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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS

1. Revenue was RMB1.8 billion, representing a decrease of 24% compared with the corresponding period of 2007.

2. As of 30 June 2008, contracted sales reached RMB4.4 billion, representing an increase of 42% compared with the corresponding period of 2007, majority of the abovementioned contracted sales will be recognized in the second half year.

3. Profit attributable to shareholders was RMB919 million. Excluding the net fair value gains on investment properties after tax, depreciation and amortization and goodwill/negative goodwill adjustment totalling RMB503 million, profit attributable to shareholders amounted to RMB416 million, representing a decrease of 35% compared with profit attributable to shareholders in the corresponding period of 2007 after excluding the one-off gain of RMB752 million on disposal of 29.99% interests in the Wuhan project.

4. On 3 September 2008, the proposal of injecting commercial properties into Shanghai Shimao (an A share listed company) to become the controlling shareholder of Shanghai Shimao was officially approved by the CSRC. The Company expects that such restructuring will record a gain (unaudited) of approximately RMB1.17 billion to the Group based on valuation as at 31 August 2007 (subject to change in valuation as at the completion date).

5. Revenue from hotels and investment properties surged to RMB478 million, representing an increase by 104% compared with the corresponding period of 2007.

6. Gross profit margin increased to 59%, from 42% in the first half of 2007.

7. As at 30 June 2008, the adjusted net gearing ratio was 43%. Besides, the Group had available funding of RMB4.2 billion comprising RMB2.8 billion in cash and RMB1.4 billion unutilized banking facilities. During the period from 1 July 2008 to 25 September 2008, the Group succeeded in securing further banking facilities of approximately RMB2.1 billion.
8. 4 parcels of land with a total GFA of 3.19 million sq.m. were acquired during the period, taking the total GFA of the total land bank to approximately 26.40 million sq.m.

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

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

BUSINESS REVIEW

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

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

1) **Property development**

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

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

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

2) **Hotel properties and investment properties**

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

Hotel properties

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

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

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

Investment properties

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

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

3) **Land bank**

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

THE GROUP'S PROSPECTS

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

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

1) **Property development**

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

2) **Investment properties and hotel properties**

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

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

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

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

Revenue

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

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

(i) **Sales of properties**

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

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

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

* Attributable interests is 70.01%

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

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

(ii) **Hotel income**

Hotel operating income are analysed below:

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

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

(iii) **Rental income**

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

	1H 2008 *RMB'million*	**1H 2007** *RMB'million*
Shanghai Shimao International Plaza	**79.4**	20.2
Beijing Shimao Tower	**8.7**	—
Total	**88.1**	20.2

Cost of sales

The cost of sales are analysed as follows:

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

Fair value gains on investment properties

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

Other gains

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

Selling and marketing costs and administrative expenses

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

Operating profit

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

Finance costs — net

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

Share of results of associated companies & jointly controlled entities

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

Taxation

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

Profit attributable to shareholders

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

Liquidity and financial resources

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

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

The borrowings were denominated in different currencies set out below:

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

Financing activities

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

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

Foreign exchange risks

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

Pledge of assets

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

Contingent liabilities/financial guarantees

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

Capital and property development expenditure commitments

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

Employees and remuneration policy

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

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the six months ended 30 June 2008 together with comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	Unaudited Six months ended 30 June 2008 RMB'000	2007 RMB'000
Revenue	3	**1,841,771**	2,422,546
Cost of sales		**(760,025)**	(1,413,194)
Gross profit		**1,081,746**	1,009,352
Fair value gains on investment properties		**805,380**	1,072,658
Other gains	6	**404,275**	789,492
Selling and marketing costs		**(113,159)**	(56,502)
Administrative expenses		**(506,178)**	(335,075)
Other operating expenses		**(37,619)**	(63,231)
Operating profit		**1,634,445**	2,416,694
Finance costs		**(158,306)**	(42,594)
Share of results of			
- Associated companies		**(13,478)**	43,175
- Jointly controlled entities		**7,721**	—
Profit before income tax		**1,470,382**	2,417,275
Income tax expense	7	**(551,809)**	(298,836)
Profit for the period		**918,573**	2,118,439
Attributable to:			
Equity holders of the Company		**919,099**	2,083,661
Minority interests		**(526)**	34,778
		918,573	2,118,439
Dividends	8	**—**	480,829
Earnings per share for profit attributable to the equity holders of the Company			
- basic (RMB cents)	9	**27.9**	66.6
- diluted (RMB cents)	9	**27.7**	65.9

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

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

	Note	Unaudited 30 June 2008 *RMB'000*	Audited 31 December 2007 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**11,425,570**	10,384,037
Deferred income tax liabilities		**1,766,298**	1,639,444
		13,191,868	12,023,481
Current liabilities			
Trade and other payables	5	**4,420,118**	3,850,927
Advanced proceeds received from customers		**2,073,692**	499,980
Income tax payable		**2,516,519**	2,831,555
Borrowings		**3,246,629**	1,252,451
Deferred income		**100,000**	—
		12,356,958	8,434,913
Total liabilities		**25,548,826**	20,458,394
Total equity and liabilities		**44,872,257**	39,270,602
Net current assets		**7,543,910**	9,107,220
Total assets less current liabilities		**32,515,299**	30,835,689

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)

1 **General information and basis of preparation**

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

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

2 **Accounting policies**

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

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

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

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

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

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

3 **Segment information**

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

(a) **Revenue**

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

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

(b) **Segment information**

Business segment

For the six months ended 30 June 2008

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

For the six months ended 30 June 2007

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

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

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

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

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

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

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

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

4 **Trade and other receivables and prepayments**

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

Note:

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

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

5 Trade and other payables

	30 June 2008 *RMB'000*	31 December 2007 *RMB'000*
Trade payables (note (i))	**3,448,400**	3,355,038
Accrued expenses	**202,901**	139,951
Other taxes payable	**85,261**	202,090
Other payables (note (ii))	**218,989**	153,848
Dividend payable (note 8)	**464,567**	—
	4,420,118	3,850,927

Note:

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

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

(ii) Other payables comprise:

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

6 **Other gains**

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

Note:

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

7 **Income tax expense**

(a) **Hong Kong profits tax**

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

(b) **PRC enterprise income tax**

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

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

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

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

(d) **PRC withholding income tax**

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

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

8 **Dividends**

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

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

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

9 **Earnings per share**

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

	Six months ended 30 June 2008	2007
Profit attributable to the equity holders of the Company (RMB'000)	**919,099**	2,083,661
Weighted average number of ordinary shares in issue (thousands)	**3,298,891**	3,126,776
Basic earnings per share (RMB cents)	**27.9**	66.6

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

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

10 **Commitments for capital and property development expenditure**

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2008 except for one deviation as set out below.

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

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

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

The Company has adopted the Model Code 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. 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 2008.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

INTERIM DIVIDEND

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

On behalf of the Board
Shimao Property Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 25 September 2008

As at the date of this announcement, the executive directors are Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman), Ms. Yao Li, Mr. Ip Wai Shing, Mr. Tang Ping Fai and Mr. Tung Chi Shing and the independent non-executive directors are Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam.