# 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 2009

**HIGHLIGHTS**

**Results Highlights**

1. Revenue in the first half of 2009 was RMB5.0 billion, an increase of 170% compared with the first half of 2008. The aggregate unrecognized contracted sales as at 30 June 2009 was RMB10.3 billion.

2. Gross profit increased 32% to RMB1.4 billion (First half of 2008: RMB1.1 billion).

3. Net profit attributable to shareholders increased to RMB1.2 billion. Stripping out major non-cash items and one off gain, net profit from core business attributable to shareholders amounted to RMB384 million. Earnings from core business increased by 16 times compared with the first half of 2008.

4. 
   - After injection of commercial projects into Shanghai Shimao (a company listed on the Shanghai Stock Exchange), the Company has generated a net gain (after tax) of RMB860 million in the first half of 2009.
   - In July 2009, the proposal for additional issuance of no more than 150 million new A shares to raise RMB2 billion by Shanghai Shimao was an illustration of the Group's taking advantage of the A-share market as an additional platform for funding. The proposal is expected to be completed by the end of this year.

5. Contracted sales in the first half of 2009 was RMB13.2 billion, up 200% from the first half of 2008; GFA sold was 1.46 million sq.m. with average selling price at RMB 9,032 sq.m. and 24 projects involved. Latest year-to-date contracted sales as at 31 August 2009 was RMB16.4 billion, which is 96% of target contracted sales at RMB17 billion for 2009.

6. Gross profit margin was 29% (first half of 2008: 59%) while the average selling price of recognized sales dropped to RMB6,704 per sq.m. in the first half of 2009, due to:

   - Majority of the deliveries were lower price products.

   - Relatively more projects (four) are in the starting phases in which the gross profit margins are usually lower.

   - The effect of the reduction of average selling price towards end of 2008 and early of 2009 carried forward to first half of 2009. However prices as at August 2009 had already increased by 30% on average when compared to that period.

   - Unrecognized contracted sales as at 30 June 2009 was RMB10.3 billion, while the average selling price was RMB10,867 per sq.m.

7. Revenue from hotels and investment properties decreased 17% to RMB395 million, due to the global financial crisis that led to a decline in the number of visitors.

8. In the first half of 2009, the Group acquired two land parcels with a total planned GFA of 690,000 sq.m. which boosted the Group's land reserve to 26.2 million sq.m.; strengthened geographical diversification, especially in economically-advanced and high-growth regions. We will continue to increase our land bank when we identify land parcels that offer attractive investment return and keep maintaining a prudent land acquisition policy.

**Financial Highlights**

9. During the period under review, basic earnings per share rose 28% to RMB0.356.

10. The board declared the payment of an interim dividend of HK10 cents per share for the six months ended 30 June 2009.

11. As at 30 June 2009, the Group's available funds amounted to RMB13.3 billion, including cash on hand of RMB9.9 billion and unutilized banking facilities of RMB3.4 billion.

12. Adjusted net gearing ratio as at 30 June 2009 was 32% compared with 53% as at 31 December 2008. The substantially improved financial situation was mainly contributed by buoyant contracted sales in the first half of 2009 and net proceeds raised of HK$1.9 billion by new shares placement in April 2009.

13. The Group expects following the share placement of approximately RMB2 billion being proposed by Shanghai Shimao, the Group's financial position will further improve as its equity base is further expanded.

**CHAIRMAN'S STATEMENT**

I am pleased to present the interim results of Shimao Property Holdings Limited ("Shimao Property" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2009.

The first half of 2009 has witnessed a full recovery of the Chinese real estate market from the adversities of the macroeconomic regulation, as evidenced by increases in both property transaction prices and volume. To mitigate the adverse impacts of the global financial crisis on her economy, China has introduced a number of economic stimulus initiatives, including a RMB4 trillion stimulus package, interest rate cuts and loosening of monetary policy, which have reaped remarkable results. In addition, under a favorable environment of low interest rates, the purchasing powers repressed by the macroeconomic regulation were swiftly released in one go, which in turn flourished a vibrant market in the first half of the year. The wealth increment effect resulting from the real estate market recovery has boosted up the improvement in other sectors of the economy as well. On the other hand, China is undergoing rapid urbanization. According to the Chinese Academy of Social Sciences, China's urban population has exceeded 600 million at the end of last year, and there are 15 million rural residents moving into the urban areas each year, thereby bringing a robust demand for housing. According to the Ministry of Civil Affairs, there were 10.98 million marriages registered in China in 2008, representing a year-on-year increase of 10%. These new demands together with the increasing property transactions under a healthy economic cycle lay a solid foundation for the long-term development of the real estate sector.

During the period under review, benefited from a favorable turnaround in the general operating environment, the Group's sales performance was beyond our expectation. In the first half of 2009, the turnover of the Group amounted to RMB4.97 billion, up by 170% as compared with the corresponding period of last year. Net profit attributable to shareholders soared by 30% to RMB1,199 million. Stripping out major non-cash items and one off gain/loss, net profit from core business attributable to shareholders substantially increased by 16 times during the period amounted to RMB384 million. Basic earnings per share amounted to RMB0.356.

In the first half of 2009, gross profit margin was 29% (first half of 2008: 59%). The average selling price of recognized sales dropped to RMB6,704 per sq.m.. The decrease in gross profit margin during the first half of the year was mainly due to the fact that majority of the deliveries were lower price products, and that relatively more projects (four) are in the starting phases in which the gross profit margins are usually lower. Moreover, the effect of the reduction of average selling price towards end of 2008 and early 2009 carried forward to the first half of 2009. However, when compared with the average selling price at the end of 2008, the average selling price in August 2009 rose by approximately 30% on an average basis. As for the unrecognized contracted sales of about RMB10.3 billion as at 30 June 2009, the average selling price reaches RMB10,867 per sq.m.. Riding on surging selling prices, the Group expects that its year-round gross profit margin in 2009 will grow remarkably as compared to that in the first half of the year.

The contracted sales soared sharply by 200% to RMB13.2 billion as compared to the same period of last year, which equivalent to a total sold area of 1.46 million sq.m.

In order to show appreciation to our shareholders for their dedicated support, the board of directors of the Company (the "Board") declared the payment of an interim dividend of HK10 cents per share (first half of 2008: Nil) for the six months ended 30 June 2009.

