



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 2006

HIGHLIGHTS

- Acquired listing status on 5 July 2006 with the Main Board of The Stock Exchange of Hong Kong Limited
- Gross profit amounted to RMB758.8 million which translates to a gross profit margin of 34.6% for the period under review and is 10.3 times that of the same period in 2005
- Gross profit excluding fair value adjustment and land appreciation tax amounted to RMB1,119.6 million which translates to a management analysed gross profit margin of 51% for the period under review
- Profit attributable to shareholders rose by 130% to RMB703.6 million as compared with the corresponding period in 2005. Excluding the net fair value gain of an investment property of RMB272.7 million, profit attributable to shareholders amounted to RMB430.9 million
- Earnings per share reported at RMB0.309, an increase of 80.7% from RMB0.171 compared with the corresponding period in 2005

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

Hui Wing Mau
Chairman

Hong Kong, 31 August 2006

MANAGEMENT DISCUSSION & ANALYSIS

Market Overview

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

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

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

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

Business Overview

Project Development

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

Projects completed during the first six months of 2006 are:

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

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

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

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

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

Property Sales and Other Income

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

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

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

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

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

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

Investment and Hotel Properties

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

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

Completed Investment and Hotel Properties

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

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

Investment and Hotel Properties Under Development

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

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

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

Land Bank Reserves

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

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

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

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

Business Outlook

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

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

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

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

Subsequent Event

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

UNAUDITED INTERIM RESULTS

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

Condensed Consolidated Income Statement
For the six months ended 30 June 2006

		Six months ended 30 June	
	Note	2006 RMB'000	2005 RMB'000
Turnover	3	2,191,468	181,539
Cost of sales		(1,432,645)	(114,551)
Gross profit		758,823	66,988
Fair value gains on an investment property		407,000	464,139
Other gains	6	35,313	36,687
Selling and marketing costs		(66,544)	(24,666)
Administrative expenses		(139,087)	(79,638)
Other operating expenses		(71,835)	(4,056)
Operating profit		923,670	459,454
Finance costs		(8,272)	(7,703)
Share of results of:			
— Associated companies		(3,260)	19,269
— Jointly controlled entity		(12)	—
Profit before income tax		912,126	471,020
Income tax expense	7	(208,514)	(159,711)
Profit for the period		703,612	311,309
Attributable to:			
Equity holders of the Company		703,612	305,813
Minority interests		—	5,496
		703,612	311,309
Earnings per share for profit attributable to the equity holders of the Company			
— basic (RMB cents)	9	30.9	17.1
— diluted (RMB cents)	9	30.9	—
Dividends	8	—	—

Condensed Consolidated Balance Sheet
As at 30 June 2006

	Note	30 June 2006 RMB'000	31 December 2005 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,943,053	3,254,452
Investment property		2,290,000	1,883,000
Land use rights		1,452,482	1,695,939
Intangible assets		545,291	607,291
Associated companies		146,960	150,220
Jointly controlled entity		488	500
Deferred income tax assets		154,952	76,484
Other non-current assets		585,284	577,087
		9,118,510	8,244,973
Current assets			
Land use rights under development		2,702,377	2,300,593
Properties under development		3,895,900	3,403,545
Completed properties held for sale		286,734	302,640
Trade and other receivables and prepayments	4	447,071	482,575
Prepaid income taxes		143,013	96,737
Amounts due from related companies		—	111
Restricted cash		59,316	29,129
Cash and cash equivalents		1,207,723	704,680
		8,742,134	7,320,010
Total assets		17,860,644	15,564,983
OWNERS' EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		247,309	—
Reserves		5,513,091	2,510,218
Total equity		5,760,400	2,510,218
LIABILITIES			
Non-current liabilities			
Borrowings		2,783,027	1,913,404
Deferred income tax liabilities		1,095,309	967,982
		3,878,336	2,881,386
Current liabilities			
Trade and other payables	5	3,962,098	3,943,718
Advanced proceeds received from customers		3,515,951	4,132,430
Amounts due to related companies		—	1,266,965
Income tax payable		193,496	105,972
Borrowings		550,363	724,294
		8,221,908	10,173,379
Total liabilities		12,100,244	13,054,765
Total equity and liabilities		17,860,644	15,564,983
Net current assets/(liabilities)		520,226	(2,853,369)
Total assets less current liabilities		9,638,736	5,391,604

Notes:

1. General information and basis of preparation

The Company was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

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

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

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

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

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

2. Accounting policies

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

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

- Amendment to HKAS 39 and HKFRS 4, “Financial Guarantee Contracts”. The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts and the Group has made the assertion prior to the implementation of the amendments. Consequently the Group concluded that the amendments would not have any significant impact on the Group's operations.
- HK(IFRIC)-Int 4 “Determining whether an arrangement contains a lease”. The Group has reviewed its contracts. This interpretation does not have any impact on classification of the leases of the Group and on the expenses recognised in respect of them.

