# SHANGHAI ZENDAI PROPERTY LIMITED
# 上海証大房地產有限公司*

*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 755)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

The Board of Directors of Shanghai Zendai Property Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008.

### CONDENSED CONSOLIDATED INCOME STATEMENT
*For the six months ended 30 June 2008*

| | | Six months ended | |
|---|---|---|---|
| | *Notes* | **30 June 2008** *HK$'000* **(Unaudited)** | 30 June 2007 *HK$'000* (Unaudited) |
| Turnover | *3* | **934,991** | 657,624 |
| Cost of sales | | **(483,225)** | (453,605) |
| Gross profit | | **451,766** | 204,019 |
| Other income and gains | | **33,889** | 45,388 |
| Distribution expenses | | **(16,167)** | (11,832) |
| Administrative expenses | | **(69,839)** | (33,533) |
| Other operating expenses | | **(41,709)** | – |
| Fair value gain on investment properties | | **68,486** | – |
| Profit from operations | *4* | **426,426** | 204,042 |
| Share of results of associates | | **(2,701)** | – |
| Share of results of a jointly controlled entity | | **(779)** | – |
| Gain on deemed disposal of a subsidiary | *12* | **130,905** | – |
| Finance costs | | **(77,749)** | (29,548) |
| Profit before tax expenses | | **476,102** | 174,494 |
| Tax expenses | *5* | **(343,868)** | (65,497) |
| Profit for the period | | **132,234** | 108,997 |
| Attributable to: | | | |
| Equity holders of the Company | | **138,665** | 101,202 |
| Minority interests | | **(6,431)** | 7,795 |
| | | **132,234** | 108,997 |
| Earnings per share | *7* | | |
| Basic | | **HK1.98 cents** | HK2.02 cents |
| Diluted | | **HK1.96 cents** | HK1.95 cents |

## CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30 June 2008*

| | Notes | 30 June 2008 HK$'000 (Unaudited) | 31 December 2007 HK$'000 (Audited) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **14,586** | 12,822 |
| Investment properties | | **1,061,703** | 955,107 |
| Goodwill | | **178,994** | 172,281 |
| Investment in associates | | **194,441** | 72,606 |
| Investment in a jointly controlled entity | | **64,894** | 62,385 |
| Available-for-sale investments | | **19,824** | 24,858 |
| **Total non-current assets** | | **1,534,442** | 1,300,059 |
| **Current assets** | | | |
| Properties for development and sales | | **3,980,946** | 3,818,309 |
| Trade and other receivables | *8* | **189,183** | 254,021 |
| Deposits for property development | | **–** | 5,105 |
| Financial assets at fair value through profit or loss | | **61,901** | 103,584 |
| Available-for-sale investments | | **9,322** | 3,419 |
| Amount due from an associate | | **92,077** | – |
| Amounts due from related companies | | **26,024** | 43,767 |
| Amount due from a minority owner of a subsidiary | | **3,876** | 908 |
| Tax prepayment | | **17,039** | 18,892 |
| Cash and cash equivalents | | **1,187,444** | 1,327,861 |
| **Total current assets** | | **5,567,812** | 5,575,866 |
| Assets classified as held for sales | | **–** | 32,471 |
| **Total assets** | | **7,102,254** | 6,908,396 |

| | Notes | 30 June 2008 HK$'000 (Unaudited) | 31 December 2007 HK$'000 (Audited) |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 9 | **506,703** | 650,431 |
| Receipts in advance from customers | | **1,351,531** | 1,067,051 |
| Amounts due to related companies | | **256** | 190 |
| Amounts due to a minority owner of a subsidiary | | **12,616** | 33,632 |
| Bank loans – secured | | **243,688** | 198,776 |
| Convertible notes | | **–** | 64,894 |
| Tax payable | | **581,703** | 459,532 |
| **Total current liabilities** | | **2,696,497** | 2,474,506 |
| **Net current assets** | | **2,871,315** | 3,133,831 |
| **Total assets less current liabilities** | | **4,405,757** | 4,433,890 |
| **Non-current liabilities** | | | |
| Bank loans – secured | | **448,122** | 510,160 |
| Senior loan notes | 10 | **1,139,848** | 1,135,998 |
| Deferred tax liabilities | | **322,980** | 258,207 |
| **Total non-current liabilities** | | **1,910,950** | 1,904,365 |
| **Total liabilities** | | **4,607,447** | 4,378,871 |
| **TOTAL NET ASSETS** | | **2,494,807** | 2,529,525 |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **140,075** | 140,075 |
| Reserves | | **2,170,893** | 1,986,624 |
| Equity attributable to equity holders of the Company | | **2,310,968** | 2,126,699 |
| **Minority interests** | | **183,839** | 402,826 |
| **TOTAL EQUITY** | | **2,494,807** | 2,529,525 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2008*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value.

The accounting polices used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2007. The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. In the current period, the Group purchases from minority interests, the excess of any consideration paid over the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity.

In the current period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA which are effective for financial year beginning on 1 January 2008. The adoption of these new interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods.

| | |
|---|---|
| HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions |
| HK(IFRIC) – Int 12 | Service Concession Arrangements |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

| | |
|---|---|
| HKAS 1 and HKAS 32 Amendments | Puttable Financial Instruments and Obligations Arising on Liquidation[2] |
| HKAS 1 (Revised) | Presentation of Financial Statements[2] |
| HKAS 23 (Revised) | Borrowing Costs[2] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[1] |
| HKFRS 2 Amendment | Share-based Payment – Vesting Conditions and Cancellation[2] |
| HKFRS 3 (Revised) | Business Combinations[1] |
| HKFRS 8 | Operating Segments[2] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes[3] |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate[2] |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation[4] |

[1] Effective from annual periods beginning on or after 1 July 2009.
[2] Effective from annual periods beginning on or after 1 January 2009.
[3] Effective from annual periods beginning on or after 1 July 2008.
[4] Effective from annual periods beginning on or after 1 October 2008.

## 3. SEGMENT INFORMATION

For management purpose, the Group is currently organised into three operating divisions; sales of properties, provision of travel and related service and properties investment. These divisions are the basis on which the Group reports its primary segment information.

The Group's turnover and profit for the period by business segment are as follows:

| | **Sales of properties** | | **Travel and related services** | | **Properties investment** | | **Group** | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June** | | **Six months ended 30 June** | | **Six months ended 30 June** | | **Six months ended 30 June** | |
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue – external sales | **909,061** | 635,018 | **4,868** | 7,757 | **21,062** | 14,849 | **934,991** | 657,624 |
| Results Segment results | **391,986** | 166,552 | **(89)** | (369) | **86,093** | 11,454 | **477,990** | 177,637 |
| Unallocated corporate income | | | | | | | **33,889** | 34,896 |
| Unallocated corporate expenses | | | | | | | **(85,453)** | (8,491) |
| Profit from operations | | | | | | | **426,426** | 204,042 |
| Share of results of associates | **(2,701)** | – | **–** | – | **–** | – | **(2,701)** | – |
| Share of results of a joint controlled entity | **(779)** | – | **–** | – | **–** | – | **(779)** | – |
| Gain on deemed disposal of a subsidiary | | | | | | | **130,905** | – |
| Finance costs | | | | | | | **(77,749)** | (29,548) |
| Profit before tax expenses | | | | | | | **476,102** | 174,494 |
| Tax expenses | | | | | | | **(343,868)** | (65,497) |
| Profit for the period | | | | | | | **132,234** | 108,997 |

## 4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

| | Six months ended 30 June 2008 HK$'000 | Six months ended 30 June 2007 HK$'000 |
|---|---|---|
| Depreciation on property, plant and equipment | **1,557** | 1,507 |
| Loss on disposal of financial assets at fair value through profit or loss | **4,628** | – |
| Loss on fair value changes of financial assets at fair value through profit or loss | **37,081** | – |
| Exchange losses, net | **12,539** | – |
| and after crediting: | | |
| Interest income | **7,340** | 6,166 |
| Dividend income from financial assets at fair value through profit or loss | **302** | 104 |
| Gain on disposal of financial assets at fair value through profit or loss | **–** | 7,961 |
| Gain on disposal of asset classified as held for sale | **18,971** | – |
| Gain on disposal of a subsidiary | **800** | – |
| Gain on fair value changes of financial assets at fair value through profit or loss | **–** | 23,030 |
| Exchange gain, net | **–** | 7,779 |

## 5. TAX EXPENSES

The amount of tax expenses debit/(credit) in the consolidated income statement represents:

| | Six months ended 30 June 2008 HK$'000 | Six months ended 30 June 2007 HK$'000 |
|---|---|---|
| Current tax – PRC Enterprise Income Tax | | |
| – tax for the year | **71,034** | 40,896 |
| – (over)/under provision in respect of prior years | **(1,018)** | 1,738 |
| | **70,016** | 42,634 |
| Current tax – Land Appreciation Tax | | |
| – tax for the year | **182,247** | 40,876 |
| – under provision in respect of prior years | **41,354** | – |
| | **223,601** | 40,876 |
| Deferred tax | | |
| – current year | **11,361** | (18,013) |
| – effect of change in tax rate | **38,890** | – |
| | **50,251** | (18,013) |
| | **343,868** | 65,497 |

**Hong Kong Profits Tax and Macau Complementary Income Tax**

No provision for Hong Kong Profits Tax and Macau Complementary Income Tax has been made as the Group has no assessable profit in Hong Kong and Macau for the period.

**PRC Enterprise Income Tax**

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

**Land Appreciation Tax ("LAT")**

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

## 6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period (2007: Nil).

## 7. EARNINGS PER SHARE

### (a) Basic

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

| | Six months ended | |
|---|---|---|
| | **30 June 2008** | 30 June 2007 |
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders | **138,665** | 101,202 |
| Weighted average number of ordinary shares in issue *(thousands)* | **7,003,738** | 5,016,033 |
| Basic earnings per share *(HK cents per share)* | **1.98** | 2.02 |

### (b) Diluted

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

| | Six months ended | |
|---|---|---|
| | **30 June 2008** | 30 June 2007 |
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders | **138,665** | 101,202 |
| Adjustments for interest on convertible notes | **479** | 1,738 |
| Profit attributable to equity holders for diluted earnings per share | **139,144** | 102,940 |
| Weighted average number of ordinary shares in issue *(thousands)* | **7,003,738** | 5,016,033 |
| Effect of dilutive potential ordinary shares on | | |
| – convertible notes *(thousands)* | **78,658** | 265,833 |
| – options *(thousands)* | **20,449** | – |
| Weighted average number of ordinary shares for diluted earnings per share *(thousands)* | **7,102,845** | 5,281,866 |
| Diluted earnings per share *(HK cents per share)* | **1.96** | 1.95 |

## 8. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables of the Group are trade receivables of HK$67,384,000 (31.12.2007: HK$71,759,000). The aging analysis of trade receivables at the balance sheet date is as follows:

| | **30 June 2008** *HK$'000* | 31 December 2007 *HK$'000* |
|---|---|---|
| Current | **28,505** | 356 |
| 1 – 30 days past due | **594** | 64,299 |
| 31 – 60 days past due | **18** | 2,288 |
| 61 – 90 days past due | **7** | 65 |
| 91 – 180 days past due | **4** | 73 |
| Over 180 days past due | **38,256** | 4,678 |
| Amount past due at the balance sheet date but not impaired *(note)* | **38,879** | 71,403 |
| | **67,384** | 71,759 |

*Note:* The balance of HK$38,879,000 (31.12.2007: HK$71,403,000) was past due but not impaired in which HK$27,280,000 related to a customer for sales of a property. The amount was fully repaid after the period ended and the remaining balance of HK$11,599,000 related to a number of customers with good repayment history. The management considered that no impairment loss is required to be recognised in the current period.

## 9. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$191,205,000 (31.12.2007: HK$324,057,000). The aging analysis of trade payables at the balance sheet date is as follows:

| | **30 June 2008** *HK$'000* | 31 December 2007 *HK$'000* |
|---|---|---|
| Current | **428** | 212,834 |
| 1 – 30 days past due | **1,463** | 34,376 |
| 31 – 60 days past due | **151** | 2,150 |
| 61 – 90 days past due | **691** | 926 |
| 91 – 180 days past due | **125,679** | 409 |
| 181 – 360 days past due | **1,093** | 1,664 |
| Over 360 days past due | **2,645** | 34,198 |
| | **132,150** | 286,557 |
| Retention money | **59,055** | 37,500 |
| | **191,205** | 324,057 |

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

## 10. SENIOR LOAN NOTES

On 6 June 2007, the Group issued senior loan notes (the "Notes") of US$150 million with maturity date on 6 June 2012. The Notes carry interest at 10% per annum and is payable semi-annually in arrears on 6 June and 6 December of each year, beginning on 6 December 2007 and they are guaranteed by certain subsidiaries. The Notes are listed on the Singapore Exchange Securities Trading Limited.

## 11. CONTINGENT LIABILITIES

The Group provided guarantees of HK$59,380,000 at 30 June 2008 (31.12.2007: HK$47,350,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loans granted.

## 12. RELATED PARTY TRANSACTIONS

On 22 February 2008, the minority owner of Shanghai Zendai Himalaya Real Estate Company Limited ("HLCL"), Shanghai Zendai Investment Development Company Limited ("Shanghai Zendai Investment") which has 40% interest in HLCL injected additional capital of RMB370,000,000 in HLCL. The paid-up capital of HLCL was increased from RMB10,000,000 to RMB20,000,000 and creation of share premium of RMB360,000,000. The transaction lead to the reduction of the Group's interest in HLCL from 60% to 30% and HLCL became an associate company of the Group with carrrying amount of HK$118,581,000. The gain on deemed disposal of HK$130,905,000 was recognised in the income statement.

## 13. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 25 April 2008, the Group entered into an agreement with Jointex Investment Holding Limited ("Jointex") to acquire entire interest of Giant Hope Investments Limited and its subsidiaries ("Giant Hope Group") and the loan due to Jointex by Giant Hope Group amounted to HK$ 97,290,000 for a total consideration of HK$836,000,000. Jointex is 85% owned by Giant Glory Assets Limited which is wholly owned by Mr. Dai Zhikang, a director of the Company.

(b) On 31 July, 2008, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited ("Shanghai Zendai Investment") pursuant to which Shanghai Zendai Investment and the Group agreed to increase the registered capital of Shanghai Zendai Himalaya Real Estate Company Limited ("HLCL") from RMB380,000,000 to RMB632,000,000 by contribution of RMB252,000,000 cash as additional registered capital.

The additional registered capital of RMB252,000,000 to HLCL will be contributed by Shanghai Zendai Investment and the Group in proportion to their respective interests in HLCL's registered capital. The additional registered capital of RMB252,000,000 to HLCL shall be satisfied by the cash contribution of RMB176,400,000 and RMB75,600,000 by Shanghai Zendai Investment and the Group respectively. The transaction constituted a connected transaction and was approved by the independent shareholders at the Special General Meeting held on 5 September 2008.

(c) On 19 August 2008, the Group entered into an agreement with 鄂爾多斯市國土資源局東勝康巴什新區分局 for the acquisition of two lots of land in Inner Mongolia Autonomous Region, the People's Republic of China ("PRC") at an aggregate consideration of RMB146,389,500.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

### Financial Results

For the six months ended 30 June 2008, turnover of the Group amounted to approximately HK$934,991,000, representing an increase of 42% as compared to approximately HK$657,624,000 in the corresponding period last year. Profit attributable to shareholders grew by 37% to approximately HK$138,665,000 against approximately HK$101,202,000 in the corresponding period last year. Basic earnings per share were 1.98 HK cents (2007 interim: 2.02 HK cents). During the period under review, the Group derived its turnover and profit mainly from:

- sales and delivery of office units in "Wu Dao Kou Financial Centre"
- sales and delivery of office units in "Zendai Cube Tower"
- gain from disposal of equity interest in Shanghai Zendai Himalaya Real Estate Company Limited
- revaluation gain on investment properties

### Business Review

In the first half of 2008, affected by the fluctuating economy and government macroeconomic austerity measures, the prices of properties in the People's Republic of China ("PRC") dropped at different rates and transaction volumes shrank. Under the tight macroeconomic austerity measures and uncertain external economic situations, property buyers adopted a wait-and-see attitude. Investors also became conservative in their forecast on the outlook of the property market.

Aspiring to become an integrated property developer, the Group has placed equal emphasis on development of quality residential and commercial projects and also sought to diversify its market from Shanghai to other high-growth cities in the PRC. During the period under review, the Group launched various residential and commercial projects as scheduled and continued to develop other projects heeding market trends. Moreover, the Group also completed a number of acquisitions in Chenmai County in Hainan, Huzhou in Zhejiang Province and Haimen in Jiangsu Province to develop new projects and increase land reserves in the consolidating property market.

## Commercial Property Projects

### Shanghai

*Wu Dao Kou Financial Centre*

"Wu Dao Kou Financial Centre" is a grade A commercial property project of the Group in Pudong, Shanghai. The entire project was completed in early 2008. The south tower with a saleable floor area of 25,865 square metres and 120 parking spaces was acquired by Evergreen Group from Taiwan to serve as its Asia Pacific headquarters. It was delivered in February 2008 and contract value totaling approximately RMB495,000,000 was booked for the period. As for the north tower, 14 floors of office units with a total floor area of 29,972 square metres were all sold as at 30 June 2008, bringing in RMB1,024,755,000 (equivalent to HK$1,151,410,000) in terms of contract value for the Group. During the period under review, a total saleable floor area of approximately 21,409 square metres were sold, bringing in RMB754,656,000 (equivalent to HK$847,928,000) in terms of contract value for the Group. A total floor area of 6,423 square metres was delivered during the period, and contract value totaling RMB223,000,000 (equivalent to HK$250,562,000) was booked for the period. The remaining 11 floors of office units in the north tower with total floor area of approximately 16,824 square metres and commercial areas with total floor area of approximately 8,210 square metres will be reserved for rental. As at 30 June 2008, lease contracts were signed for a total area of 7,776 square metres, which will be ready for delivery in the forth quarter of 2008.

*Zendai Cube Tower*

The grade A office project "Zendai Cube Tower" in Pudong, