various outlets to regulate their service standards, raising service quality and internal management flow to optimize the capacity of each outlet. At the same time, new product mixes were tried, enriching the range of games to develop a diversified business model and distinguish the Group from other competitors. In the second half of the year, the Group's children's playgrounds business plans to add 4 or 5 new playground outlets, and start research and development work for new business growth and product upgrades of its playground outlets. It will cooperate with experienced overseas educational institutions on early education, with the aim of acquiring the latest educational theories and management methods from these institutions by giving full play to the respective advantages of each other to underpin its development of child-focused business.

MANAGEMENT DISCUSSION AND ANALYSIS

HOTEL OPERATIONS

The Group's turnover from hotel operations for the first half of 2012 amounted to RMB491.5 million, representing a year-on-year increase of 12.9%.

At present, the Group has six hotels in operation, with nearly 2,700 guest rooms in total. These include Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Le Méridien Sheshan Shanghai, Mudanjiang Holiday Inn, Shaoxing Shimaoholiday Inn and Hilton Nanjing Riverside.

The post-Expo effect meant the convention market in Shanghai has been weak and competition from newly opened hotels has been intense over the past two years. In this context, the Group's three hotels in Shanghai have adopted initiatives such as adjusting their sales strategy, strengthening domestic market development, promoting sales of wedding banquets, and diversifying their income sources. These moves have resulted in a growth in the Group's hotel business operations. While expanding their income streams, the three hotels have also trimmed their energy costs by replacing or renovating certain facilities, and streamlined their staff structure. These initiatives have helped the hotels continue to rank ahead of their peers in Shanghai in terms of operational efficiency.

The Shanghai Disneyland project began construction on 8 April 2011, and is expected to be completed and opened by 2015. Furthermore, the North Bund near Hyatt on the Bund Shanghai has been designated one of two major development areas along Huangpu River, under Shanghai's municipal planning blueprint. The area will become a dual-function zone, functioning both as an international shipping centre and an international financial centre for Shanghai. By 2020, Shanghai will have evolved into a modern international metropolis with well-established international tourism, economic, finance, trade and shipping hubs. The Shanghai hotel market will benefit from this development, and should enjoy strong demand and a promising outlook in the long run.

Hilton Nanjing Riverside, Shaoxing Shimaoholiday Inn and Mudanjiang Holiday Inn, all international prestige brands with significant influence in their localities, have been steadily expanding their business since commencing operation.

During the first half of 2012, the Group's hotels received some 20 honours from renowned organisations and media at home and abroad.

Particulars of the hotel projects of the group in the first half of 2012 are set out as follows:

Hotel	No. of rooms	Date of commencement	Turnover (RMB million)	EBITDA (RMB million)
Sheshan Le Méridien Shanghai	327	November 2005	62.5	16
Le Royal Méridien Shanghai	770	September 2006	198.8	95
Hyatt On The Bund Shanghai	631	June 2007	175.6	69
Mudanjiang Holiday Inn	266	October 2010	10.4	4
Holiday Inn Shaoxing	284	September 2011	16.0	-22
Hilton Nanjing Riverside	411	December 2011	28.2	-18
Total	2,689		491.5	144

MANAGEMENT DISCUSSION AND ANALYSIS

Hotel properties are stated at carrying amount, i.e. cost less accumulated depreciation and impairment losses, if any, rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the Directors have appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 30 June 2012. Had the fifteen hotels (2011: twelve hotels), Shanghai Le Méridien Sheshan, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Mudanjiang Holiday Inn, Shaoxing Shimao Crown Plaza, Conrad Xiamen, Shaoxing Shimao Holiday Inn, Hilton Shenyang, Hilton Tianjin Eco-city, InterContinental Fuzhou, Doubletree by Hilton Wuhu, Taizhou Maoyu Hotel, Doubletree by Hilton Ningbo Chunxiao and Guling Shimao Yurongzhuang Hotel been restated at fair value of RMB21.2 billion (2010: RMB18.6 billion), the net assets value of the Group would have been increased to RMB50.0 billion (2010: RMB45.6 billion). In light of the fair value adjustment of these hotels, the adjusted gearing ratio of the Group would be:

	As at 30 June 2012 (RMB million)	As at 31 December 2011 (RMB million)
Fair value of above-mentioned hotels	21,227	18,610
Less: Carrying amount	(9,246)	(7,985)
Increase in net assets value if the above-mentioned hotels are stated at fair value	11,981	10,625
Net assets value per consolidated balance sheet	37,977	35,018
Adjusted net assets value	49,958	45,643
Net debt	25,932	28,567
Adjusted gearing ratio	52%	63%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

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

	1H 2012 RMB million	1H 2011 RMB million
Revenue	13,687.2	12,173.0
Gross profit	4,711.9	4,918.1
Operating profit	5,970.3	6,182.9
Profit attributable to shareholders	3,114.7	3,297.2
Earnings per share – Basic (RMB cents)	89.8	92.9

REVENUE

For the six months ended 30 June 2012, the revenue of the Group was approximately RMB13,687.2 million (1H 2011: RMB12,173.0 million), representing an increase of 12.4% over 2011. 92.4% (1H 2011: 94.5%) of the revenue was generated from the sales of properties and 7.6% (1H 2011: 5.5%) from hotel operation, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

	1H 2012 RMB million	1H 2011 RMB million
Sales of properties	12,651.7	11,501.5
Hotel operating income	491.5	435.3
Rental income from investment properties	225.8	196.0
Others	318.2	40.2
Total	13,687.2	12,173.0

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Sales of properties

Sales of properties for the six months ended 30 June 2012 and 2011 are set out below:

	1H 2012		1H 2011	
	Area (Sq.m.)	RMB million	Area (Sq.m.)	RMB million
Shimao Property				
Beijing Shimao Olive Garden	–	–	390	1
Wuhan Shimao Splendid River	31,563	258	57,394	547
Shaoxing Shimao Dear Town	1,891	24	11,715	98
Harbin Shimao Riviera New City	2,560	30	340	2
Changshu Shimao The Center	–	–	35,904	349
Kunshan Shimao Butterfly Bay	63,644	407	160,210	1,309
Shanghai Shimao Riviera Garden	15,569	1,160	5,748	452
Kunshan Shimao East No. 1	93,075	646	112,371	842
Hangzhou Shimao Riviera Garden	56,517	528	131,701	1,641
Shanghai Shimao Emme County	6,733	59	2,904	28
Wuhu Shimao Riviera Garden	35,262	354	4,633	26
Fuzhou Shimao Skyscrapers	–	–	14,388	270
Shenyang Shimao Wulihe	65,497	647	34,604	300
Suzhou Shimao Canal Scene	120,075	1,107	16,010	183
Jiaxing Shimao Century Park	3,223	23	6,777	32
Changzhou Shimao Champagne Lake	699	6	1,968	18
Yantai Shimao No. 1 The Harbour	29,006	255	21,531	187
Xuzhou Shimao Dongdu	126,453	559	7,270	155
Taizhou Shimao Riverside Garden	6,399	48	61,416	345
Ningbo Shimao World Gulf	94,845	791	128,339	1,346
Mudanjiang Shimao Holiday Landscape	86	–	1,438	5
Beijing Shimao Alhambra Palace	4,077	175	15,354	730
Xiamen Shimao Lakeside Garden	424	15	–	–
Ningbo Shimao Sea Dawn	15,766	124	–	–
Tianjin Shimao Wetland Century	66,832	679	–	–
Xianyang Shimao The Centre	1,891	24	–	–
Dalian Shimao Glory City	1,816	22	–	–
Chengdu Shimao City	87,123	575	–	–
Dalian Shimao Dragon Bay	16,602	209	–	–
Fujian Jinjiang Shimao Dragon Bay	62,352	1,248	–	–
Wuhan Shimao Dragon Bay	16,894	164	–	–
Sub-total (a)	1,026,874	10,137	832,405	8,866