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

- Amendment to HKAS 19, “Actuarial Gains and Losses, Group Plans and Disclosures”
- Amendment to HKAS 39, “The Fair Value Option”
- Amendment to HKAS 21, “Net Investment in a Foreign Operation”

- Amendment to HKAS 39, “Cash Flow Hedge Accounting of Forecast Intragroup Transactions”
- HKFRS 6 “Exploration for and Evaluation of Mineral Resources”
- HK(IFRIC)-Int 5 “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”
- HK(IFRIC)-Int 6 “Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment”.

The Group has not early adopted any new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but are not yet effective for financial year ending 31 December 2006.

3. Turnover and segment information

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

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

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

- (b) Segment information is as follows:

Primary reporting format — business segment

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

	Property development RMB’000	Hotel RMB’000	Property investment RMB’000	Unallocated RMB’000	Total RMB’000
Segment turnover	2,144,120	31,640	15,708	—	2,191,468
Segment results	562,967	(16,768)	416,550	(39,079)	923,670
Finance costs	(3,788)	(243)	(4)	(4,237)	(8,272)
Share of results of					
— associated companies	(3,260)	—	—	—	(3,260)
— jointly controlled entity	—	—	—	(12)	(12)
Profit/(loss) before income tax	555,919	(17,011)	416,546	(43,328)	912,126
Income tax expense					(208,514)
Profit for the period					<u>703,612</u>

Other segment items are as follows:

Capital and property development expenditure	2,025,086	358,045	47,734	1,790	2,432,655
Depreciation	3,770	14,189	167	675	18,801
Amortisation of land use rights as expenses	692	536	—	—	1,228
Fair value gains on an investment property	—	—	407,000	—	407,000
Impairment of goodwill	62,000	—	—	—	62,000

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

	Property development RMB’000	Hotel RMB’000	Property investment RMB’000	Unallocated RMB’000	Total RMB’000
Segment turnover	167,043	—	14,496	—	181,539
Segment results	4,472	(8,122)	501,921	(38,817)	459,454
Finance costs	(1,206)	(10)	—	(6,487)	(7,703)
Share of results of					
— associated companies	19,269	—	—	—	19,269
Profit/(loss) before income tax	22,535	(8,132)	501,921	(45,304)	471,020
Income tax expense					(159,711)
Profit for the period					<u>311,309</u>

Other segments items are as follows:

Capital and property development expenditure	778,896	428,022	48,355	1,195	1,256,468
Depreciation	2,633	163	140	328	3,264
Amortisation of land use rights as expenses	79	—	—	—	79
Fair value gains on an investment property	—	—	464,139	—	464,139
Bad debt recovered	—	—	25,000	—	25,000

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

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

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

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

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

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

4. Trade and other receivables and prepayments

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

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

5. Trade and other payables

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

Notes:

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

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

- (b) Other payables comprise:

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

6. Other gains

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

7. Income tax expense

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

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

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

8. Dividends

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

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

9. Earnings per share

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

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

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

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

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

10. Commitments

Commitments for capital and property development expenditure

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

FINANCIAL ANALYSIS

Interim Result

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

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

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

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

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

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

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

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

The interim results comprise of certain non-cash items, including fair value adjustment, land appreciation tax provision, fair value gain on an investment property and impairment of goodwill. The components of the above non-cash items are set out as follows:

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

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

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

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

Liquidity, Financial Resources and Bank Loans

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

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

Pledge of Assets

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

Contingent Liabilities

As of 30 June 2006, the Group had provided guarantees for approximately RMB1,978.5 million (31 December 2005: RMB1,450.2 million) in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties.

Capital Commitments

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

Financial Policies

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

Employees and Remuneration Policy

As of 30 June 2006, the Group employed a total of 1,123 employees. Total remuneration for the period amounted to RMB79.8 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. Share option schemes were adopted to attract and retain talents to serve the Group. In relation to staff training, the Group also provides different training programmes for staff to improve their skills and develop their respective expertise.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

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

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

Audit Committee

The Company has established an Audit Committee on 9 June 2006 with written terms of reference pursuant to the rules set out in Chapter 3 of the Listing Rules. The Audit Committee consists of four members, namely Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam. All of them are Independent Non-executive Directors. The chairman of the Audit Committee is Ms. Kan Lai Kuen, Alice.

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

The unaudited consolidated interim results of the Group for the six months ended 30 June 2006 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the auditors of the Company.

Remuneration Committee

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

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

Nomination Committee

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

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

Compliance with Code on Corporate Governance Practices

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

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

Purchase, Sale or Redemption of the Listed Securities

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

On behalf of the Board
Hui Wing Mau
Chairman

Hong Kong, 31 August 2006

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