The year of 2009 represented the twentieth anniversary of Shimao's entry into China's real estate market. In this meaningful year, the Group has made a number of crucial progresses in its financing operation. Moreover, the Group has injected powerful momentums into its future development by capturing the opportunities to absorb funds from various sources. In March 2009, the Group has signed a banking credit facility agreement of RMB15 billion with the Agricultural Bank of China, which notably beefed up the Group's financial strength. In April, the Group raised a net proceed of HK$1.9 billion through a successful placing of 282,229,000 shares of the Company, thereby greatly consolidated its financial conditions. In May, Shanghai Shimao Co., Ltd. ("Shanghai Shimao") successfully issued new shares to the Company, which symbolized the success of Shimao Property in entering the A-share market in China and the provision of a new funding platform for the Group. Shanghai Shimao proposed an additional issuance of no more than 150,000,000 new A shares to raise a net proceed of RMB2 billion in July. This was an illustration that the Group has further taken full advantage of the A-share market as a platform for funding, the result of which also indicated the market has cast a vote of confidence in the fundamentals and prospects of the Group.

During the period, the Group reported realized revenue from property sales of RMB4.57 billion. Together with the associated companies' turnover of RMB209 million, the total amount was RMB4.78 billion which represented a growth of 234% over the corresponding period of last year, and equivalent to gross floor area of 713,350 sq.m.

During the period, the Group attained encouraging property sales performance, with the total contracted sales volume reaching RMB13.2 billion and total contracted sales area amounted to 1.46 million sq.m., representing a dramatic growth of 200% and 236% over the corresponding period of last year respectively. During the period, the Group launched 24 projects over the country. Of which, Beijing Gong San Plaza and Ningbo Shimao World Gulf, being the projects launched for sale for the first time, were well received by the market, testifying a widespread market acceptance of the quality and brand name of the Group's products. The remaining projects also reported satisfactory sales performance. In addition to Shanghai and Beijing, impressive sales performance was achieved in the second-tier cities, such as Fuzhou, Suzhou, Wuhan, which proved that the Group's strategies for developing the markets of second-tier cities have borne fruit, and such cities will become the major drives for the growth of the Group's property sales.

During the period, the hotel business was hampered by the financial crisis, making its revenue drop by 26% over the figure of the corresponding period of last year to RMB288 million. EBITDA decreased by 38% to RMB88 million as compared to the corresponding period of last year. However, the commercial properties performed satisfactorily as their revenue grew by 21% to RMB107 million as compared to the corresponding period of last year. A long-term and stable source of income was thus generated for the Group.

The Group adheres to a prudent and long-term strategy with respect to its land bank replenishment and strives to acquire quality land reserve at reasonable costs in cities with potentials. During the period under review, Shanghai Shimao purchased a commercial land parcel at a prime location in Qingdao City, Shandong Province. In addition, the Group purchased a residential/commercial land parcel in Xiamen. The two land plots covers a planned GFA of 690,000 sq.m. The newly added land development resources mentioned above will turn into quality commercial and residential projects of the Group and further enrich the project portfolio of the Group.

The real estate market bounced back in the first half of 2009, and still hovered at the high end in August. We believe that the elements sustaining the long-term growth of the domestic real estate market are in place. However, we are aware that we have to watch out for the market bubbles as we enjoy the market recovery and prepare for drastic ups and downs of the market. Therefore, though the Group has achieved an obvious growth in its business in the first half of 2009 compared to the corresponding period of last year, we will not relax or be complacent. We will continue to operate in a prudent manner and endeavor to pursue a sustainable growth in each of our business segments. The Group will ensure the adequacy and stability of the Group's financial resources and stick to a diversified development strategy, so that the development of the Group will not be vulnerable to market fluctuations.

We are cautiously optimistic about the market expectation in the second half of the year. In accordance with the established development strategy, the Group will continue to put its emphasis on developing regions of vital importance, namely the Yangtze

River Delta and the Bohai Rim. We will reinforce our sales efforts in rolling out several quality projects in various cities, including Changshu, Hangzhou, Shaoxing, Suzhou, Changzhou and Jiaxing. The proportion of products will be flexibly adjusted in line with market conditions and demand in order to expand our market share and enhance the awareness and reputation of the Group's Shimao brand. Currently, the Group has ample liquidity. However, we will continue to increase our land bank in cities with development potentials such as Shanghai, Dalian, Tianjin, Chengdu, Jinan, Qingdao, Nanchang and Wuhan, and when the stability of the Group's financial resources will not be jeopardized.

At present, the residential properties and commercial properties are designated to different companies of the Group. To meet forthcoming challenges and capture future opportunities, Shimao Property will review financing progress and market conditions and accordingly continue the reorganization of the hotel business and further implement a development mode spearheaded by three principal businesses. We will continue to improve the management structure, enhance the operational efficiency and strengthen the Group's competitive edges, so as to promote a long-term healthy and stable development for the Group.

In the twentieth anniversary of Shimao's access into the real estate market in China, Shimao and its staff will thrive and demonstrate better performance in order to reward our investors and repay the society.

**Appreciation**

On behalf of the Board, I would like to thank the Company's shareholders for their enduring patronage and confidence. Their recognition of the Group's strategy and goals is very encouraging to us. At the same time, I would like to take this opportunity to express my heartfelt gratitude to our staff, who have delivered enormous contribution to the Group's achievements over the past two decades. Shimao Property expects to create a brighter future for Shimao through concerted efforts of its shareholders, investors and staff.

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

To weather the spreading impacts of the global financial crisis, the central government has introduced a series of measures to stimulate the economy and to encourage domestic demand, with a view to maintaining a healthy economic growth in China. According to data of the National Bureau of Statistics of China, Gross Domestic Product (GDP) reached RMB13,986.2 billion in the first half of 2009, representing a growth of about 7.1% over the corresponding period of last year. Per capita disposable income of urban residents was RMB8,856, representing a year-on-year increase of 9.8% and an effective increase of 11.2% after netting of price factors. This was a reflection that China has led the way to revive from the financial crisis, with an annual economic growth rate of 8% or above. The loosened monetary policies, which were implemented to withstand the financial crisis, gave rise to a stronger home ownership demand.

In the first half of 2009, China's real estate market revealed a complete turnaround from the trough of last year. In the first half of the year, the nation made an investment in real estate development of RMB1,450.5 billion, representing a year-on-year increase of 9.9%. Though the growth rate was trimmed down by 23.6 percentage point when compared with the corresponding period of last year, but it was 3.1 percentage point higher than the growth rate during the period from January to May.

Due to favorable factors of interest rate cuts and relaxed credit conditions, coupled with the central government's initiatives to boom domestic demand and to restore confidence in home ownership, an accumulated huge demand was released, which in turn boosted the market demand for home ownership and investments in real estates. In the first half of the year, the trading volume of property in different regions picked up significantly, with the transaction prices tending to be stable. According to statistics of the National Development and Reform Commission (NDRC), in the first half of 2009, the average trading volume of the country's property markets grew by 30%, and the national property prices have rebounded since March this year, with a monthly increase of 0.2%, 0.4% and 0.6% in March, April and May respectively. On the other hand, given an increasingly accelerated urbanization in China, it is projected that the annual rural to urban population will reach 18 million. Coupled with the increasing number of new marriage, home buyers will continue to rise, driving a more robust demand for real estate markets.

**BUSINESS REVIEW**

For the six months ended 30 June 2009, the Group's business development can be divided into three major segments, namely property development, hotel operations and investment property. During the period under review, smooth progress was made in each of the projects. The overall completed project GFA was 301,647 sq.m., representing a growth of 249% when compared with the corresponding period of last year.

**1) Property Development**

The Group has continued to adopt flexible marketing strategies in order to keep abreast of market changes. Amid the recovering real estate market, the purchasing power repressed for over a year was released. The Group's property development business in the first half of 2009 reported promising performance. The recognized revenue from property sales amounted to RMB4.78 billion, including associated companies' income of RMB209 million, representing an increase of 234% when compared with the corresponding period of last year. This was mainly due to the improving property market sentiment and robust sales performance. Total GFA recognized (including associated companies' floor area of 20,754 sq.m.) reached 713,350 sq.m., up by 5.3 times as compared to the corresponding period of last year.

As most of the projects were and will be completed in the second half of 2009, there were only four completed projects in Changzhou, Jiaxing, Wuhan and Shenyang respectively in the first half of 2009. Total completed GFA amounted to 301,647 sq.m., which was a 249% growth when compared with the figure of the corresponding period of last year of 86,487 sq.m..

During the period under review, the contracted sales amounted to RMB13.2 billion, representing a remarkable year-on-year growth of 200%. We accomplished 78% of the year-round sales target of RMB17 billion. Total contracted sales area reached 1.46 million sq.m., representing a year-on-year increase of 236%. During the period, the Group launched a total of 24 projects. Since April, a leaping growth was registered in sales volume during the period as the Group made strengthened marketing efforts and took advantage of our strong brand appeal. Overwhelmingly positive feedbacks were received for projects such as Shanghai Shimao Riviera Garden, Fuzhou Shimao Skyscrapers, Beijing Gong San Plaza and Ningbo Shimao World Gulf, which were launched for sale in the first half of the year. The contracted sales contribution from Shanghai Shimao Riviera Garden and Fuzhou Shimao Skyscrapers amounted to over RMB2 billion respectively, while the sales contribution from Ningbo Shimao World Gulf was about RMB1 billion.

The Group expects that 24 projects will be available for sale in the second half of 2009, with a total saleable GFA of approximately 1.96 million sq.m. which included the available saleable GFA with sales permit of approximately 1.29 million sq.m. as at 30 June 2009.

**2) Hotel Properties and Investment Properties**

During the period under review, total revenue from hotels and investment properties decreased by 17% to RMB395 million. Of which, revenue from hotel operations dropped, but revenue from investment property leasing rose. The segment accounted for 8% (first half of 2008: 26%) of the Group's revenue.

*Hotel Operations*

During the period under review, due to the fall of number of visitors as a result of the global financial crisis, revenue from hotel operations fell by 26.2% to RMB288 million (first half of 2008: RMB390 million). The revenue was derived from operating income of Shanghai Le Méridien Sheshan, Shanghai Hyatt on the Bund and Le Royal Méridien Shanghai. Earnings before interest, tax, depreciation and amortization (EBITDA) dropped by 38% to RMB88 million (first half of 2008: RMB143 million).

The Group considers that with an enhancing brand image and awareness of the Group's hotels, and the ample opportunities to be enjoyed by the Group amid the imminent 2010 Shanghai World Expo, the average occupancy rates for the three hotels are expected to grow in the second half of this year and in 2010. The Group will continue to secure a dominant market share amongst the international prestigious hotels in Shanghai. In addition, the Group will take active leaps in promoting the development progress of various hotel projects. In particular, the hotel in Nanjing is expected to be completed by 2010.

*Investment Properties*

During the period under review, the Group's turnover from investment property leases rose to RMB107 million, up by 21% as compared to the corresponding period of last year (first half of 2008: RMB88 million).

The Group will complete GFA of 150,000 sq.m. in Shaoxing in the second half of 2009, and will gradually put it into operation.

In June 2009, the Group has completed the restructuring of injecting commercial assets into Shanghai Shimao. Through this reorganization, Shimao Property owned an independent and professional commercial property development vehicle and made a successful access to the A-share market, thereby concentrating the resources on the development of the capital-intensive commercial properties while providing an independent financing platform for the Group to raise funds for business development through China's equity and bond markets.

Shanghai Shimao has become one of the largest listed commercial property developers in the A-share market, being responsible for commercial property development, sale, lease and related property management business. In July 2009, Shanghai Shimao proposed an additional issuance of no more than 150,000,000 new A shares. Net proceeds of RMB2 billion is expected to be raised through the placing of new shares. This move is to enable the Group to take full advantage of the A-share market as a capital platform and to provide Shanghai Shimao with sufficient funds for further expanding the development of its commercial properties.

**3) Placing of Shares**

The Group has always followed the principle of fiscal prudence and committed to maintaining a healthy financial position. On 9 April 2009, the Group successfully placed 282 million shares to institutional investors, raising net proceeds of about HK$1.9 billion for repayment of syndicated loans. The further decrease of our net debt ratio and the improvement in our financial position will bide well for the Group's business operations and development in the long run.

4) **Land Bank**

During the period under review, the Group acquired two parcels of land located in Qingdao, Shandong Province and Xiamen, Fujian Province respectively. In May 2009, the Group and Qingdao Shiao Property Development Company Limited, the wholly-owned subsidiary of Qingdao Urban Development Group, jointly won the tender for a commercial land parcel at prime location in Qingdao, Shandong Province at RMB920 million. Total planned GFA of the land parcel was approximately 240,000 sq.m. In June 2009, the Group was awarded the tender for a top quality land parcel in Xiamen, Fujian Province at RMB3.02 billion. Total planned GFA of the land parcel was approximately 453,000 sq.m.

As at 30 June 2009, the Group's existing land reserves have a planned GFA of 26.20 million sq.m. At present, the Group has 36 projects under different stages of development in 24 cities, including Shanghai, Beijing, Harbin, Wuhan, Nanjing, Fuzhou, Kunshan, Changshu, Shaoxing, Wuhu, Yantai, Jiaxing, Changzhou, Shenyang, Suzhou, Xuzhou, Hangzhou, Xianyang, Taizhou, Mudanjiang, Dalian, Ningbo, Qingdao and Xiamen. In future, the Group will continue to adopt a prudent approach for acquiring high-quality lands when we identify land parcels that offer attractive investment return, so as to flourish the Group's future business development while ensuring a sound financial position.

