SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 755)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Turnover	3	**1,968,603**	1,556,209
Cost of sales		**(989,193)**	(937,488)
Gross profit		**979,410**	618,721
Other income and gains		**65,760**	91,415
Distribution costs		**(36,015)**	(44,845)
Administrative expenses		**(182,365)**	(69,333)
Impairment loss on property, plant and equipment		**(60,990)**	–
Impairment loss on payment for leasehold land held for own use under operating leases		**(97,298)**	–
Change in fair value of investment properties		**(169,018)**	192,665
Write-down of property under development		**(48,708)**	–
Impairment loss on goodwill		**(32,492)**	–
Change in fair value of financial assets at fair value through profit or loss		**(73,919)**	–
Share of results of associates		**44,793**	5,139
Share of result of a jointly controlled entity		**(779)**	–
Finance costs	6	**(184,239)**	(94,376)
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		**371,875**	944
Gain on deemed disposal of a subsidiary		**127,986**	–
Profit before tax expenses	5	**704,001**	700,330
Tax expenses	7	**(399,413)**	(343,065)
Profit for the year		**304,588**	357,265
Attributable to:			
– Equity holders of the Company		**317,359**	309,013
– Minority interests		**(12,771)**	48,252
		304,588	357,265
Earnings per share	9		
Basic		**HK3.7 cents**	HK5.0 cents
Diluted		**HK3.7 cents**	HK4.7 cents

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**372,127**	12,822
Investment properties		**1,211,852**	955,107
Payment for leasehold land held for own use under operating leases		**544,149**	–
Goodwill		**144,949**	172,281
Interests in associates		**568,064**	72,606
Interest in a jointly controlled entity		**–**	62,385
Available-for-sale investments		**14,765**	24,858
Total non-current assets		**2,855,906**	1,300,059
Current assets			
Properties under development and for sales		**4,639,429**	3,818,309
Inventories		**1,154**	–
Trade and other receivables	*10*	**210,301**	254,021
Deposits for property development		**436**	5,105
Financial assets at fair value through profit or loss		**21,582**	103,584
Available-for-sale investments		**9,271**	3,419
Amounts due from associates		**51,764**	–
Amounts due from related companies		**27,572**	43,767
Amount due from a minority owner of a subsidiary		**–**	908
Tax prepayment		**13,058**	18,892
Cash and cash equivalents		**384,405**	1,327,861
		5,358,972	5,575,866
Assets classified as held for sale		**28,281**	32,471
Total current assets		**5,387,253**	5,608,337
Total assets		**8,243,159**	6,908,396

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Liabilities			
Current liabilities			
Trade and other payables	*11*	**574,689**	650,431
Receipts in advance from customers		**788,748**	1,067,051
Amounts due to related companies		**62**	190
Amount due to a minority owner of a subsidiary		**13,939**	33,632
Bank loans		**325,359**	198,776
Convertible notes		**–**	64,894
Tax payable	*12*	**834,063**	459,532
Total current liabilities		**2,536,860**	2,474,506
Net current assets		**2,850,393**	3,133,831
Total assets less current liabilities		**5,706,299**	4,433,890
Non-current liabilities			
Bank loans		**689,739**	510,160
Senior loan notes		**1,112,497**	1,135,998
Deferred tax liabilities		**604,021**	258,207
Total non-current liabilities		**2,406,257**	1,904,365
Total liabilities		**4,943,117**	4,378,871
TOTAL NET ASSETS		**3,300,042**	2,529,525
Capital and reserves attributable to equity holders of the Company			
Share capital		**205,825**	140,075
Reserves		**2,926,386**	1,986,624
Equity attributable to equity holders of the Company		**3,132,211**	2,126,699
Minority interests		**167,831**	402,826
TOTAL EQUITY		**3,300,042**	2,529,525

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and by the Hong Kong Companies Ordinance.

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS

(a) In the current year, the Group has applied, for the first time, the following amendments and new interpretations issued by the HKICPA, that are effective for the current accounting period of the Group and the Company.

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
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 adoption of the above amendment and new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised.

(b) The Group has not yet applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
Amendment to HKAS 39	Eligible Hedged Items[3]
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments[2]
Amendments to HK(IFRIC) – Interpretation 9 and HKAS 39	Embedded Derivatives[4]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the Directors of the Company so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover representing the aggregate of proceeds from sales of properties, amounts received and receivable for the hotel operations, properties rental, management and agency income, and the provision of travel and related services is summarised as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sales of properties	**1,802,650**	1,507,675
Hotel operations:		
Room rentals	**44,204**	–
Food and beverage sales	**13,639**	–
Rendering of ancillary services	**1,597**	–
Properties rental, management and agency income	**94,681**	33,167
Travel and related services	**11,832**	15,367
	1,968,603	1,556,209

4. SEGMENT INFORMATION

(a) Business segment

The Group is currently organised into four main business segments:

Sales of properties	–	Construction of commercial and residential properties for sale
Hotel operations	–	Ownership and operation of hotel business
Properties rental, management and agency services	–	Leasing, management and agency of commercial and residential properties
Travel and related services	–	Provision of travel and related services

Segment information about these business is presented below:

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue – external sales	**1,802,650**	1,507,675	**59,440**	–	**94,681**	33,167	**11,832**	15,367	**1,968,603**	1,556,209
Results										
Segment results	**625,724**	538,928	**(156,723)**	–	**(115,501)**	218,183	**59**	(1,000)	**353,559**	756,111
Unallocated corporate income									**33,809**	91,531
Unallocated corporate expenses									**(43,003)**	(59,019)
Share of results of associates	**44,793**	5,139	**–**	–	**–**	–	**–**	–	**44,793**	5,139
Share of result of a jointly controlled entity	**(779)**	–	**–**	–	**–**	–	**–**	–	**(779)**	–
Finance costs									**(184,239)**	(94,376)
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**371,875**	944	**–**	–	**–**	–	**–**	–	**371,875**	944
Gain on deemed disposal of a subsidiary	**127,986**	–	**–**	–	**–**	–	**–**	–	**127,986**	–
Profit before tax expense									**704,001**	700,330
Tax expense									**(399,413)**	(343,065)
Profit for the year									**304,588**	357,265
Assets										
Segment assets	**5,308,169**	5,615,885	**920,219**	–	**1,394,795**	1,042,614	**2,563**	2,371	**7,625,746**	6,660,870
Interests in associates	**568,064**	72,606	**–**	–	**–**	–	**–**	–	**568,064**	72,606
Unallocated assets									**49,349**	174,920
Total assets									**8,243,159**	6,908,396
Liabilities										
Segment liabilities	**1,236,312**	2,337,440	**7,021**	–	**703,453**	1,199	**2,005**	1,946	**1,948,791**	2,340,585
Unallocated liabilities									**2,994,326**	2,038,386
Total liabilities									**4,943,117**	4,378,971

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Unallocated		Group	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other information												
Capital expenditure	**5,123**	2,348	**833**	–	**1,476**	–	**–**	81	**–**	–	**7,432**	2,429
Impairment loss on property, plant and equipment	**–**	–	**60,990**	–	**–**	–	**–**	–	**–**	–	**60,990**	–
Impairment loss on payment for leasehold land held for own use under operating leases	**–**	–	**97,298**	–	**–**	–	**–**	–	**–**	–	**97,298**	–
Change in fair value of financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**(73,919)**	22,505	**(73,919)**	22,505
Change in fair value of investment properties	**–**	–	**–**	–	**(169,018)**	192,665	**–**	–	**–**	–	**(169,018)**	192,665
Written-down of property under development	**48,708**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48,708**	–
Depreciation of property, plant and equipment	**3,427**	3,325	**4,015**	–	**450**	–	**43**	59	**–**	–	**7,935**	3,384
Amortisation of payment for leasehold land held for own use under operating leases	**–**	–	**13,107**	–	**–**	–	**–**	–	**–**	–	**13,107**	–
Gain on disposal of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	181	**798**	–	**798**	181
Written off of property, plant and equipment	**290**	64	**605**	–	**295**	–	**–**	–	**16**	–	**1,206**	64
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**(5,354)**	32,223	**(5,354)**	32,223
Gain on repurchase of senior loan notes	**–**	–	**–**	–	**–**	–	**–**	–	**17,784**	–	**17,784**	–
Dividend income from listed equity securities	**–**	–	**–**	–	**–**	–	**–**	–	**629**	550	**629**	550
Gain on disposal of assets classified as held for sale	**18,548**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18,548**	–

(b) Geographical segment

The Group's operations are principally located in Hong Kong and the People's Republic of China ("PRC"). Group administration is carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market and analysis of total assets and capital expenditure by the geographical area in which the assets are located.

Group

	Turnover		Carrying amount of assets		Capital expenditure	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**1,956,771**	1,540,842	**8,206,761**	6,797,401	**7,414**	2,348
Hong Kong	**11,832**	13,201	**36,398**	110,996	**18**	81
Macau	**–**	2,166	**–**	–	**–**	–
	1,968,603	1,556,209	**8,243,159**	6,908,397	**7,432**	2,429

5. PROFIT BEFORE TAX EXPENSES

Profit before tax expenses is arrived at after charging:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Cost of sales	**989,193**	937,488
Staff costs	**71,076**	39,560
Depreciation of property, plant and equipment	**7,935**	3,384
Amortisation of payment for leasehold land held for own use under operating leases	**13,107**	–
Auditor's remuneration	**2,706**	2,614
Loss on disposal of a subsidiary	**–**	181
Loss on disposal of financial assets at fair value through profit or loss	**5,354**	–
Written off of property, plant and equipment	**1,206**	64
Share of tax of associates (included in share of results of associates)	**546**	–
Exchange loss, net	**9,787**	–
Direct operating expenses from investment properties that generated rental income during the year	**8,315**	–

6. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**73,593**	23,710
Interest on bank loans repayable after five years	**3,642**	20,079
Less: amount capitalised in properties under development	**(10,576)**	(23,689)
	66,659	20,100
Interest on convertible notes	**580**	7,326
Interest on senior loan notes	**117,000**	66,950
	184,239	94,376

7. TAX EXPENSES

The amount of tax expenses in the consolidated income statement represents:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– tax for the year	**114,738**	105,578
– under provision in respect of prior years	**729**	35,187
	115,467	140,765
Current tax – LAT		
– tax for the year	**328,783**	189,390
Deferred tax		
– current year	**(81,953)**	9,718
– effect of change in tax rate	**37,116**	3,192
	(44,837)	12,910
	399,413	343,065

Hong Kong Profits Tax and Macau Complementary Income Tax

No provision for Hong Kong Profits Tax and Macau Complementary Income Tax has been made as the Group has no assessable profits in Hong Kong and Macau for the years ended 31 December 2008 and 2007.

PRC Enterprise Income Tax

PRC subsidiaries are subject to PRC Enterprise Income Tax at rate ranging from 18% to 25% (2007: 15% to 33%).

The Tenth National People's congress enacted a new Enterprise Income Tax Law ("EIT Law") on 16 March 2007, which provides for a unified income tax rate of 25% to both domestic enterprises and foreign-invested enterprises. The new tax law became effective on 1 January 2008. As a result, the tax rate for domestic enterprises was reduced to 25%, whereas the tax rate for foreign-invested enterprises that have enjoyed preferential tax treatment, shall have five years from the time when the EIT Law takes effect to transition progressively to the legally prescribed tax rate. During the year, enterprises that previously enjoyed the 15% enterprise income tax rate was then subject to the 18% tax rate, and shall be subject to 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012; enterprises that previously enjoyed the 24% tax rate was subject to the 25% tax rate during the year.

Pursuant to the new PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax will be levied on dividends declared to Hong Kong investor under the tax treaty arrangement between PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

Land Appreciation Tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

8. DIVIDENDS

No dividend was paid or proposed for 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

9. EARNINGS PER SHARE

(a) Basic

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

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders	**317,359**	309,013
Weighted average number of ordinary shares in issue (thousands)	**8,589,830**	6,228,396
Basic earnings per share (HK cents per share)	**3.7**	5.0

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders and the weighted average number of shares in issue during the year after adjusting for the number of dilutive potential ordinary shares on convertible notes issued.

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders	**317,359**	309,013
Adjustments for interest on convertible notes	**580**	7,326
Profit attributable to equity holders for diluted earnings per share	**317,939**	316,339
Weighted average number of ordinary shares in issue (thousands)	**8,589,830**	6,228,396
Effect of dilutive potential ordinary shares on convertible notes (thousands)	**39,329**	523,367
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**8,629,159**	6,751,763
Diluted earnings per share (HK cents per share)	**3.7**	4.7

10. TRADE AND OTHER RECEIVABLES

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis as of the balance sheet date:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current [(i)]	**28,308**	356
Less than one month past due	**3,936**	64,299
1 to 3 months past due	**14**	2,353
More than 3 months but less than 12 months past due	**1,615**	4,187
More than 12 months past due	**3,313**	564
Amount past due at balance sheet date but not impaired [(ii)]	**8,878**	71,403
	37,186	71,759

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$8,878,000 (2007: HK$71,403,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on existing accounting policy.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current or less than 1 month	**430**	247,210
1 – 3 months	**78,297**	3,076
More than 3 months but less than 12 months	**28,364**	2,073
More than 12 months	**144,212**	34,198
	251,303	286,557
Retention money	**35,148**	37,500
	286,451	324,057

The trade payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

12. TAX PAYABLE

	Group 2008 *HK$'000*	2007 *HK$'000*
PRC Enterprise Income Tax payable	**5,016**	109,297
LAT provision	**829,047**	350,235
	834,063	459,532

13. CLOSURE OF REGISTER OF MEMBERS

As no final dividend will be proposed for the year, it was not necessary to close the register of members of the Company.

CHAIRMAN'S STATEMENT

Financial Results

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

During the year under review, turnover of the Group amounted to approximately HK$1,968,603,000, an approximately 26% increase against approximately HK$1,556,209,000 last year. Profit attributable to shareholders of the Company increased by approximately 3% to approximately HK$317,359,000 as compared to approximately HK$309,013,000 last year. Basic earnings per share of the Company were HK3.7 cents (2007: HK5.0 cents). The Group's turnover and profit for the year were mainly resulted from:

- Sales and delivery of office units in "Wu Dao Kou Financial Centre"
- Sales and delivery of office units in "Zendai Cube Tower"
- Sales and delivery of residential units in Phase I of "Zendai Ideal City"
- The booking of negative goodwill arising from the acquisition of the entire interest in Giant Hope Investments Limited ("Giant Hope")
- Gain from disposal of part of interest in Shanghai Zendai Himalaya Real Estate Company Limited

Dividend

The Directors do not recommend payment of a final dividend for the year ended 31 December 2008 (2007: nil).

Business Review

In the first half of 2008, affected by the fluctuating macro economy and government macroeconomic austerity measures, demand for properties dropped. The uncertain economic outlook prompted investors in the People's Republic of China (the "PRC") to adopt a wait-and-see attitude towards the market. The prices of properties in first tier cities in the PRC dropped at different rates and transaction volumes shrank. Stepping into the second half year, the property sector was hit even harder by the spreading of the global financial turmoil. However, boasting flexible sales strategies, the Group was able to launch various residential and commercial property projects according to schedule and develop other projects heeding market trends during the year thus achieved relatively stable results.

The Group has accumulated considerable experience in developing integrated commercial property projects over the years. To realise this strength and consolidate its position as an integrated commercial property developer, the Group signed an agreement with a subsidiary of its controlling shareholder in April 2008 to acquire the entire issued share capital of Giant Hope. Through the acquisition, the Group obtained several premium integrated property projects and land, including 100% interest in "Radisson Hotel Pudong" in Shanghai, 90% interest in a plot of land in Qingpu District in Shanghai and more retail shop and car parking spaces in Zendai Thumb Plaza in Shanghai. The acquisition has also increased the Group's interest in a plot of land in Qingdao, Shandong Province to 45%. With the transaction completed in July 2008, the Group now has a stronger integrated property project portfolio in major prosperous cities in the PRC assuring it of long term and stable rental income.

The Group also completed a number of acquisitions in second tier and emerging cities including Chenmai County in Hainan, Huzhou in Zhejiang Province, Haimen in Jiangsu Province and Dongsheng Kangbashi New Area, Ordos City in southwestern Inner Mongolia, which added new projects to its portfolio and boosted its land reserves and business coverage.

Commercial Property Projects

Shanghai

Wu Dao Kou Financial Centre

"Wu Dao Kou Financial Centre" is a grade A commercial property project of the Group in Pudong, Shanghai. The entire project was completed in early 2008. The south tower with a saleable floor area of 25,865 square metres and 120 parking spaces was acquired by Evergreen Group from Taiwan to serve as its Asia Pacific headquarters. It was delivered in February 2008 and contract value totaling approximately RMB495,000,000 (equivalent to HK$543,777,000) was booked for the period. As for the north tower, all 14 floors of office units with a total floor area of 29,972 square metres were sold, bringing in RMB1,024,755,000 (equivalent to HK$1,125,733,000) in terms of contract value for the Group. During the period under review, a total saleable floor area of approximately 21,409 square metres were sold, bringing in RMB754,656,000 (equivalent to HK$829,019,000) in terms of contract value for the Group. A total floor area of 17,127 square metres was delivered during the period with contract value totaling RMB575,170,000 (equivalent to HK$631,847,000) booked for the period.

Zendai Cube Tower

The grade A office project "Zendai Cube Tower" in Pudong, Shanghai, comprises office and commercial properties with a total gross floor area of 33,149 square metres. As at 31 December 2008, a cumulative total floor area of 30,229 square metres was sold, generating RMB701,764,000 (equivalent to HK$770,915,000) in terms of contract value for the Group. During the period under review, a total floor area of approximately 3,913 square metres was sold, bringing in RMB128,432,000 (equivalent to HK$141,088,000) in terms of contract value for the Group. A total floor area of 4,107 square metres was delivered during the period with contract value booked totaling RMB144,395,000 (equivalent to HK$158,624,000).

Zendai Yuanshen Financial Building (formerly known as Hengsheng Pavilion)

The Group gained 100% holding of "Zendai Yuanshen Financial Building", an integrated property project in Pudong, Shanghai, after it had completed the acquisition of the remaining 5% interest in the project in March 2008. The project is on a 12,789 square metre site with total saleable floor area of approximately 42,912 square metres. It will have a 17-storey office building with a podium that offers two levels of commercial spaces and two 18-storey serviced apartment buildings with commercial spaces on ground level. There will be two levels of underground space designed for entertainment and leisure-related commercial use and car parks. Pre-sale of the properties has commenced in January 2009 and delivery is expected before the end of 2009.

Zendai Thumb Plaza

The Group acquired interest in part of the shopping mall of "Zendai Thumb Plaza" in Pudong, Shanghai in 2005. The total consideration of RMB680,000,000 was paid by installments between 2005 and 2008 according to the payment terms in the acquisition agreement. And, after the Group completed the acquisition of Giant Hope in July 2008, the area of the retail shops in "Zendai Thumb Plaza" it owns had increased from the original 41,460 square metres to 47,382 square metres and it also secured 447 underground car parking spaces. Zendai Thumb Plaza is a modern integrated commercial complex boasting prime location neighbouring Century Park and the Lujiazui financial district. As at 31 December 2008, more than 90% of the commercial spaces in the plaza were leased out.