MANAGEMENT DISCUSSION AND ANALYSIS

	1H 2012		1H 2011	
	Area (Sq.m.)	RMB million	Area (Sq.m.)	RMB million
Shanghai Shimao				
Beijing Shimao Gongsan Plaza	–	–	57,474	2,475
Changshu Shimao The Centre	115,383	1,074	–	–
Hangzhou Shimao Riviera COSMO	45,728	488	–	–
Nanjing Shimao Bund New City	2,836	48	8,349	160
Xuzhou Shimao Dongdu	9,911	236	–	–
Shaoxing Shimao Dear Town	2,877	27	–	–
Fuzhou Shimao Bund Garden	–	–	120	1
Kunshan Shimao International City	55,928	642	–	–
Sub-total (b)	232,663	2,515	65,943	2,636
Total (a)+(b)	1,259,537	12,652	898,348	11,502

(ii) Hotel income

Hotel operation income are analysed below:

	1H 2012	1H 2011
	RMB million	RMB million
Le Méridien Sheshan Shanghai	62.5	61.0
Le Royal Méridien Shanghai	198.8	196.3
Hyatt On The Bund Shanghai	175.6	171.0
Mudanjiang Holiday Inn	10.4	7.0
Hilton Nanjing Riverside	28.2	–
Shaoxing Shimao Holiday Inn	16.0	–
Total	491.5	435.3

Hotel operation income increased approximately 12.9% to RMB491.5 million from RMB435.3 million over the six months ended 30 June 2011. The increase was mainly due to the commencement of Nanjing and Shaoxing Hotels from the second half year of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Rental income and others

Rental income from investment properties amounted to RMB225.8 million. The rental income increased by 15.2% mainly due to the commencement of leasing of Kunshan Shimao Plaza and other miscellaneous properties from the second half year of 2011.

Other income amounted to RMB318.2 million (1H 2011: RMB40.2 million) derived from construction service, operation of department stores and cinema.

	1H 2012 RMB million	1H 2011 RMB million
Shanghai Shimao International Plaza	83.6	79.7
Beijing Shimao Tower	48.0	42.5
Changshu Shimao The Center	7.5	13.0
Shanghai Shimao Shangdu Tower	16.9	17.6
Suzhou Shimao Canal Scene	5.6	4.9
Shaoxing Shimao Dear Town	36.8	35.2
Kunshan Shimao Plaza	11.2	–
Xuzhou Shimao Dongdu	6.2	–
Miscellaneous rental income	10.0	3.1
Others	318.2	40.2
Total	544.0	236.2

COST OF SALES

Cost of sales increased by 24% to approximately RMB8,975.4 million for the six months ended 30 June 2012 from RMB7,254.9 million for the six months ended 30 June 2011, primarily due to the increase in cost of properties sold in line with the increase in areas delivered.

Cost of sales are analysed as follows:

	1H 2012 RMB million	1H 2011 RMB million
Sales taxes	814.0	677.5
Land costs, construction costs and capitalised borrowing costs	7,711.6	6,406.4
Direct operating costs for hotels, commercial properties and others	449.8	171.0
Total	8,975.4	7,254.9

FAIR VALUE GAINS ON INVESTMENT PROPERTIES

During the period under review, the Group recorded aggregate fair value gains of RMB1,827.3 million (1H 2011: RMB2,057.2 million), mainly contributed by further increase in value of certain investment properties.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER GAINS

Other gains of RMB898.1 million for the six months ended 30 June 2012 (1H 2011: RMB429.8 million) included mainly gain on reduction in control of subsidiaries and government grants.

SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

Selling and marketing costs for the period was RMB439.9 million (1H 2011: RMB272.4 million). Selling expenses increased by 61.5% year-on-year which was in line with significant growth in contracted sales. Administrative expenses for the period was RMB865.6 million (1H 2011: RMB846.8 million). The increase was mainly due to hotel expenses with the commencement of two new hotels from the second half year of 2011.

OPERATING PROFIT

Operating profit amounted to RMB5,970.3 million for the six months ended 30 June 2012, a decrease of 3.4% over the first half of 2011.

FINANCE COSTS – NET

Net finance costs decreased to RMB12.5 million (1H 2011: RMB349.8 million) mainly due to that more loan interests were capitalized during the period.

SHARE OF RESULTS OF ASSOCIATED COMPANIES & JOINTLY CONTROLLED ENTITIES

Share of losses of associated companies amounted to RMB106.7 million (1H 2011: share of profits of RMB119.9 million) in the first half of 2012, which was mainly due to the loss of Guangzhou Asian Game City Project. Share of losses of jointly controlled entities amounted to RMB28.8 million (1H 2011: share of profits of RMB18.9 million).

TAXATION

The Group's tax provisions amounted to RMB2,154.9 million in which PRC land appreciation tax ("LAT") was RMB670.8 million (1H 2011: RMB2,155.4 million, in which LAT was RMB639.2 million) for the period.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the period decreased by 5.5% from RMB3,297.2 million in the first half of 2011 to RMB3,114.7 million in the first half of 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2012, total assets of the Group were RMB123.5 billion, of which current assets reached RMB74.0 billion. Total liabilities were RMB85.5 billion, whereas non-current liabilities were RMB29.5 billion. Total equity was RMB38.0 billion, of which equity attributable to the shareholders of the Company amounted to RMB33.2 billion.

As of 30 June 2012, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB15.3 billion (31 December 2011: RMB14.0 billion), total borrowings amounted to approximately RMB41.2 billion (31 December 2011: RMB42.6 billion). Total net borrowings were RMB25.9 billion (31 December 2011: RMB28.6 billion). Net gearing ratio decreased from 81.7% as at 31 December 2011 to 68.3% as at 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The maturity of the borrowings of the Group as at 30 June 2012 is set out as follows:

	RMB million
Bank borrowings and borrowings from other financial institutions	
Within 1 year	15,334
Between 1 and 2 years	7,857
Between 2 and 5 years	6,053
Over 5 years	4,518
Senior notes	
Between 2 and 5 years	2,151
Over 5 years	5,273

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	1,550	9,802
HK\$	5,148	4,196
RMB	27,188	27,188

FINANCING ACTIVITIES

To lower the net gearing ratio, the Group prioritized reduction of borrowings with the enhancing operating cash inflows. Total borrowings decreased from RMB42.6 billion as at 31 December 2011 to RMB41.2 billion as at 30 June 2012.

The Group continued to maintain good relationships with banks and other financial institutions during the period. Further, the Group has begun its deleveraging plan during the period and as a result there was a net reduction in the gross amount of the borrowings of approximately RMB1,375.0 million. The Group will continue its deleveraging as planned during the second half of 2012.

As at 30 June 2012, the Group had unutilized credit facilities of approximately RMB10.0 billion.

FOREIGN EXCHANGE RISKS

Other than financing activities such as foreign currency borrowings which were denominated in foreign currencies, the Group conducts its business almost exclusively in RMB. The Group would be affected mainly by the bank deposits denominated in foreign currencies and outstanding foreign currency borrowings which include US\$330 million equivalents syndicated loans, US\$1.2 billion senior notes and US\$46.0 million and HK\$5.1 billion bank loans as at 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As of 30 June 2012, the Group had pledged property and equipment, investment properties, land use rights, available-for-sale financial assets, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB37.9 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB26.7 billion. The Group had also pledged shares of certain subsidiaries for a total borrowing of RMB4.3 billion.

CONTINGENCIES

As of 30 June 2012, the Group had provided guarantees for approximately RMB7.8 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB3.4 billion in its portion of equity interests in two associated companies and a jointly controlled entity for their borrowings.

CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE COMMITMENTS

As of 30 June 2012, the Group had contracted capital and property development expenditure but not provided for amounted to RMB28.7 billion.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2012, the Group employed a total of 4,899 employees. Total remuneration for the period amounted to RMB471.0 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to the Share Option Scheme, a share award scheme of the Company (the "Share Award Scheme") was adopted by the board of directors of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programmes for its staff to improve their skills and develop their respective expertise.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

HUI WING MAU (CHAIRMAN)

Mr. Hui Wing Mau, aged 62, the Chairman and Executive Director of Shimao Property Holdings Limited (the "Company") and the founder of the Group. With over 22 years' experience in property development, property investment and hotel operation, he is primarily responsible for the Group's overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Eleventh Chinese People's Political Consultative Conference, vice chairman of the China National Federation of Industry and Commerce, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, vice chairman of China Housing Industry Association, president of The Association for the Promotion of Global Chinese Traders Fraternity, executive president of China Red Ribbon Foundation and president of New Home Association Hong Kong. Mr. Hui obtained a Masters Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 64.21% owned subsidiary of the Company listed on the Shanghai Stock Exchange, and a director of Shimao International Holdings Limited ("Shimao International"). He is a director of Gemfair Investments Limited and Shiyong Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the Vice Chairman and the President of Shanghai Shimao.

HUI SAI TAN, JASON (VICE CHAIRMAN)

Mr. Hui Sai Tan, Jason, aged 35, the Vice Chairman and Executive Director of the Company. He has been the Group Sales Controller since he joined the Group in March 2000. Mr. Jason Hui is responsible for the sales, marketing, management and design of the Group's projects. He has more than 13 years' experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Masters Degree in Business Administration from the University of South Australia in 2004. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference. He has been an Executive Director and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively and was an executive director of Shimao International from July 2002 to June 2006. He is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman and Executive Director of the Company, and a brother of Ms. Hui Mei Mei, Carol, the Vice Chairman and the President of Shanghai Shimao.

LIU SAI FEI

Mr. Liu Sai Fei, aged 50, has joined the Group since 2003 and was appointed an Executive Director of the Company on 1 February 2010. He is currently a Vice President and Regional Project Controller of the Group, responsible for project management of the Group's projects. He obtained a Masters Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 27 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 to 2003, he worked for Shanghai Merry Land Co. Ltd. as project manager.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

EXECUTIVE DIRECTORS (continued)

XU YOUNONG

Mr. Xu Younong, aged 54, has joined the Group since June 2001 and was appointed an Executive Director of the Company on 1 January 2011. He is currently a Vice President and Regional President of the Group, responsible for project management of the Group. Mr. Xu holds a Bachelors degree of engineering from Tong Ji University in Shanghai and has over 28 years' experience in architectural design and project management. Prior to joining the Group, he worked for Shanghai Building Material Industry Design Institute (上海市建築材料工業設計研究院) from 1983 to 1992 as an engineer and designer. From 1993 to 2001, he worked for Shanghai Fortune World Development Company Limited as project manager.

NON-EXECUTIVE DIRECTOR

YAO LI

Ms. Yao Li, aged 57, acted as an Executive Director of the Company from 25 January 2006 to 17 June 2012 and has been a Non-executive Director of the Company since 18 June 2012. She was the Group Operations Controller from 2002 to 2010 and responsible for loan finance, management of enterprise operation, human resources, training and administrative support of the Group. Ms. Yao is currently a director and the President of Straits Construction Investment (Holdings) Limited ("Straits Construction"). The Company currently has a 49% indirect interest in Straits Construction. Ms. Yao obtained a Masters Degree in Business Administration from the University of South Australia. She has more than 26 years' experience in office administration, human resources management and staff training. Ms. Yao worked for China Construction Bank from 1984 to 2002 and was posted to Hong Kong and Johannesburg between 1994 and 2002. She held various positions in China Construction Bank including the Head of the Hong Kong Training Centre.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KAN LAI KUEN, ALICE

Ms. Kan Lai Kuen, Alice, aged 57, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 20 years' experience in corporate finance. She is a responsible officer of three licensed corporations registered under the Securities and Futures Ordinance, Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She is also a shareholder and the managing director of Asia Investment Management Limited and Asia Investment Research Limited. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on The Stock Exchange of Hong Kong Limited: Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, Sunway International Holdings Limited, China Energine International (Holdings) Limited. She is also a non-executive independent director of AVIC International Investments Limited, a company listed on Singapore Exchange Securities Trading Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Ms. Kan held various senior positions in international and local banks and financial institutions.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

LU HONG BING

Mr. Lu Hong Bing, aged 45, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Masters Degree in law from the East China University of Politics Science and Law in 1991 and has more than 19 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent director on the boards of the following companies which are listed on the Shanghai Stock Exchange: Shanghai Pudong Road & Bridge Construction Co., Ltd (上海浦東路橋建設股份有限公司), Shanghai Aerospace Automobile Electromechanical Co., Ltd (上海航天汽車機電股份有限公司), Shanghai Jiada Only Co., Ltd (上海交大昂立股份有限公司), Shanghai Metersbonwe Fashion & Accessories Co., Ltd (上海美特斯邦威服飾股份有限公司), Shanghai DaZhong Public Utilities (Group) Co., Ltd (上海大眾公用事業(集團)股份有限公司). Mr. Lu is an executive partner of the Grandall Legal Group, a vice-president of the Executive Council of the All China Lawyers Association, an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of the East China University of Political Science and Law and the Shanghai Institute of Foreign Trade and a commissioner of the public offering commission of the Shanghai Stock Exchange. He was appointed as an independent non-executive director of Shimao International from October 2001 to February 2005.

LAM CHING KAM

Mr. Lam Ching Kam, aged 51, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member and the committee member of the PRC committee (Quantity Surveying Division) of the Hong Kong Institute of Surveyors. Mr. Lam obtained a Masters Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Building and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a registered China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 10 years. Mr. Lam has been in the property development and construction industry for 28 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co. Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing.

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 2012 was as follows:

Name of Directors	Date of grant (DD/MM/YY)	Exercise price per share (HK\$)	Number of share options			As at 30 June 2012	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 January 2012	Exercised	Lapsed			
Hui Sai Tan, Jason	09/06/06	5.625	378,000	(378,000)	-	0	01/04/07-08/06/12	9.45
Xu Younong	09/06/06	5.625	197,000	-	(197,000)	0	01/04/07-08/06/12	-
Yao Li	09/06/06	5.625	924,000	(924,000)	-	0	01/04/07-08/06/12	9.45
			1,499,000	(1,302,000)	(197,000)	0		-
Senior Management and Employees of the Group	09/06/06	5.625	6,525,550	(5,318,650)	(1,206,900)	0	01/04/07-08/06/12	9.60
			8,024,550	(6,620,650)	(1,403,900)	0		

- (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.
- (e) 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)

(1) PRE-IPO SHARE OPTION SCHEME (continued)

- (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 until 8 June 2012 and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.
- (h) 1,403,900 outstanding share options granted under the Pre-IPO Share Option Scheme lapsed automatically on 8 June 2012, being the last date for exercise of all outstanding options.

(2) SHARE OPTION SCHEME

- (a) The purpose of the Share Option Scheme is to provide the participants the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.
- (b) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.
- (c) The total number of shares which may be issued upon exercise of all options (the "Share Options") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.
- (d) The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue and any further grant of Share Options which would result in the number of shares of the Company issued as aforesaid exceeding the said 1% limit must be approved by the shareholders of the Company.
- (e) The exercise price of the Share Options shall be no less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.
- (f) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (g) Performance targets have been imposed as conditions for the grant of options under the Share Option Scheme.
- (h) The Share Option Scheme will expire on 8 June 2016.
- (i) No share options was granted under the Share Option Scheme during the six months ended 30 June 2012, nor was there any share option outstanding as at 31 December 2011 and 30 June 2012.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INFORMATION ON SHARE OPTIONS (continued)

(2) SHARE OPTION SCHEME (continued)

Other details of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in note 14 to the interim condensed consolidated financial information.