## PROSPECTS OF THE GROUP

Despite the worldwide economy will be continuously affected by the global financial crisis, yet the Chinese government has introduced a series of economic stimulus package to encourage domestic demand. This will help ensure a steady economic growth, and develop a favorable market environment for the Group.

1) **Property Development**

In the second half of 2009, the Group expects that the real estate market will sustain a steady growth. Upon an industry consolidation in 2008, the real estate industry, as one of the country's economic pillar industries, will continue to benefit from the favorable policies and loosened monetary policy implemented by the country. The central government will monitor the industry through a more flexible approach.

Despite that a couple of cities have recently introduced measures for tightening the secondary mortgages, enhancing land supply and increasing affordable housing in order to prevent the industry bubble, yet the Group believed that these measures will help ensure the long-term healthy development of the real estate industry. To meet future challenges and opportunities, the Group will grasp market opportunities through prudent strategies, so as to leap across the many challenges ahead, promote business development and consolidate our industry leadership.

### 2) Investment properties and hotel properties

As the Group has completed the restructuring of injecting commercial assets into Shanghai Shimao, the Group will concentrate and focus its financial and management resources on the development of high-growth domestic residential and hotel business, while Shanghai Shimao will endeavor to develop commercial properties.

With the imminent approach of the 2010 Shanghai World Expo, coupled with a sustainable solid growth in the domestic economy, China's hotel industry is set to be embraced with tremendous development potentials. To capture each and every opportunity, the Group will continue to develop high-quality hotel projects, and will gain foreign management experience in optimizing our management structure through cooperation with the internationally renowned hotel groups. The Group will actively step up the hotel business restructuring so as to bring a brighter development prospect for our hotel business and to improve the development strategy spearheaded by three principal businesses.

July 2009 represented the twentieth anniversary of Shimao's access into China's real estate market, and marked a third anniversary of Shimao Property's listing in Hong Kong. Looking ahead, the Group will, through a flexible sales strategy, a strong brand influence and a clear blueprint for business development, vigourously enhance our competitive advantages and capture the opportunities arising from the market recovery. We will strive to achieve our goal of "Cultivating Lifestyle, Realizing Urban Dreams" and maximize our shareholders' returns.

## FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

| | **1H 2009** | 1H 2008 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Revenue | **4,967.7** | 1,841.8 |
| Gross profit | **1,428.7** | 1,081.7 |
| Operating profit | **2,217.5** | 1,634.4 |
| Profit attributable to shareholders | **1,198.7** | 919.1 |
| Earnings per share — Basic *(RMB)* | **0.356** | 0.279 |

### Revenue

For the six months ended 30 June 2009, the revenue of the Group was approximately RMB5 billion (1H 2008: RMB1.8 billion), representing a increase of 170% over 2008. 92% (1H 2008: 74%) of the revenue was generated from the sales of properties and 8% (1H 2008: 26%) from hotel operation and leasing of commercial properties. The components of the revenue are analysed as follows:

| | **1H 2009** | 1H 2008 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Sales of properties | **4,573.1** | 1,363.8 |
| Hotel operating income | **288.1** | 389.9 |
| Rental income from investment properties | **106.5** | 88.1 |
| Total | **4,967.7** | 1,841.8 |

### (i) Sales of properties

Sales of properties for the six months ended 30 June 2009 and 2008 are shown below:

| | **1H 2009** | | 1H 2008 | |
|---|---|---|---|---|
| | ***Area (Sq.m.)*** | ***RMB million*** | *Area (Sq.m.)* | *RMB million* |
| Beijing Shimao Olive Garden | **621** | **7** | 11,936 | 361 |
| Wuhan Shimao Splendid River* | **102,406** | **730** | — | 1 |
| Shaoxing Shimao Dear Town | **10,208** | **69** | 2,473 | 22 |
| Harbin Shimao Riviera New City | **124,010** | **427** | 47,589 | 204 |
| Changshu Shimao The Center | **44,470** | **287** | 2,492 | 28 |
| Kunshan Shimao Butterfly Bay | **41,490** | **196** | 29,447 | 244 |
| Shanghai Shimao Sheshan Villas | **6,366** | **228** | 7,835 | 339 |
| Shanghai Shimao Riviera Garden | **443** | **4** | 439 | 43 |
| Kunshan Shimao East No. 1 | **38,501** | **218** | 6,799 | 122 |
| Hangzhou Shimao Riviera Garden | **74,763** | **549** | — | — |
| Shanghai Shimao Emmen Royal County | **32,549** | **264** | — | — |
| Wuhu Shimao Riviera Garden | **46,083** | **357** | — | — |
| Fuzhou Shimao Skyscrapers | **22,608** | **336** | — | — |
| Shenyang Shimao Wulihe | **8,625** | **38** | — | — |
| Suzhou Shimao Canal Scene | **26,758** | **173** | — | — |
| Jiaxing Shimao Century Park | **31,185** | **110** | — | — |
| Changzhou Shimao Champagne Lakeside Garden | **74,720** | **508** | — | — |
| Nanjing Shimao Bund New City *(note 1)* | **2,632** | **34** | — | — |
| Fuzhou Shimao Bund Garden *(note 1)* | **4,158** | **38** | — | — |
| Sub-total (a) | **692,596** | **4,573** | 109,010 | 1,364 |
| Nanjing Shimao Bund New City *(note 1)* | **20,453** | **205** | 3,026 | 47 |
| Fuzhou Shimao Bund Garden *(note 1)* | **301** | **4** | 1,372 | 20 |
| Sub-total (b) | **20,754** | **209** | 4,398 | 67 |
| Sub-total (c) — attributable | **10,377** | **104** | 2,199 | 33 |
| Total (a) + (b) | **713,350** | **4,782** | 113,408 | 1,431 |
| Total (a) + (c) | **702,973** | **4,677** | 111,209 | 1,397 |

*Note 1:* For the five months ended 31 May 2009, revenue attributable to the Group generated from associated companies holding Nanjing Shimao Bund New City and Fuzhou Shimao Bund Garden has not been consolidated in the consolidated financial statements. After the completion of injection of commercial projects and assets into Shanghai Shimao, these associated companies became our subsidiaries and the revenue of June was consolidated in our interim consolidated financial statements.

* *Attributable interests is 70.01%*

**(ii) Hotel income**

Hotel operating income are analysed below:

| | **1H 2009** | 1H 2008 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Shanghai Le Méridien Sheshan | **46.8** | 62.5 |
| Le Royal Méridien Shanghai | **139.6** | 193.4 |
| Shanghai Hyatt on the Bund | **101.7** | 134.0 |
| Total | **288.1** | 389.9 |

Hotel operating income decreased approximately 26% to RMB288.1 million from RMB389.9 million over 1H 2008. Decrease was due to drop in business travel after global financial crisis.

**(iii) Rental income**

Rental income from investment properties amounted to RMB106.5 million. The rental income increased by 21% mainly due to more units were rented in Beijing Shimao Tower.

| | **1H 2009** | 1H 2008 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Shanghai Shimao International Plaza | **78.6** | 79.4 |
| Beijing Shimao Tower | **21.5** | 8.7 |
| Changshu Shopping Mall | **6.4** | — |
| Total | **106.5** | 88.1 |

**Cost of sales**

The cost of sales are analysed as follows:

| | **1H 2009** *RMB million* | 1H 2008 *RMB million* |
|---|---|---|
| Sales taxes | **272.8** | 91.9 |
| Land costs, construction costs and capitalised borrowing costs for properties sold | **3,105.1** | 473.0 |
| Direct operating costs for hotels and commercial properties | **161.1** | 195.1 |
| Total | **3,539.0** | 760.0 |

**Fair value gains on investment properties**

During the period under review, the Group recorded aggregate fair value gains of RMB54.5 million (1H 2008: fair value gains RMB805.4 million).

**Gains on deemed disposal to minority interests**

Upon the completion of acquisition of Shanghai Shimao and Shimao Enterprises, a special gain of RMB1,395.8 million was recorded in the first half period of 2009. The net gain after deduction of various taxes recognised in income statements amounted to RMB859.9 million.

**Other gains**

Other gains of RMB73.3 million for the six months ended 30 June 2009 (1H 2008: RMB404.3 million) included mainly subsidy income and net foreign exchange gain. The drop was due to decrease of foreign exchange gain as a result of a more stable USD to RMB exchange rate in the first half of 2009.

**Selling and marketing costs and administrative expenses**

Selling and marketing costs for the period was RMB156.8 million (1H 2008: RMB113.2 million). The increase was mainly due to number of projects with selling activities increased. Administrative expenses increased by 12% which was mainly due to write-down of certain completed properties held for sale to net realizable value.

**Operating profit**

Operating profit amounted to RMB2.2 billion for the six months ended 30 June 2009, a increase of 36% over first half of 2008.

**Finance costs — net**

Net finance costs increased to RMB185.4 million (1H 2008: RMB158.3 million) mainly due to more interest expenses incurred for increased borrowing in 2009.

**Share of results of associated companies & jointly controlled entities**

Share of profits of associated companies amounted to RMB20 million (1H 2008: share of losses of RMB13.5 million). Share of profit of jointly controlled entities amounted to RMB0.6 million (1H 2008: RMB7.7 million).

**Taxation**

The Group's tax provisions amounted to RMB798.7 million in which LAT was RMB114.6 million (1H 2008: RMB551.8 million, in which LAT was RMB212.9 million) for the period.

**Profit attributable to shareholders**

Profit attributable to shareholders for the period increased by 30% from RMB919.1 million in 1H 2008 to RMB1,198.7 million in 2009.

**Liquidity and financial resources**

As of 30 June 2009, total assets of the Group were RMB60.9 billion, of which current assets reached RMB36.8 billion. Total liabilities were RMB37.2 billion, whereas non-current liabilities were RMB16.4 billion. Equity attributable to the shareholders of the Company amounted to RMB21.3 billion.

As of 30 June 2009, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB9.9 billion (31 December 2008: RMB2.0 billion), total borrowings amounted to approximately RMB19.2 billion (31 December 2008: RMB14.4 billion). Total net borrowings were RMB9.3 billion (31 December 2008: RMB12.4 billion). Adjusted net gearing ratio (calculated by total borrowings less cash and restricted cash divided by adjusted total equity (after adjustment for the after-tax net valuation surplus of RMB4.7 billion (31 December 2008: RMB4.6 billion) of the three completed hotels)) decreased from 53% as at 31 December 2008 to 32% as at 30 June 2009.

The maturity of the borrowings of the Group as at 30 June 2009 is set out as follows:

| | *RMB million* |
|---|---|
| **Bank borrowings** | |
| Within 1 year | **4,526** |
| Between 1 and 2 years | **3,114** |
| Between 2 and 5 years | **4,147** |
| Over 5 years | **3,383** |
| **Senior notes** | |
| Between 2 and 5 years | **1,679** |
| Over 5 years | **2,350** |

The borrowings were denominated in different currencies set out below:

| | **Original currency million** | **RMB equivalent million** |
|---|---|---|
| US$ | **698** | **4,698** |
| HK$ | **338** | **298** |
| RMB | **14,203** | **14,203** |

**Financing activities**

In March 2009, the Group has signed a banking credit facility agreement of RMB15 billion with Agricultural Bank of China Limited. In April 2009, the Group has made a placement with net proceeds of HK$1.9 billion to early repay the US$328 million syndicated loans.

**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$98 million syndicated loans, US$600 million senior notes and HK$338 million bank loans as at 30 June 2009.

**Pledge of assets**

As of 30 June 2009, the Group had pledged properties, plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties, cash and cash equivalents and available-for-sale financial assets with a total carrying amount of RMB24.5 billion to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB13.3 billion.

As at 30 June 2009, the Group had also pledged 110,000,000 shares of Shanghai Shimao for a total borrowings of RMB0.5 billion.

**Contingent liabilities/financial guarantees**

As of 30 June 2009, the Group had provided guarantees for approximately RMB4.4 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 2009, the Group had contracted capital and property development expenditure but not provided for amounted to RMB20.3 billion.

**Employees and remuneration policy**

As of 30 June 2009, the Group employed a total of 3,520 employees. Total remuneration for the period amounted to RMB186.6 million. The Group has adopted a performance-based rewarding system to motivate its staff. 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 2009 together with comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

**Condensed Consolidated Statement of Comprehensive Income**
*For the six months ended 30 June 2009*

| | | **Unaudited** | |
|---|---|---|---|
| | | **Six months ended 30 June** | |
| | | **2009** | 2008 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Revenue** | 3(a) | **4,967,684** | 1,841,771 |
| Cost of sales | | **(3,538,987)** | (760,025) |
| **Gross profit** | | **1,428,697** | 1,081,746 |
| Gain on deemed disposal to minority interests | 4 | **1,395,849** | — |
| Fair value gains on investment properties | | **54,544** | 805,380 |
| Other gains | 5 | **73,295** | 404,275 |
| Selling and marketing costs | | **(156,757)** | (113,159) |
| Administrative expenses | | **(568,928)** | (506,178) |
| Other operating expenses | | **(9,246)** | (37,619) |
| **Operating profit** | | **2,217,454** | 1,634,445 |
| Finance costs — net | | **(185,413)** | (158,306) |
| Share of results of | | | |
| — Associated companies | | **19,926** | (13,478) |
| — Jointly controlled entities | | **641** | 7,721 |
| **Profit before income tax** | | **2,052,608** | 1,470,382 |
| Income tax expense | 6 | **(798,711)** | (551,809) |
| **Profit for the period** | | **1,253,897** | 918,573 |
| **Other comprehensive income:** | | | |
| Fair value gains on available-for-sale financial assets, net of tax | | **62,240** | — |
| **Total comprehensive income for the period** | | **1,316,137** | 918,573 |

| | Note | Unaudited Six months ended 30 June 2009 RMB'000 | 2008 RMB'000 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **1,198,724** | 919,099 |
| Minority interests | | **55,173** | (526) |
| | | **1,253,897** | 918,573 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | **1,238,696** | 919,099 |
| Minority interests | | **77,441** | (526) |
| | | **1,316,137** | 918,573 |
| **Dividends** | 7 | **311,650** | — |
| **Earnings per share for profit attributable to the equity holders of the Company** | | | |
| — basic *(RMB cents)* | 8 | **35.6** | 27.9 |
| — diluted *(RMB cents)* | 8 | **35.5** | 27.7 |