Radisson Hotel Pudong

The acquisition of Giant Hope also added the five-star hotel "Radisson Hotel Pudong" in "Zendai Thumb Plaza" to the portfolio of the Group. The 18-storey hotel has a gross floor area of 31,826 square metres and 361 guest rooms, a 4-storey ancillary building and a one-level basement. It has been in business since March 2006 and is managed under the "Radisson" brand by Carlson Companies. The average occupancy rate of the hotel was 70% in 2008.

Parcel of land in Qingpu District, Shanghai

Also through the Giant Hope acquisition, the Group secured 90% interest in a parcel of land in the tourist site Zhujiajiao Town, Qingpu District, Shanghai. Together with 10% interest in the land it already owned, the Group now has 100% interest in the approximately 140,099-square metre lot of land intended to be developed into an integrated project comprising mid to high-end serviced apartments, retail shops, a hotel and club house. Construction of the project of gross floor area approximately 100,000 square metres is expected to commence in the third quarter of 2009 and to be completed in 2011.

Himalayas Center

The Group owns an integrated commercial property project named "Himalayas Center" in Pudong, Shanghai. During the period under review, the project company changed its shareholding structure and increased its registered capital from RMB10,000,000 to RMB632,000,000 to facilitate future development. As at 31 December 2008, the Group owned 45% interest in the project. Himalayas Center is located on Fangdian Road, Pudong New Area, near the Shanghai New International Expo Center, Century Park, Metro Line 2's Long Yang Road Station and Shanghai Meglev's Long Yang Road Station. The project occupies an area of 28,893 square metres and total gross floor area of approximately 164,500 square metres and will be developed into a high-end complex with a hotel, a shopping arcade, an office building, a theater and an art center. Construction is expected to be completed by 2010.

Other cities

Lao Shan District of Qingdao City

The Giant Hope acquisition brought to the Group 20% interest in a parcel of land in Lao Shan district of Qingdao city, Shandong province. Together with the 25% interest it already owned, the Group now has 45% interest in the approximately 43,163-square metre site in south-western Lao Shan District in Qingdao city, with Hongkong Road to its south and Songling Road to its west. The site is intended for development of an integrated project named "上實•國際廣場" comprising serviced apartments, apartments and a basement car park. The project with total gross floor area reaching approximately 143,000 square metres will be constructed in phases. The first phase, close to topping out, consists of five 28 to 30-storey high-end residential buildings with total gross floor area of around 84,310 square metres. The Group expects to start pre-sale of the apartments in August 2009 and have them ready for delivery in late 2009. As for other parts of the project to be developed, planning is currently underway.

During the acquisition of Giant Hope by the Group, a subsidiary of Giant Hope was applying for transfer of land use right of another site in Lao Shan district, Qingdao city, Shandong province, the PRC. The relevant transfer was completed in February 2009. The approximately 40,000-square metre site is located north-west of the junction of Haier Road and Tongan Road and is intended to be developed into an integrated project named Qingdao "Zendai Thumb Plaza" comprising retail shops, a hotel, serviced apartments and a conference centre with total gross floor area of approximately 181,700 square metres. Foundation work of the project is scheduled to start in the second quarter of 2009 and expected to be completed in the second half of 2011.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment uses in the heart of Yangzhou city. The project has a total saleable area of approximately 80,000 square metres and will include a cultural sightseeing area and a commercial district. It will be developed in two phases. The first phase will have 12 blocks and 243 units, with a saleable area of approximately 18,000 square metres. Construction of phase one will be completed in the second quarter of 2009. Currently, promotion to potential tenants is in progress and operation is expected to formally begin in October 2009.

Haikou Project

The Group owns a developing project with gross floor area of approximately 72,000 square metres and a parcel of land of approximately 7,745 square metres in Haikou city, Hainan province. The developing project is named "Hainan Zendai Wu Dao Kou Financial Centre", which will have total saleable office space of approximately 54,600 square metres. Construction of the project has begun in the first quarter of 2009 and pre-sale is expected to start in the first quarter of 2010, whereas delivery is scheduled for the first quarter of 2011.

Another parcel of land of approximately 7,745 square metres will be developed into serviced apartments with saleable area of approximately 46,460 square metres. Construction will commence in the fourth quarter of 2009 and be completed in mid-2012. Pre-sale will start in the fourth quarter of 2010.

The land in Chenmai County, Hainan

In January 2008, the Group acquired 60% of Hainan Huayi Land Company Limited at a total cash consideration of not more than RMB206,260,000. Hainan Huayi Land Company Limited owns a parcel of land in Chenmai County, Hainan, the PRC with a site area of 1,309,563 square metres. The land is intended for developing into leisure-related commercial property and residential property projects including hotels, villas and other related facilities and related layout and design details are currently on the drawing board.

"Zhongke Langfang Technology Valley" in Langfang city

The Group and Shan Shan Investment Holdings Co., Limited ("Shan Shan Investment") are jointly developing the "Zhongke Langfang Technology Valley" in Langfang city, Hebei province. The project has a total site area of approximately 3,100,000 square metres, around 30% of which will be used for developing commercial properties. The Bohai Bay Rim area is a major development focus of the PRC government as stated in the Eleventh Five-Year Plan of the country. The strategic cooperation will allow the Group to gain foothold and seize business opportunities in the Bohai Bay Rim. It will also increase the land reserve of the Group by 1,000,000 square metres in total saleable floor area. The project is still in preliminary planning stage.

Land Parcels in Inner Mongolia Autonomous Region

In August 2008 the Group signed agreements to acquire two parcels of land in the Inner Mongolia Autonomous Region through an indirect wholly-owned subsidiary. One of the two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, which has a total site area of approximately 45,718 square metres, is designated for commercial uses. The other of total site area approximately 103,750 square metres is intended to be developed into a residential project. Preliminary planning for the two sites is underway.

Residential Projects

Shanghai

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, has 50 villas with a total saleable area of approximately 37,690 square metres. As at 31 December 2008, a cumulative 38 villas with total saleable area of 27,464 square metres were sold, generating RMB1,162,965,000 (equivalent to approximately HK$1,277,562,000) in terms of contract value for the Group. During the year under review, two villas with total saleable area of 1,676 square metres were delivered and the total contract value of RMB119,600,000 (equivalent to HK$131,385,000) was booked.

Other cities

"Valley International" in Jilin

Occupying a site area of 191,100 square metres, "Valley International", a residential property project in Jilin, boasts a total saleable area of approximately 202,000 square metres. The project will be developed in four phases.

"楓林別墅", the first phase of the project, comprises 118 town houses and 11 villas with total saleable area of 39,252 square metres. As at 31 December 2008, a cumulative 116 town houses and 5 villas with total saleable area of 35,321 square metres were sold, generating RMB144,816,000 (equivalent to HK$159,086,000) in terms of contract value for the Group.

The second phase of the project will have 4 low-rise blocks and 7 high-rise blocks, which together will provide 503 residential units and ancillary commercial facilities with total saleable area of about 83,348 square metres, including 79,543 square metres of residential area and 3,805 square metres of commercial area. The 11 blocks will be constructed in three batches and be completed and delivered one by one.

Construction of the first batch comprising 4 low-rise blocks with 209 residential units of total saleable floor area 22,987 square metres was completed in late 2008 for delivery in the second half of 2009. Pre-sale of the units started in November 2007. As at 31 December 2008, a cumulative 52 units with total saleable floor area of 5,076 square metres were sold, generating RMB19,433,000 (equivalent to HK$21,348,000) in terms of contract value for the Group. During the year under review, a total of 22 residential units with total saleable floor area of about 2,071 square metres were sold, generating RMB8,214,000 (equivalent to HK$9,023,000) in terms of contract value for the Group.

Construction of the second batch comprising 5 high-rise blocks, which together will provide 250 residential units with total saleable area of approximately 42,258 square metres, started in the third quarter of 2008. Related works are expected to be completed by the end of 2010. Pre-sale of the units will commence in the third quarter of 2010.

The third batch will comprise 2 high-rise blocks with 44 residential units and saleable area of approximately 14,298 square metres. Construction will start in the second quarter of 2009.

The third phase of the project will provide 117 villas and town houses with saleable area of approximately 44,500 square metres. Construction has started in May 2008 and will be completed by the end of 2009. Pre-sale has begun in October 2008. As at 31 December 2008, 19 units with total saleable area of 6,590 square metres were sold, generating a contractual amount of RMB35,548,000 (equivalent to HK$39,051,000) for the Group.

As for phase fourth of the project, planning is in progress. It will offer villas with a total saleable area of approximately 34,921 square metres.

"Zendai Ideal City" in Changchun

Located in Changchun, "Zendai Ideal City" comprises residential properties and ancillary commercial spaces on a 407,000 square metres site and with total saleable area of approximately 602,000 square metres. The project is being constructed in five phases. The first phase occupying a site area of approximately 77,300 square metres and total saleable area of approximately 111,500 square metres in 23 multi-storey residential buildings and 3 high-rise residential buildings that offer a total of 1,210 units and related ancillary commercial facilities. The multi-storey residential buildings were completed in August 2008 and high-rise residential buildings are expected to be completed in July 2009. As at 31 December 2008, 809 units with total saleable area of 75,789 square metres in the first phase were sold, generating a contractual amount of RMB256,813,000 (equivalent to HK$282,119,000) for the Group. During the year under review, the Group delivered 757 residential units with area of 71,869 square metres and the related contractual amount of RMB243,797,000 (equivalent to HK$267,820,000) was recognized for the period.

The second phase of the project will have 19 multi-storey residential buildings, 10 high-rise residential buildings and ancillary shopping spaces and the total saleable area will be approximately 115,200 square metres. Construction and pre-sale has started in May 2008 and the first quarter of 2009 respectively. Other phases of the development are in planning stage.

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province was not a major sales focus of the Group during the year. The project comprises 2 parcels of land occupying a total site area of 1,388,872 square metres.

The first parcel has a total site area of approximately 577,336 square metres and will be developed in 2 parts. "Zendai-Dong Zhou Mansion", the first part of the parcel, is being developed in three phases with Phase I including 52 villas with total saleable area of approximately 17,457 square metres. As at 31 December 2008, 41 units with total saleable area of 13,903 square metres were sold, generating a contractual amount of RMB64,483,000 (equivalent to HK$70,837,000) for the Group. Phases II and III of the "Zendai-Dong Zhou Mansion" are still in the planning stage. "Multiflora Garden", on the second part of the parcel of land, will be developed in two phases into an integrated residential area comprising low-density town houses. Construction of Phase I offering 212 units with total saleable area of approximately 57,500 square metres was completed in the fourth quarter of 2008. As at 31 December 2008, 105 units with total saleable area of 28,424 square metres were sold, generating a contractual amount of RMB126,870,000 (equivalent to HK$139,372,000) for the Group. During the year under review, the Group delivered 69 units of total area 18,600 square metres and recognised from them a contractual amount of RMB86,300,000 (equivalent to HK$94,804,000).

The second parcel with area of approximately 811,536 square metres will be developed into residential properties in phases. Construction of "清華園生態花園", the first phase, with total land area of approximately 43,551 square metres and saleable area of approximately 65,400 square metres, has started in August 2008. However, in the light of changes in market condition, the project was halted after preliminary foundation works were completed. Construction is expected to resume in the third quarter of 2009 and pre-sale will start in June of 2010. Other parts to be developed are being planned.

The Group also acquired another approximately 133,200-square metre parcel of land in Haimen in January 2008 at a total consideration of RMB27,000,000 (equivalent to HK$27,976,000). With the parcel of land close to the "Zendai Garden-Riverside town", the Group will be able to come up with a more comprehensive development plan for the area.

Huzhou in Zhejiang Province

In January 2008, the Group acquired an approximately 59,935-square metre parcel of land in Huzhou, Zhejiang province with total saleable floor area of approximately 119,000 square metres at a total consideration of RMB122,000,000 (equivalent to HK$137,079,000), which will be developed into a project with residential properties and ancillary commercial spaces. Detailed planning of the project is underway.

Event after the Balance Sheet Date

Mr. Zhu Nansong, Mr. Wu Yang, Ms. Zhou Yan and Mr. Wang Zhe were appointed as executive Directors on 21 January 2009; and Mr. Zhang Wei, Mr. Lu Puling, Mr. Wang Xiangang and Mr. Ye Wenbin resigned as executive Directors on 21 January 2009.

Prospects

In 2009, the global financial crisis is expected to continue affect economies and the pressure on the PRC economy and property market will persist. Thus, in the short term, the Group will be cautious in conducting business in the property market. However, the PRC government has introduced a number of measures to stimulate economic growth including major investment initiatives, plans to support export and encourage domestic consumption, and relaxing credit control. These measures are expected to produce effect gradually in support of the mainland economy. In addition, with the central government supportive of the steady development of the property market and certain regulations on the market lifted, the 2010 World Expo to be held in Shanghai expected to bring ample business opportunities, and continuous economic growth and urbanisation in the PRC, the Group is optimistic about the long-term prospects of the property market.

Looking ahead, the Group will focus on developing integrated commercial projects that provide prime office spaces, hotels, shopping malls, and cultural, leisure and entertainment facilities and also residential units and serviced apartments. The Group will tailor them according to the specific characteristics of different regional markets and keep some of the commercial projects as investment properties. The approach is going to allow the Group to broaden income sources, increase recurrent rental income hence better shield itself from fluctuation in the property market, and also enhance influence of the Group as a quality integrated commercial property developer for capturing a larger market share.

Furthermore, apart from operating business in its home base in Shanghai, the Group also boasts business coverage over emerging cities in the Yangtze River Delta region (Haimen, Yangzhou and Zhejiang), the Bohai Bay Rim (Langfang), Northeastern China (Changchun, Jilin and Qingdao), Southeastern China (Hainan) and Inner Mongolia. With such extensive coverage, the Group is able to spread its investment geographically thereby grasp long-term development opportunities in different regional markets.

In the uncertain market environment, small property developers with insufficient land reserve and funds will be ousted and consolidation of the property sector is going to accelerate. The Group sees this as an opportune time for it to diligently implement its proven proactive yet prudent development strategy and continue to carefully identify investment projects with strong earning potential so as to maximise returns to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The results of the Group for the year under review were satisfactory. The profit for the year was mainly attributable to sales and delivery of office units of Wu Dao Kou Financial Centre and Zendai Cube Tower in Shanghai, residential units of "Zendai Ideal City" in Changhun, negative goodwill arising from the acquisition of the entire share capital of Giant Hope and profits arising from deemed disposal and purchase of the equity interest in Shanghai Zendai Himalaya Real Estate Company Limited.