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 2012, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

(1) Long position in the shares of the Company

Name of Directors	Capacity/Nature of Interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	2,216,437,442 ^(Note)	63.83%
Hui Sai Tan, Jason	Beneficial owner	2,112,000	0.06%
Yao Li	Beneficial owner	1,336,500	0.04%
Liu Sai Fei	Beneficial owner	437,600	0.01%

Note:

These 2,216,437,442 shares represent the interests in the Company held by Gemfair Investments Limited and Shiyang Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.

(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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2012 as the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS IN SECURITIES (continued)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

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

Name	Nature of interest	Long/Short position	Number of shares or underlying shares held	Approximate percentage of issued share capital
Gemfair Investments Limited ("Gemfair")	Note (1)	Long	1,947,984,000	56.10%
Overseas Investment Group International Limited ("Overseas Investment")	Note (2)	Long	1,947,984,000	56.10%
Shiyang Finance Limited ("Shiyang Finance")	Note (3)	Long	268,453,442	7.73%
Citigroup Inc.	Note (4)	Long	173,769,228	5.00%
	Note (5)	Short	155,191,710	4.46%

Notes:

- (1) The interests disclosed represent the interests in the Company which are held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- (2) The interests disclosed represent 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.
- (3) The interests disclosed represent the interests in the Company which are held by Shiyang Finance, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- (4) The long position in shares of the Company held by Citigroup Inc. are held in the capacities of interest of controlled corporation (relating to 108,877,364 shares), custodian corporation/approved lending agent (relating to 63,690,864 shares) and person having a security interest (relating to 1,201,000 shares), of which 3,442,133 shares represent underlying interests in physically settled unlisted derivatives.
- (5) The short position in shares of the Company held by Citigroup Inc. are held in the capacity of interest of controlled corporation, of which 19,445,961 shares represent underlying interests in physically settled unlisted 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into a credit agreement (the "Credit Agreement") on 14 May 2010 between, among others, the Company as borrower, certain subsidiaries of the Company as guarantors, Standard Chartered Bank (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited, Hang Seng Bank Limited and Sumitomo Mitsui Banking Corporation as mandated co-ordinating arrangers and certain financial institutions as lenders, pursuant to which, multi-currency term loan facilities (the "Loan Facilities") in the amount of US\$440,000,000 and HK\$156,000,000 was made available to the Company in the period of June 2010, for a term of 36 months from the date of the Credit Agreement.

Pursuant to the Credit Agreement, if Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; (iii) to have the power to direct the management of the Company, whether through the ownership of voting capital, by contract or otherwise; or (iv) to remain as the chairman of the Board, the commitments under the Loan Facilities may be cancelled and all amounts outstanding under the Loan Facilities may become immediately due and payable.

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

AUDIT COMMITTEE

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

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

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

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2012 have been reviewed by the Audit Committee and the auditor of the Company.

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012 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 (“Mr. Hui”) is the chairman of the Company and founder of the Group. With Mr. Hui’s extensive experience in property development and investment, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer 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 four Executive Directors, one Non-executive Director and three 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. All directors of the Company confirmed they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 4,000,000 shares of the Company at a total consideration of approximately HK\$26 million.

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the six months ended 30 June 2012.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 27 August 2012

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	9,318,142	8,325,789
Investment properties	6	23,760,512	20,566,979
Land use rights	6	2,546,595	2,475,068
Intangible assets	6	2,234,631	2,264,027
Associated companies	7	1,201,560	1,308,281
Jointly controlled entities	8	5,466,629	4,307,877
Available-for-sale financial assets		347,462	267,362
Deferred income tax assets		1,341,089	1,313,909
Other non-current assets	9	3,272,583	3,205,665
		49,489,203	44,034,957
Current assets			
Properties under development		37,450,785	37,324,085
Completed properties held for sale		5,963,207	7,382,116
Trade and other receivables and prepayments	10	6,322,159	4,472,085
Prepayments for acquisition of land use rights	11	5,959,295	7,634,561
Prepaid income taxes		1,067,122	949,184
Amounts due from related companies	12	1,947,941	1,451,591
Restricted cash	13	1,482,383	1,681,222
Cash and cash equivalents		13,771,826	12,312,740
		73,964,718	73,207,584
Total assets		123,453,921	117,242,541
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	14	356,275	355,737
Reserves			
– Proposed dividend		—	505,772
– Others		32,890,159	29,730,171
		33,246,434	30,591,680
Non-controlling interests		4,730,520	4,426,397
Total equity		37,976,954	35,018,077

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	25,852,054	27,577,834
Deferred income tax liabilities		3,612,290	3,172,815
		<u>29,464,344</u>	<u>30,750,649</u>
Current liabilities			
Trade and other payables	16	15,990,862	17,317,407
Dividend payable		507,551	—
Advanced proceeds received		15,598,996	11,828,902
Income tax liabilities		7,339,079	7,159,326
Borrowings	15	15,333,766	14,983,419
Derivative financial instruments		60,198	52,115
Amounts due to related parties	17	1,079,695	30,831
Deferred income		102,476	101,815
		<u>56,012,623</u>	<u>51,473,815</u>
Total liabilities		<u>85,476,967</u>	<u>82,224,464</u>
Total equity and liabilities		<u>123,453,921</u>	<u>117,242,541</u>
Net current assets		<u>17,952,095</u>	<u>21,733,769</u>
Total assets less current liabilities		<u>67,441,298</u>	<u>65,768,726</u>

The notes on pages 41 to 66 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Revenue	5(A)	13,687,238	12,172,975
Cost of sales	18	(8,975,352)	(7,254,910)
Gross profit		4,711,886	4,918,065
Fair value gains on investment properties		1,827,299	2,057,177
Other income/other gains – net	19	898,050	429,765
Selling and marketing costs	18	(439,911)	(272,380)
Administrative expenses	18	(865,630)	(846,812)
Other operating expenses	18	(161,427)	(102,897)
Operating profit		5,970,267	6,182,918
Finance income		61,595	60,564
Finance costs		(74,055)	(410,371)
Finance costs – net	20	(12,460)	(349,807)
Share of results of			
– Associated companies		(106,721)	119,908
– Jointly controlled entities		(28,828)	18,879
		(135,549)	138,787
Profit before income tax		5,822,258	5,971,898
Income tax expense	21	(2,154,941)	(2,155,428)
Profit for the period		3,667,317	3,816,470
Other comprehensive income/(loss):			
Fair value gains/(losses) on available-for-sale financial assets, net of tax		60,075	(16,778)
Total comprehensive income for the period		3,727,392	3,799,692

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Profit for the period attributable to:			
Equity holders of the Company		3,114,688	3,297,224
Non-controlling interests		552,629	519,246
		3,667,317	3,816,470
Total comprehensive income for the period attributable to:			
Equity holders of the Company		3,153,269	3,286,449
Non-controlling interests		574,123	513,243
		3,727,392	3,799,692
Dividends	22	—	649,216
Earnings per share for profit attributable to the equity holders of the Company			
– basic (RMB cents)	23	89.8	92.9
– diluted (RMB cents)	23	89.7	92.8

The notes on pages 41 to 66 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Note	Unaudited			Total RMB'000
		Attributable to the equity holders of the Company		Non- interests controlling RMB'000	
		Share capital RMB'000	Reserves RMB'000		
Balance at 1 January 2012		355,737	30,235,943	4,426,397	35,018,077
Profit for the period		—	3,114,688	552,629	3,667,317
Other comprehensive income					
– Fair value gains on available-for-sale financial assets, net of tax		—	38,581	21,494	60,075
Total comprehensive income for the period		—	3,153,269	574,123	3,727,392
Transactions with owners:					
Acquisition of additional interests of subsidiaries		—	—	(330,000)	(330,000)
Changes in ownership interests in subsidiaries without change of control		—	—	60,000	60,000
Employee share option scheme					
– Proceeds from shares issued	14	538	29,704	—	30,242
Repurchases of shares		—	(21,206)	—	(21,206)
2011 final dividend payable	22	—	(507,551)	—	(507,551)
Total transactions with owners		538	(499,053)	(270,000)	(768,515)
Balance at 30 June 2012		356,275	32,890,159	4,730,520	37,976,954
Balance at 1 January 2011		362,384	26,336,450	3,255,150	29,953,984
Profit for the period		—	3,297,224	519,246	3,816,470
Other comprehensive loss					
– Fair value losses on available-for-sale financial assets, net of tax		—	(10,775)	(6,003)	(16,778)
Total comprehensive income for the period		—	3,286,449	513,243	3,799,692
Transactions with owners:					
Acquisition of subsidiaries		—	—	25,500	25,500
Capital contribution from non-controlling interests of subsidiaries		—	—	434,188	434,188
Employee share option scheme					
– Proceeds from shares issued		161	8,929	—	9,090
2010 final dividend payable		—	(742,034)	—	(742,034)
Total transactions with owners		161	(733,105)	459,688	(273,256)
Balance at 30 June 2011		362,545	28,889,794	4,228,081	33,480,420

The notes on pages 41 to 66 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	2,795,929	(1,702,674)
Net cash outflow from investing activities	(1,745,975)	(3,349,244)
Net cash inflow from financing activities	407,936	4,349,769
	<hr/>	<hr/>
Increase/(Decrease) in cash and cash equivalents	1,457,890	(702,149)
Cash and cash equivalents at 1 January	12,312,740	12,139,549
Effect of foreign exchange rate changes	1,196	(31,967)
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>13,771,826</u>	<u>11,405,433</u>

The notes on pages 41 to 66 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

This interim condensed consolidated financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and was approved by the Company's board of directors on 27 August 2012.

This interim condensed consolidated financial information has not been audited.

This interim condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

2 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements for the year ended 31 December 2011.

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

(A) AMENDMENT TO STANDARDS ADOPTED BY THE GROUP

- HKAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

This amendment does not have any significant impact on the Group's financial statements as the Group's investment properties are all located in the PRC, where the capital gains tax rate is same as the income tax rate.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

2 ACCOUNTING POLICIES (continued)

(B) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- HKAS 1 (Amendment) 'Presentation of financial statements' requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). This standard is effective for annual periods beginning on or after 1 July 2012 with early adoption permitted.
- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is effective for the accounting period beginning on or after 1 January 2013 with early adoption permitted.
- HKFRS 11 'Joint Arrangements' reduced the types of joint arrangements to two: joint operations and joint ventures and proportional consolidation of joint ventures is no longer allowed. This standard is effective for the accounting period beginning on or after 1 January 2013 with early adoption permitted.
- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for the accounting period beginning on or after 1 January 2013 with early adoption permitted.
- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. This standard is effective for the accounting period beginning on or after 1 January 2013 with early adoption permitted.
- HKAS 19 (Amendment) 'Employee benefits' eliminate the corridor approach and calculate finance costs on a net funding basis. This standard is effective for the accounting period beginning on or after 1 January 2013 with early adoption permitted.
- HKFRS 7 (Amendment) 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities' requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. This standard is effective for the accounting period beginning on or after 1 January 2013.
- Fourth 2011 annual improvements project – Changes effective for annual periods beginning on or after 1 January 2013 (subject to HKICPA endorsement) with early adoption permitted.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

2 ACCOUNTING POLICIES (continued)

(B) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted: (continued)

- HKAS 32 (Amendment) 'Financial instruments: Presentation – Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. This standard is not applicable until 1 January 2015 but is available for early adoption.

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

3 ESTIMATES

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 FINANCIAL RISK FACTORS

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no significant changes in any risk management policies.

4.2 LIQUIDITY RISK

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 FAIR VALUE ESTIMATION

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

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

The Group's financial instruments carried at fair value are the available-for-sale financial assets and derivative financial instruments, the fair values of which are determined according to valuation method of level 1 and level 3 respectively.

5 SEGMENT INFORMATION

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

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

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

(A) REVENUE

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of properties	12,651,736	11,501,521
Hotel operation income	491,512	435,333
Rental income from investment properties	225,804	196,001
Others	318,186	40,120
	<u>13,687,238</u>	<u>12,172,975</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION

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

	Property development and investment				Total RMB'000
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Hotel Operation RMB'000	Unallocated** RMB'000	
Revenue					
– Sales of properties	2,514,516	10,137,220	—	—	12,651,736
– Hotel operation income	44,211	—	447,301	—	491,512
– Rental income from investment properties	139,881	85,923	—	—	225,804
– Others	282,636	35,550	—	—	318,186
Total revenue	<u>2,981,244</u>	<u>10,258,693</u>	<u>447,301</u>	<u>—</u>	<u>13,687,238</u>
Operating profit/(loss)	2,437,339	3,651,893	53,056	(172,021)	5,970,267
Finance (costs)/income – net	(51,142)	50,623	(2,415)	(9,526)	(12,460)
Share of results of					
– Associated companies	—	(106,721)	—	—	(106,721)
– Jointly controlled entities	—	(28,828)	—	—	(28,828)
Profit/(loss) before income tax	<u>2,386,197</u>	<u>3,566,967</u>	<u>50,641</u>	<u>(181,547)</u>	<u>5,822,258</u>
Income tax expense					<u>(2,154,941)</u>
Profit for the period					<u>3,667,317</u>
Other segment items are as follows:					
Capital and property development expenditure	3,480,092	6,045,913	914,428	1,138	10,441,571
Fair value gains on investment properties	1,424,906	402,393	—	—	1,827,299
Impairment of intangible assets	—	29,396	—	—	29,396
Depreciation	42,764	13,057	96,453	9,236	161,510
Amortisation of land use rights	2,985	—	18,458	—	21,443
Provision for/(write back of provision for) impairment of receivables	—	—	—	—	—

* The Group owns an effective equity interest of 64.2% in Shanghai Shimao since 31 May 2009.

** Unallocated mainly represent corporate level activities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2011 are as follows:

	Property development and investment		Hotel Operation RMB'000	Unallocated RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000			
Revenue					
– Sales of properties	3,120,429	8,381,092	—	—	11,501,521
– Hotel operation income	—	—	435,333	—	435,333
– Rental income from investment properties	127,712	68,289	—	—	196,001
– Others	32,055	8,065	—	—	40,120
Total revenue	<u>3,280,196</u>	<u>8,457,446</u>	<u>435,333</u>	<u>—</u>	<u>12,172,975</u>
Operating profit	2,420,549	3,541,049	32,137	189,183	6,182,918
Finance costs – net	(69,100)	(120,816)	(2,951)	(156,940)	(349,807)
Share of results of					
– Associated companies	—	119,908	—	—	119,908
– Jointly controlled entities	—	18,879	—	—	18,879
Profit before income tax	<u>2,351,449</u>	<u>3,559,020</u>	<u>29,186</u>	<u>32,243</u>	5,971,898
Income tax expense					<u>(2,155,428)</u>
Profit for the period					<u>3,816,470</u>
Other segment items are as follows:					
Capital and property development expenditure	2,314,996	11,228,456	646,793	1,222	14,191,467
Fair value gains on investment properties	1,453,277	603,900	—	—	2,057,177
Impairment of intangible assets	—	10,648	—	—	10,648
Depreciation	8,271	23,049	96,370	10,870	138,560
Amortisation of land use rights	2,692	—	18,602	—	21,294
Provision for/(write back of provision for) impairment of receivables	<u>7,946</u>	<u>(7,096)</u>	<u>—</u>	<u>—</u>	<u>850</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2012 are as follows:

	Property development and investment			Total RMB'000
	Shanghai	Others	Hotel	
	Shimao RMB'000	RMB'000	operation RMB'000	
Associated companies	—	1,201,560	—	1,201,560
Jointly controlled entities	—	5,466,629	—	5,466,629
Intangible assets	1,709,730	393,973	130,928	2,234,631
Other segment assets	37,379,882	63,777,472	10,944,369	112,101,723
Total segment assets	<u>39,089,612</u>	<u>70,839,634</u>	<u>11,075,297</u>	121,004,543
Deferred income tax assets				1,341,089
Available-for-sale financial assets				347,462
Other assets				760,827
Total assets				<u>123,453,921</u>
Borrowings	11,220,543	15,656,963	310,000	27,187,506
Other segment liabilities	11,204,182	21,259,646	7,400,566	39,864,394
Total segment liabilities	<u>22,424,725</u>	<u>36,916,609</u>	<u>7,710,566</u>	67,051,900
Corporate borrowings				13,998,314
Deferred income tax liabilities				3,612,290
Derivative financial instruments				60,198
Other liabilities				754,265
Total liabilities				<u>85,476,967</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2011 are as follows:

	Property development and investment			Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	
Associated companies	—	1,308,281	—	1,308,281
Jointly controlled entities	—	4,307,877	—	4,307,877
Intangible assets	1,709,730	423,369	130,928	2,264,027
Other segment assets	32,951,193	64,423,050	9,761,011	107,135,254
Total segment assets	<u>34,660,923</u>	<u>70,462,577</u>	<u>9,891,939</u>	115,015,439
Deferred income tax assets				1,313,909
Available-for-sale financial assets				267,362
Other assets				645,831
Total assets				<u>117,242,541</u>
Borrowings	11,148,353	17,716,205	212,000	29,076,558
Other segment liabilities	7,835,562	22,523,401	5,851,662	36,210,625
Total segment liabilities	<u>18,983,915</u>	<u>40,239,606</u>	<u>6,063,662</u>	65,287,183
Corporate borrowings				13,484,695
Deferred income tax liabilities				3,172,815
Derivative financial instruments				52,115
Other liabilities				227,656
Total liabilities				<u>82,224,464</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

6 CAPITAL EXPENDITURE

	Property and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2012	8,325,789	20,566,979	2,475,068	2,264,027	33,631,863
Additions	1,156,367	1,134,274	104,085	—	2,394,726
Amortisation of land use rights	11,115	—	(11,115)	—	—
Transfer from properties under development	—	231,960	—	—	231,960
Fair value gains	—	1,827,299	—	—	1,827,299
Write-off of goodwill	—	—	—	(29,396)	(29,396)
Depreciation/amortisation charged to the income statement	(161,510)	—	(21,443)	—	(182,953)
Deemed disposal of subsidiaries	(1,067)	—	—	—	(1,067)
Disposals	(12,552)	—	—	—	(12,552)
Closing net book amount as at 30 June 2012	<u>9,318,142</u>	<u>23,760,512</u>	<u>2,546,595</u>	<u>2,234,631</u>	<u>37,859,880</u>
Opening net book amount as at 1 January 2011	6,553,628	11,854,995	2,572,389	2,280,462	23,261,474
Additions	967,335	932,584	164,647	—	2,064,566
Amortisation of land use rights	13,095	—	(13,095)	—	—
Transfer from properties under development	—	3,477,519	5,632	—	3,483,151
Fair value gains	—	2,057,177	—	—	2,057,177
Write-off of goodwill	—	—	—	(10,648)	(10,648)
Depreciation/amortisation charged to the income statement	(138,560)	—	(21,294)	—	(159,854)
Disposals	(17,833)	—	—	—	(17,833)
Closing net book amount as at 30 June 2011	<u>7,377,665</u>	<u>18,322,275</u>	<u>2,708,279</u>	<u>2,269,814</u>	<u>30,678,033</u>

The fair values of the Group's investment properties as at 30 June 2012 are valued by Vigers Appraisal & Consulting Limited, an independent qualified valuer. Valuations are based on either: (i) income capitalisation approach based on existing and current market rents for similar properties, using capitalisation rates that reflect current market assessments of the uncertainty in the market; or (ii) direct comparison approach assuming sales of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market.

Intangible assets comprise goodwill from business combinations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

7 ASSOCIATED COMPANIES

	Six months ended 30 June 2012
	RMB'000
Opening balance	1,308,281
Share of results	<u>(106,721)</u>
Ending balance	<u><u>1,201,560</u></u>

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

	Assets	Liabilities	Revenue	Net profit
	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2012 and six months ended 30 June 2012	<u>7,779,394</u>	<u>(6,577,834)</u>	<u>111,799</u>	<u>(106,721)</u>

Guangzhou Li He Property Development Company Limited ("Guangzhou Li He") is an associate company of the Group, in which the Group holds 20% equity interest. The land use right of Guangzhou Li He consists of three phases. According to the agreed payment schedule of land premium, the third phase land premium of RMB10,200,000,000 should be settled in December 2011. As at 30 June 2012, there was an outstanding land premium totalling RMB9,200,000,000 remained unsettled. Management of Guangzhou Li He is in the progress of negotiating with related government authorities about the repayment schedule of this outstanding land premium and has made a progress payment of approximately RMB1,000,000,000 on 1 August 2012. Based on the continuing negotiation initiated by the management of Guangzhou Li He and their consultation with external lawyer, the directors of the Company consider that the delayed payment of land premium does not have significant adverse impact on the operation result and financial position of the Group as at 30 June 2012.

8 JOINTLY CONTROLLED ENTITIES

	Six months ended 30 June 2012
	RMB'000
Opening balance	1,522,831
Share of results	(28,828)
Transfer from subsidiaries (note)	<u>1,306,029</u>
Ending balance	2,800,032
Advances to jointly controlled entities	<u>2,666,597</u>
	<u><u>5,466,629</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

8 JOINTLY CONTROLLED ENTITIES (continued)

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

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

	Assets	Liabilities	Revenue	Net profit
	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2012 and six months ended 30 June 2012	<u>9,528,824</u>	<u>(6,728,792)</u>	<u>13</u>	<u>(28,828)</u>

Note:

In March 2012 and May 2012, a third party made capital injections into two subsidiaries (Nanchang Shimao New Development Property Co., Ltd. and Changsha Shimao Real Estate Co., Ltd.) of the Group unilaterally at a total consideration of RMB1.3 billion, where the Group's equity interests in these two subsidiaries were diluted from 100% to 50% accordingly. Pursuant to the revised articles of association, the Group and the third party jointly control the operation of these two entities. As controls of these two entities were lost, the Group's retained interests in these two entities were recognised at their fair value at the date when the controls were lost. The remeasurement gains of RMB492,635,000 resulted from the deemed disposal of the two subsidiaries were recognised in the income statement. A net cash outflow of approximately RMB134 million from these transactions was recognised as a cash outflow from investing activities in the cash flow statement.

9 OTHER NON-CURRENT ASSETS

As at 30 June 2012, the Group has made prepayments of RMB3,272,583,000 (31 December 2011: RMB2,875,665,000) for certain land use rights for the purpose to develop hotel buildings, self-used buildings and investment properties, the ownership certificates of which have not been obtained as at the balance sheet date.

As at 31 December 2011, the Group has made prepayments of RMB330,000,000 for acquisition of additional interests in a subsidiary. The acquisition was completed by 30 June 2012.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Bidding deposits for land use rights	982,884	1,177,617
Trade receivables (note)	2,744,761	1,549,466
Prepaid business taxes on pre-sale proceeds	846,357	676,215
Prepayments for construction costs	830,386	326,812
Other receivables	917,771	741,975
	<u>6,322,159</u>	<u>4,472,085</u>

Note:

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 90 days	1,579,355	1,220,336
Over 90 days and within 365 days	1,017,826	289,375
Over 365 days	147,580	39,755
	<u>2,744,761</u>	<u>1,549,466</u>

Trade receivables are analysed as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Fully performing under credit terms	1,878,476	872,166
Past due but not impaired	866,285	677,300
	<u>2,744,761</u>	<u>1,549,466</u>

As the Group normally holds collateral of the properties before collection of the outstanding balances and passing the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no impairment was made against past due receivables as at 30 June 2012 and 31 December 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

11 PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

Prepayments for acquisition of land use rights are related to acquisition of land for the purpose to develop properties for sale, the ownership certificates of which have not been obtained as at the balance sheet date.

12 AMOUNTS DUE FROM RELATED COMPANIES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Companies with common directors		
Shimao International Holdings Limited ("Shimao International")	489	486
Shanghai Mason Club Co., Ltd.	161	161
Associated companies		
Guangzhou Li He (note)	850,078	1,141,312
Straits Construction Investment (Holdings) Limited ("Straits Construction")	23,935	22,939
Jointly controlled entities		
Qingdao Shimao New City Property Development Co., Ltd. ("Qingdao New City") (note)	1,070,224	284,261
Tianjin Jinnan New City Property Development Co., Ltd. ("Tianjin Jinnan")	2,446	2,432
Hai Shu Property Development (Hangzhou) Co., Ltd.	608	—
	<u>1,947,941</u>	<u>1,451,591</u>

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

Note:

The Group made advances to Guangzhou Li He and Qingdao New City to finance its acquisition of land use right or construction cost.

13 RESTRICTED CASH

As at 30 June 2012, the Group's cash of approximately RMB453,132,000 (31 December 2011: RMB365,086,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The Group's cash of approximately RMB1,029,251,000 (31 December 2011: RMB1,316,136,000) were pledged as collateral for the Group's borrowings.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

14 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 2012, and 31 December 2011	0.1	<u>5,000,000</u>	<u>500,000</u>	
Issued and fully paid:				
At 1 January 2012		3,465,951	346,595	355,737
Employee share option scheme				
– Shares issued (B)		<u>6,621</u>	<u>662</u>	<u>538</u>
At 30 June 2012		<u>3,472,572</u>	<u>347,257</u>	<u>356,275</u>
At 1 January 2011		3,547,413	354,742	362,384
Employee share option scheme				
– Shares issued (B)		<u>1,917</u>	<u>192</u>	<u>161</u>
At 30 June 2011		<u>3,549,330</u>	<u>354,934</u>	<u>362,545</u>

(B) PRE-IPO SHARE OPTION SCHEME

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

14 SHARE CAPITAL (continued)

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

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

	Six months ended 30 June	
	2012 '000	2011 '000
Balance at beginning of the period	8,024	10,617
Exercised	(6,621)	(1,917)
Expired	(1,403)	—
Balance at end of the period	—	8,700

There were no outstanding options as at 30 June 2012 (31 December 2011: 8,024,000 options). During the period ended 30 June 2012, 6,621,000 options have been exercised at exercise price of HK\$5.625 per share, totaling HK\$37,243,000 (equivalent to RMB30,242,000).

(C) SHARE OPTION SCHEME

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

15 BORROWINGS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (note (i))	15,948,317	18,161,449
– secured by shares of subsidiary guarantors (note (iii))	2,165,143	2,575,912
– unsecured	427,361	750,000
Long-term borrowings from other financial institutions		
– secured by assets (note (i))	4,818,140	3,152,900
– secured by shares of a listed subsidiary (notes (iv))	3,111,969	3,605,000
– unsecured	50,000	200,000
Senior notes – secured by shares of subsidiary guarantors (note (ii))	7,423,834	7,380,822
	33,944,764	35,826,083
Less: Long-term bank borrowings due within one year	(4,414,435)	(3,965,249)
Long-term borrowings from other financial institutions due within one year	(3,678,275)	(4,283,000)
Amounts due within one year	(8,092,710)	(8,248,249)
	25,852,054	27,577,834
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (note (i))	4,498,696	4,369,627
– unsecured	569,080	25,000
Short term borrowings from other financial institutions		
– secured by assets (note (i))	999,900	700,000
– secured by shares of a listed subsidiary (note (iv))	1,133,380	500,543
– unsecured	40,000	1,140,000
Current portion of long-term borrowings	8,092,710	8,248,249
	15,333,766	14,983,419

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

15 BORROWINGS (continued)

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Opening balance at 1 January	42,561,253	34,072,162
Additions of borrowings	10,825,618	9,933,696
Amortisation of issuance expenses	29,827	38,719
Reductions of borrowings	(12,290,556)	(6,283,668)
Foreign exchange losses/(gains)	59,678	(315,420)
Closing balance at 30 June	<u>41,185,820</u>	<u>37,445,489</u>

Notes:

- (i) As at 30 June 2012, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB26,265,053,000 (31 December 2011: RMB26,383,976,000) were secured by its property and equipment, investment properties, land use rights, available-for-sale financial assets, properties under development, completed properties held for sale and restricted cash. As at 30 June 2012, secured borrowings of RMB7,217,214,000 (31 December 2011: RMB6,450,333,000) were further guaranteed by Mr. Hui Wing Mau.

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Property and equipment	6,481,673	6,955,413
Investment properties	15,744,454	14,423,730
Land use rights	1,871,333	1,892,220
Available-for-sale financial assets	269,640	207,480
Properties under development	11,591,253	17,502,613
Completed properties held for sale	941,218	1,049,536
Restricted cash	1,029,251	1,316,136
	<u>37,928,822</u>	<u>43,347,128</u>

- (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 interest rate due on 1 December 2011 and US\$350,000,000 at a fixed interest rate due on 1 December 2016. The Company may at its option redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain subsidiaries other than those established under the laws of the PRC ("Subsidiary Guarantors"), and secured by a pledge of the shares of these Subsidiary Guarantors. On 3 May 2011, the Company early redeemed senior notes of US\$250,000,000, which was originally due on December 2011.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

15 BORROWINGS (continued)

Notes: (continued)

- (iii) On 14 May 2010, the Company entered into a multi-currency loan facility agreement with a syndicate of 14 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US\$440,000,000 facility and a HK\$156,000,000 facility at a floating rate of interest, of the remaining 75% outstanding as at the date of the report, 30% will mature in 2012 and remaining 45% will mature in 2013. The loan facilities were secured by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. All the facilities have been drawn down as of 30 June 2012.
- (iv) As at 30 June 2012, 796,769,000 shares (31 December 2011: 793,770,000 shares) of Shanghai Shimao held by the Group have been pledged for a total borrowings from other financial institutions of RMB4,245,349,000 (31 December 2011: RMB4,105,543,000) for group companies.

Borrowings from other financial institutions are mainly in the form of trust arrangement with trust financing companies. The substance of the trust arrangement is borrowing, normally with the pledge of assets or shares of Shanghai Shimao as collateral.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. RMB1,998,870,400 of the term loans due for repayment after one year which contain a repayment on demand clause were classified as current liabilities as at 30 June 2012 (31 December 2011: RMB1,987, 836,400), none of these loans are expected to be settled within one year.

16 TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade payables (note (i))	13,398,370	15,525,549
Other taxes payable	615,021	551,945
Accrued expenses	696,755	463,316
Other payables (note (ii))	1,280,716	776,597
	<u>15,990,862</u>	<u>17,317,407</u>

Notes:

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 90 days	12,322,277	14,517,012
Over 90 days and within 1 year	1,076,093	1,008,537
	<u>13,398,370</u>	<u>15,525,549</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

16 TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

(ii) Other payables comprise:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Deposits received from customers	584,349	264,830
Deposits from constructors	460,527	136,289
Rental deposits from tenants and hotel customers	63,502	140,074
Fees collected from customers on behalf of government agencies	62,769	127,719
Others	109,569	107,685
	<u>1,280,716</u>	<u>776,597</u>

17 AMOUNTS DUE TO RELATED PARTIES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Company with common directors		
Perfect Zone International Limited	1,861	1,861
Jointly controlled entity		
Nanchang Shimao New Development Property Co., Ltd.	988,376	—
Changsha Shimao Real Estate Co., Ltd.	89,458	—
Others		
Mr. Xu Shiyong and Ms. Wang Lili – relatives of Mr. Hui Wing Mau	—	28,970
Total	<u>1,079,695</u>	<u>30,831</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

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	
	2012 RMB'000	2011 RMB'000
Cost of properties sold and others	7,788,502	6,406,367
Business taxes and other levies on sales of properties	751,320	642,109
Corporate and office expenses	364,879	300,872
Staff costs – including directors' emoluments	470,962	296,518
Advertising, promotion and commission costs	290,459	220,435
Depreciation	161,510	138,560
Amortisation of land use rights	21,443	21,294
Write-off of goodwill	29,396	10,648
Provision for impairment of receivables	—	850
Direct expenses arising from hotel operation	149,952	101,462
Direct expenses arising from investment properties	11,268	33,570
Operating lease rental expenses	48,391	48,326
Charitable donations	1,170	24,866
Auditor's remuneration	2,522	2,522
Fair value loss on derivative financial instruments	8,083	—
Net exchange loss of borrowings	59,678	—
Others	282,785	228,600
	<u>10,442,320</u>	<u>8,476,999</u>
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses		

19 OTHER INCOME/OTHER GAINS – NET

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Gain on deemed disposal of subsidiaries		
– remeasurement gain on retained interest (note 8)	492,635	—
Gain on disposal of subsidiaries	240,089	—
Government grants received	131,943	195,373
Net exchange gain	—	221,692
Dividend income from available-for-sale financial assets	13,955	4,769
Others	19,428	7,931
	<u>898,050</u>	<u>429,765</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

20 FINANCE COSTS – NET

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	402,237	635,674
– not wholly repayable within five years	142,324	136,170
Interest on senior notes		
– wholly repayable within five years	87,799	—
– not wholly repayable within five years	276,711	382,780
Interest on borrowings from other financial institutions		
– wholly repayable within five years	612,122	191,989
	<u>1,521,193</u>	<u>1,346,613</u>
Less: interest capitalised	(1,447,138)	(936,242)
	<u>74,055</u>	<u>410,371</u>
Finance costs	74,055	410,371
Finance income	(61,595)	(60,564)
	<u>12,460</u>	<u>349,807</u>
Finance costs – net	12,460	349,807

21 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Current income tax		
– PRC enterprise income tax	1,070,170	1,083,537
– PRC withholding income tax	21,700	—
– PRC land appreciation tax	670,801	639,247
	<u>1,762,671</u>	<u>1,722,784</u>
Deferred income tax		
– PRC enterprise income tax	413,970	432,644
– PRC withholding income tax	(21,700)	—
	<u>2,154,941</u>	<u>2,155,428</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

21 INCOME TAX EXPENSE (continued)

(A) HONG KONG PROFITS TAX

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

(B) PRC ENTERPRISE INCOME TAX

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

(C) PRC LAND APPRECIATION TAX

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

(D) PRC WITHHOLDING INCOME TAX

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

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

22 DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2011 of HK22 cents per ordinary share, amounting to HKD780,684,000 (equivalent to RMB649,216,000) has been declared at the Company's board meeting held on 31 August 2011.

A final dividend in respect of the year ended 31 December 2011 of HK18 cents per ordinary share, amounting to approximately HKD625,063,000 (equivalent to RMB507,551,000) was approved at the annual general meeting of the Company held on 18 June 2012.

The directors of the Company resolved not to declare the payment of any interim dividend for the six months ended 30 June 2012.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

23 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	
	2012	2011
Profit attributable to the equity holders of the Company (RMB'000)	3,114,688	3,297,224
Weighted average number of ordinary shares in issue (thousands)	3,468,784	3,548,562
Basic earnings per share (RMB cents)	89.8	92.9

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 share option schemes assuming they were exercised.

	Six months ended 30 June	
	2012	2011
Profit attributable to the equity holders of the Company (RMB'000)	3,114,688	3,297,224
Weighted average number of ordinary shares in issue (thousands)	3,468,784	3,548,562
Adjustments for share options granted under the Pre-IPO Share Option Scheme (thousands)	2,001	4,223
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,470,785	3,552,785
Diluted earnings per share (RMB cents)	89.7	92.8

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

24 CONTINGENCIES

The Group had the following contingent liabilities.

	30 June 2012 RMB'000	31 December 2011 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (i))	7,820,026	7,088,545
Guarantees in respect of borrowings (note (ii))	3,446,313	1,822,500
	<u>11,266,339</u>	<u>8,911,045</u>

Notes:

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees.
- (ii) The Group and other shareholders of Guangzhou Li He, an associated company, provided guarantees in proportion of their respective equity interests in Guangzhou Li He for its bank borrowings. The respective guarantees provided by the Group to Guangzhou Li He amounted to RMB1,752,320,000 as at 30 June 2012 (31 December 2011: RMB922,500,000).

The Group and other shareholders of Tianjin Jinnan, a jointly controlled entity, provided guarantees in proportion of their respective equity interests in Tianjin Jinnan for its borrowings obtained from a trust plan. As at 30 June 2012, the Group provided guarantee amounted to RMB550,000,000 (31 December 2011: RMB900,000,000) as well as the pledge of the Group's equity interests in Tianjin Jinnan.

The Group and other shareholders of Straits Construction, an associated company, provided guarantees in proportion of their respective equity interests in Straits Construction for its mezzanine facilities borrowed in January 2012. The respective guarantee provided by the Group to Straits Construction is with a maximum amount of USD180,871,000 (equivalent to RMB1,143,993,000 as at 30 June 2012).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

25 COMMITMENTS

(A) COMMITMENTS FOR CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE

	30 June 2012 RMB'000	31 December 2011 RMB'000
Contracted but not provided for		
– Property and equipment	1,049,777	1,463,953
– Land use rights (including those related to associated companies and jointly controlled entities)	11,064,054	14,633,073
– Properties being developed by the Group for sale	16,603,212	13,395,760
	<u>28,717,043</u>	<u>29,492,786</u>

(B) OPERATING LEASE COMMITMENTS

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within one year	77,391	77,541
Between two to five years	419,512	488,442
After five years	613,492	662,194
	<u>1,110,395</u>	<u>1,228,177</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012

26 RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Operating lease rental expense paid to a related company (note)	<u>2,198</u>	<u>2,096</u>

Note:

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

(B) KEY MANAGEMENT COMPENSATION

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Fees	—	—
Other emoluments		
– Salaries and other short-term benefits	9,085	10,494
– Retirement scheme contributions	168	64
	<u>9,253</u>	<u>10,558</u>