**Condensed Consolidated Balance Sheet**
*As at 30 June 2009*

| | Note | Unaudited 30 June 2009 RMB'000 | Audited 31 December 2008 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **5,236,243** | 5,403,356 |
| Investment properties | | **6,151,263** | 6,050,000 |
| Land use rights | | **2,529,407** | 6,179,952 |
| Intangible assets | | **2,129,566** | 424,394 |
| Associated companies | | **—** | 255,785 |
| Available-for-sale financial assets | | **593,687** | — |
| Jointly controlled entities | | **1,721,770** | 1,721,197 |
| Deferred income tax assets | | **645,686** | 437,847 |
| Other non-current assets | | **5,058,605** | 4,309,904 |
| | | **24,066,227** | 24,782,435 |
| **Current assets** | | | |
| Land use rights under development | | **13,538,127** | 8,973,518 |
| Properties under development | | **7,419,067** | 4,175,745 |
| Completed properties held for sale | | **3,096,816** | 4,681,419 |
| Trade and other receivables and prepayments | 9 | **2,549,844** | 1,633,727 |
| Prepaid income taxes | | **285,885** | 148,174 |
| Amounts due from related companies | | **4,120** | 84,915 |
| Restricted cash | | **937,680** | 186,961 |
| Cash and cash equivalents | | **8,973,913** | 1,814,447 |
| | | **36,805,452** | 21,698,906 |
| **Total assets** | | **60,871,679** | 46,481,341 |

| | Note | Unaudited 30 June 2009 RMB'000 | Audited 31 December 2008 RMB'000 |
|---|---|---|---|
| **OWNERS' EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | | **361,335** | 336,015 |
| Reserves | | | |
| — Proposed dividend | | **311,650** | 404,742 |
| — Others | | **20,592,758** | 17,955,062 |
| | | **21,265,743** | 18,695,819 |
| **Minority interests in equity** | | **2,376,652** | 341,600 |
| **Total equity** | | **23,642,395** | 19,037,419 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **14,673,309** | 10,895,097 |
| Deferred income tax liabilities | | **1,736,964** | 1,605,101 |
| | | **16,410,273** | 12,500,198 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **5,363,886** | 6,747,126 |
| Advanced proceeds received from customers | | **6,411,351** | 1,534,690 |
| Income tax payable | | **4,171,269** | 2,958,002 |
| Borrowings | | **4,525,668** | 3,538,906 |
| Amounts due to related companies | | **181,837** | — |
| Deferred income | | **165,000** | 165,000 |
| | | **20,819,011** | 14,943,724 |
| **Total liabilities** | | **37,229,284** | 27,443,922 |
| **Total equity and liabilities** | | **60,871,679** | 46,481,341 |
| **Net current assets** | | **15,986,441** | 6,755,182 |
| **Total assets less current liabilities** | | **40,052,668** | 31,537,617 |

## SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

### 1 GENERAL INFORMATION AND BASIS OF PREPARATION

The principal activities of Shimao Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are property development, property investment and hotel operation in the People's Republic of China (the "PRC").

In May 2009, the Company completed the injection of a number of retail and commercial properties in the PRC, most of which through equity transfers, into Shanghai Shimao Co,. Ltd ("Shanghai Shimao"), a company listed on the Shanghai Stock Exchange, satisfied by issuance of 630,000,000 shares of Shanghai Shimao. In addition, the Company also subscribed for new shares of Shanghai Shimao Enterprise Development Co,. Ltd ("Shimao Enterprises"), which previously held approximately 37% interest in Shanghai Shimao, for RMB749,992,000. Shimao Enterprises then subscribed for 62,240,000 shares of Shanghai Shimao using the proceeds received of RMB749,992,000 (collectively the "Transaction").

After the completion of the Transaction, the Company owns an effective equity interest of 64.22% in Shanghai Shimao and a direct equity interest of 50.9% in Shimao Enterprises. Mr. Hui Wing Mau, Chairman of the Company, is also the Chairman of Shanghai Shimao. Shimao Enterprises was 93.33% owned by the nephew of Mr. Hui Wing Mau prior to the Transaction.

The Transaction had resulted in a gain of RMB1,395,849,000 (Note 4) and goodwill of RMB1,709,730,000 to the Group.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 of the Group are prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets 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 17 September 2009.

### 2 ACCOUNTING POLICIES

Except as described below which are newly adopted for this period, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements for the year ended 31 December 2008.

**Available-for-sale financial assets**

The Group is in procession of available-for-sale financial assets during this period through acquisition of Shanghai Shimao. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the condensed consolidated income statement.

**New/revised standards, amendments to standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2009 that are relevant to the Group's operations**

- HKAS 1 (Revised), "Presentation of Financial Statements".
- HKAS 23 (Revised), "Borrowing Costs".
- HKAS 40 (Amendment), "Investment Property" (and consequential amendments to HKAS 16).
- HKFRS 8, "Operating Segments".
- HKFRS 7 (Amendment), "Financial Instruments: Disclosures".
- HK(IFRIC) — Int 15, "Agreements for Construction of Real Estates" supersedes HK Int — 3, "Revenue — Pre-completion contracts for the sale of developed properties".
- HK(IFRIC) — Int 13, "Customer Loyalty Programmes"
- HKFRS 2, "Share-based Payment"
- HKAS 1 (Amendment), "Presentation of Financial Statements"
- HKAS 23 (Amendment), "Borrowing Costs"
- HKAS 28 (Amendment), "Investments in Associates"
- HKAS 36 (Amendment), "Impairment of Assets"
- HKAS 8 (Amendment), "Accounting Policies, Changes in Accounting Estimates and Errors"
- HKAS 10 (Amendment), "Events After the Balance Sheet Date"
- HKAS 18 (Amendment), "Revenue"
- HKAS 34 (Amendment), "Interim Financial Reporting"

The adoption of the above new/revised standards, amendments to standards and interpretations in 2009 has no significant impact on the Group's financial statements except for the following presentational changes and added disclosures:

- HKAS 1 (revised), "Presentation of Financial Statements", introduces a number of changes to the presentation of the financial statements, including requirement for certain items of income and expenses (that is "non-owner changes in equity") previously presented in the condensed consolidated statement of changes in equity to be presented in a new performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present one performance statement (the consolidated statement of comprehensive income). The condensed consolidated interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating Segments", replaces HKAS 14, "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM makes strategic decisions.

  The adoption of this Standard has resulted in a change of reportable segments. Following the completion of the Transaction, the CODM views Shanghai Shimao as a separate operating segment from the previous property development and investment segment while the hotel operation segment is maintained. Comparatives for 2008 have been restated.

- HKFRS 7 (Amendment), "Financial Instruments: Disclosures", increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The Group will make additional relevant disclosures in its consolidated financial statements for the year ending 31 December 2009.

## 3 SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports. As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical segment information is presented.

### (a) Revenue

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2009** | 2008 |
| | ***RMB'000*** | *RMB'000* |
| Sales of properties | **4,573,113** | 1,363,788 |
| Hotel operating income | **288,128** | 389,861 |
| Rental income from investment properties | **106,443** | 88,122 |
| | **4,967,684** | 1,841,771 |

### (b) Segment information

The unaudited segment results for the six months ended 30 June 2009 are as follows:

| | Property development and investment | | | | |
|---|---|---|---|---|---|
| | Shanghai Shimao *RMB'000* | Others *RMB'000* | Hotel operation *RMB'000* | Unallocated* *RMB'000* | Total *RMB'000* |
| Revenue | | | | | |
| — Sales of properties | **150,167** | **4,422,946** | — | — | **4,573,113** |
| — Hotel operating income | — | — | **288,128** | — | **288,128** |
| — Rental income from investment properties | **4,713** | **101,730** | — | — | **106,443** |
| Total revenue | **154,880** | **4,524,676** | **288,128** | — | **4,967,684** |
| Operating profit | **23,106** | **2,248,785** | **(38,866)** | **(15,571)** | **2,217,454** |
| Finance costs — net | **(12,204)** | **(96,415)** | **(40,227)** | **(36,567)** | **(185,413)** |
| Share of results of | | | | | |
| — Associated companies | — | **19,926** | — | — | **19,926** |
| — Jointly controlled entities | — | **72** | — | **569** | **641** |
| Profit/(loss) before income tax | **10,902** | **2,172,368** | **(79,093)** | **(51,569)** | **2,052,608** |
| Income tax expense | | | | | **(798,711)** |
| Profit for the period | | | | | **1,253,897** |
| Other segment items are as follows: | | | | | |
| Capital and property development expenditure | **381,123** | **3,812,301** | **39,723** | **112,076** | **4,345,223** |
| Gains on deemed disposal to minority interests | — | **1,395,849** | — | — | **1,395,849** |
| Fair value gains on investment properties | **30,444** | **24,100** | — | — | **54,544** |
| Impairment of goodwill | **(3,821)** | **(737)** | — | — | **(4,558)** |
| Depreciation | **(950)** | **(27,029)** | **(99,665)** | **(3,150)** | **(130,794)** |
| Amortisation of land use rights as expenses | **(424)** | **(13,376)** | **(14,227)** | — | **(28,027)** |
| Impairment losses on completed properties held for sale | — | **(57,935)** | — | — | **(57,935)** |
| Provision for impairment of receivables | **(316)** | **(7,208)** | **(40)** | — | **(7,564)** |

* Unallocated mainly represent corporate level activities

The unaudited segment results for the six months ended 30 June 2008 are as follows:

| | Property development and investment | | | | |
|---|---|---|---|---|---|
| | Shanghai Shimao | Others | Hotel operation | Unallocated* | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | | | | | |
| — Sales of properties | — | 1,363,788 | — | — | 1,363,788 |
| — Hotel operating income | — | — | 389,861 | — | 389,861 |
| — Rental income from investment properties | — | 88,122 | — | — | 88,122 |
| Total revenue | — | 1,451,910 | 389,861 | — | 1,841,771 |
| Operating profit | — | 1,639,540 | 33,129 | (38,224) | 1,634,445 |
| Finance costs — net | — | (81,043) | (32,183) | (45,080) | (158,306) |
| Share of results of | | | | | |
| — Associated companies | — | (13,478) | — | — | (13,478) |
| — Jointly controlled entities | — | 7,345 | — | 376 | 7,721 |
| Profit/(loss) before income tax | — | 1,552,364 | 946 | (82,928) | 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 | — | 11,231,281 | 223,898 | 14,117 | 11,469,296 |
| Fair value gains on investment properties | — | 805,380 | — | — | 805,380 |
| Impairment of goodwill | — | (4,345) | | | (4,345) |
| Depreciation | — | (15,193) | (95,946) | (1,867) | (113,006) |
| Amortisation of land use rights as expenses | — | (1,708) | (13,755) | — | (15,463) |
| Provision for impairment of receivables | — | (2,405) | — | — | (2,405) |

* Unallocated mainly represent corporate level activities

The segment assets and liabilities as at 30 June 2009 are as follows:

| | Property development and investment | | | |
|---|---|---|---|---|
| | **Shanghai Shimao** | **Others** | **Hotel operation** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Jointly controlled entities | **—** | **1,717,748** | **—** | **1,717,748** |
| Goodwill | **1,715,954** | **282,684** | **130,928** | **2,129,566** |
| Other segment assets | **12,456,260** | **36,424,715** | **6,531,858** | **55,412,833** |
| Total segment assets | **14,172,214** | **38,425,147** | **6,662,786** | **59,260,147** |
| Other assets | | | | **372,159** |
| Deferred income tax assets | | | | **645,686** |
| Available-for-sale financial assets | | | | **593,687** |
| Total assets | | | | **60,871,679** |
| Borrowings | **2,615,157** | **8,025,356** | **3,034,172** | **13,674,685** |
| Other segment liabilities | **1,671,584** | **14,050,440** | **547,973** | **16,269,997** |
| Total segment liabilities | **4,286,741** | **22,075,796** | **3,582,145** | **29,944,682** |
| Other liabilities | | | | **23,346** |
| Corporate borrowings | | | | **5,524,292** |
| Deferred income tax liabilities | | | | **1,736,964** |
| Total liabilities | | | | **37,229,284** |