During the year, the Group completed a number of acquisitions which include the entire equity interest of Giant Hope, 60% of the issued share capital of Hainan Huayi Land Company Limited and land parcels in Inner Mongolia. These acquisitions enlarged the Group's property interests in Shanghai and other major cities in PRC. Furthermore, the Group continued to offer both residential and commercial properties for sale. For commercial projects, they were office premises in Zendai Cube Tower and Wu Dao Kou Financial Centre. In respect of residential projects, they were villas in Mandarin Palace, villas and detached houses in Haimen, villas and apartments in Jilin and apartments in Changchun.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2008, the Group had a healthy financial position with net assets increased from approximately HK$2,530 million in 2007 to approximately HK$3,300 million. Net current assets amounted to approximately HK$2,850 million (2007: approximately HK$3,134 million) with current ratio of approximately 2.12 times (2007: 2.26 times). The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2008, the Group had consolidated bank loans of approximately HK$1,015 million in which HK$325 million was repayable within one year and HK$690 million was repayable more than one year. As at 31 December 2008, the Group's bank balances and cash were approximately HK$384 million. The gearing ratio of the Group improved from 0.91 times in 2007 to 0.69 times in 2008 (basis: total of amounts due to related companies, bank loans, notes payable and convertible notes divided by shareholders' funds).

Segment Information

Sales of properties

The turnover of this segment for the year amounted to HK$1,802,650,000 (2007: HK$1,507,675,000). It resulted from the increase in high value properties available for delivery to buyers by the Group during the year.

Travel and related business

The turnover of this segment for the year reached approximately HK$11,832,000 (2007: HK$15,367,000).

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$94,681,000 (2007: HK$33,167,000). The increase was due to the acquisition of investment properties and management and agency services companies during the year.

Hotel Operations

The turnover of this segment for the year was HK$59,440,000 (2007: Nil). The increase was due to the acquisition of Raddison Hotel during the year.

Foreign Currency Exposures

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

Employees

As at 31 December 2008, the Group employed approximately 1,150 employees (2007: 280 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

Major Acquisitions

20% equity interest in 上海証大置業有限公司

On 9 October 2007, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited, a company which is wholly owned by Mr. Dai Zhikang, a director of the Company, to further acquire the remaining 20% of the issued share capital of a subsidiary, 上海証大置業有限公司, at a consideration of RMB305,000,000 (approximately HK$334,929,000). The acquisition was completed on 23 January 2008.

Land Parcel in Hainan

On 2 January 2008, the Group entered into an agreement with an independent third party to acquire entire interest in Meiyi International Limited which held 60% interest in Hainan Huayi Land Company Limited (collectively referred to as "Meiyi Group") at a cash consideration of not more than RMB206,000,000. The major asset in Meiyi Group is a parcel of land with approximately 1,309,000 square metres in Chenmai County, Hainan. The acquisition was completed in January 2008.

100% equity interest of Giant Hope

On 15 April 2008, the Group entered into an agreement with Jointex Investment Holding Limited ("Jointex") to acquire the entire interest of Giant Hope Investments Limited and its subsidiaries ("Giant Hope Group") and the loan due to Jointex by Giant Hope Group amounting to HK$97,290,000 at a total consideration of HK$702,240,000, satisfied by allotting 3,344,000,000 Company's shares to Jointex. Jointex is 85% owned by Giant Glory Assets Limited which is wholly owned by Mr. Dai Zhikang, a director of the Company. The remaining 15% of Jointex is owned by Conwealth International Limited, which is wholly owned by Mr. Zhu Nansong, also a director of the Company. The transaction was completed on 9 July 2008.

Land Parcels in Inner Mongolia

On 19 August 2008, the Group entered into an agreement with The Bureau of Land Resources in Dongsheng Area of Ordos City for the acquisition of two parcels of land in Inner Mongolia Autonomous Region, PRC at an aggregate consideration of RMB146,389,500 (equivalent to approximately HK$166,940,000). The land parcels with total site area of 149,468 square meters are designated for commercial and residential use.

15% equity interest in Shanghai Zendai Himalaya Real Estate Company Limited ("HLCL")

On 5 November 2008, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited to acquire 15% interest of HLCL at a consideration of RMB112,000,000 satisfied by cash of RMB15,478,000 and setting off a receivable from Shanghai Zendai Investment Development Company Limited of RMB96,522,000.

Charge on Assets

As at 31 December 2008, the Group's hotel buildings, investment properties and properties for development and sales of approximately HK$341 million, HK$1,004 million and HK$1,006 million respectively had been pledged to banks to secure bank loans granted to the Group.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are of the opinion that the Company has met the code provisions in the Code during the year. The Company's annual results for the year ended 31 December 2008 have been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company purchased 56,465,000 of its own shares for cancellation.

Except for the above, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

On behalf of the board of
Shanghai Zendai Property Limited
Dai Zhikang
Chairman

Hong Kong, 16 April 2009

As at the date of this announcement, the executive Directors are Mr. Dai Zhikang, Mr. Zhu Nansong, Mr. Fang Bin, Mr. Tang Jian, Mr. Wu Yang, Ms. Zhou Yan and Mr. Wang Zhe. The independent non-executive Directors are Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan and Dr. Tse Hiu Tung, Sheldon.

* *For identification purposes only*