The segment assets and liabilities as at 31 December 2008 are as follows:

| | Property development and investment | | | |
|---|---|---|---|---|
| | Shanghai Shimao | Others | Hotel operation | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Associated companies | — | 255,785 | — | 255,785 |
| Jointly controlled entities | — | 1,717,744 | — | 1,717,744 |
| Goodwill | — | 293,466 | 130,928 | 424,394 |
| Other segment assets | — | 36,939,780 | 6,619,623 | 43,559,403 |
| Total segment assets | — | 39,206,775 | 6,750,551 | 45,957,326 |
| Other assets | | | | 86,166 |
| Deferred income tax assets | | | | 437,847 |
| Total assets | | | | 46,481,339 |
| Borrowings | — | 5,744,730 | 2,099,900 | 7,844,630 |
| Other segment liabilities | — | 10,349,502 | 464,696 | 10,814,198 |
| Total segment liabilities | — | 16,094,232 | 2,564,596 | 18,658,828 |
| Other liabilities | | | | 590,620 |
| Corporate borrowings | | | | 6,589,373 |
| Deferred income tax liabilities | | | | 1,605,101 |
| Total liabilities | | | | 27,443,922 |

Total 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 corporate assets, deferred income tax assets and available-for-sale financial assets.

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

## 4 GAINS ON DEEMED DISPOSAL TO MINORITY INTERESTS

As described in Note 1, the Group acquired an effective equity interest of 64.22% in Shanghai Shimao through injection of a number of retail and commercial properties, most of which through equity transfers. Such injected equity and assets were originally 100% held by the Group. After the completion of the Transaction, the Group's interests in these injected equity and assets were diluted from 100% to 64.22%. The reduction of the interests of 35.78% in these injected equity and assets constituted a deemed disposal, and resulted in a gain. The gain of RMB1,395,849,000 was calculated as 35.78% of the excess of the fair value of theses equity and assets given up over their carrying amounts on the completion date of 31 May 2009.

## 5 OTHER GAINS

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | ***RMB'000*** | *RMB'000* |
| Subsidy income | **40,385** | 5,203 |
| Net exchange gain | **27,316** | 392,765 |
| Dividend income from available-for-sales financial assets | **3,608** | — |
| Temporary rental and advertising income | **600** | 1,257 |
| Gain on disposal of fixed assets | **17** | 457 |
| Miscellaneous | **1,369** | 4,593 |
| | **73,295** | 404,275 |

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

### (c) PRC land appreciation tax ("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 Enterprise 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. Such withholding income tax is included in deferred tax.

Gain on disposal of an investment in the PRC by an overseas holding company may also be subject to withholding tax of 10%. Such withholding tax is included in current tax.

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| — PRC enterprise income tax | **499,707** | 75,613 |
| — PRC withholding income tax | **434,000** | — |
| — PRC land appreciation tax | **114,596** | 212,932 |
| | **1,048,303** | 288,545 |
| Deferred tax | | |
| — PRC enterprise income tax | **(196,592)** | 237,128 |
| — PRC withholding income tax | **(53,000)** | 26,136 |
| | **(249,592)** | 263,264 |
| | **798,711** | 551,809 |

## 7 DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2009 of HK10 cents per ordinary share, amounting to approximately HK$353,545,000 (equivalent to RMB311,650,000) has been declared at the Company's board meeting held on 17 September 2009 (2008: Nil).

A final dividend in respect of 2008 of HK13 cents per ordinary share, amounting to approximately HK$459,031,000 (equivalent to RMB404,742,000) has been approved at the annual general meeting of the Company held on 2 June 2009.

## 8 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 | |
|---|---|---|
| | **2009** | 2008 |
| Profit attributable to the equity holders of the Company *(RMB'000)* | **1,198,724** | 919,099 |
| Weighted average number of ordinary shares in issue *(thousands)* | **3,367,177** | 3,298,891 |
| Basic earnings per share *(RMB cents)* | **35.6** | 27.9 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| Profit attributable to the equity holders of the Company *(RMB'000)* | **1,198,724** | 919,099 |
| Weighted average number of ordinary shares in issue *(thousands)* | **3,367,177** | 3,298,891 |
| Adjustments for share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme *(thousands)* | **6,621** | 22,595 |
| Weighted average number of ordinary shares for diluted earnings per share *(thousands)* | **3,373,798** | 3,321,486 |
| Diluted earnings per share *(RMB cents)* | **35.5** | 27.7 |

## 9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | **30 June 2009** | 31 December 2008 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables — net *(note)* | **1,152,578** | 809,587 |
| Deposits for resettlement costs | **258,847** | 208,748 |
| Other receivables | **385,199** | 247,342 |
| Prepayments for construction costs | **429,596** | 279,455 |
| Prepaid business taxes on pre-sale proceeds | **323,624** | 88,595 |
| | **2,549,844** | 1,633,727 |

*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 2009** | 31 December 2008 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **862,830** | 567,132 |
| Over 90 days and within 365 days | **209,483** | 201,068 |
| Over 365 days | **80,265** | 41,387 |
| | **1,152,578** | 809,587 |

As at 30 June 2009, provision for impairment of receivables was approximately RMB9,878,000 (31 December 2008: RMB2,314,000).

## 10 TRADE AND OTHER PAYABLES

| | **30 June 2009** | 31 December 2008 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables *(note)* | **4,602,264** | 5,836,441 |
| Accrued expenses | **113,961** | 109,039 |
| Other taxes payable | **274,503** | 176,888 |
| Other payables | **337,099** | 624,758 |
| Dividend payable to a minority interest | **36,059** | — |
| | **5,363,886** | 6,747,126 |

*Note:*

As at 30 June 2009, the ageing analysis of trade payables is as follows:

| | **30 June 2009** | 31 December 2008 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **3,892,511** | 5,107,382 |
| Over 90 days and within 180 days | **709,753** | 729,059 |
| | **4,602,264** | 5,836,441 |

## 11 COMMITMENTS FOR CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE

| | **30 June 2009** *RMB'000* | 31 December 2008 *RMB'000* |
|---|---|---|
| Contracted but not provided for | | |
| — Property, plant and equipment | **1,032,825** | 1,184,667 |
| — Land use rights | **12,749,797** | 6,133,370 |
| — Properties being developed by the Group for sale | **3,783,540** | 3,037,239 |
| — Advances to government authorities for land resettlement and site formation | **2,745,250** | 3,035,900 |
| | **20,311,412** | 13,391,176 |

# 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 2009 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 five executive directors, one non-executive director 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 2009.

## 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 2009.

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has today declared an interim dividend of HK10 cents per ordinary share for the six months ended 30 June 2009. The dividend will be payable on 10 November 2009 to shareholders whose names appear on the register of members of the Company on 3 November 2009.

The register of members of the Company will be closed on Monday, 2 November 2009 and Tuesday, 3 November 2009. During these two days no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 30 October 2009.

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

Hong Kong, 17 September 2009

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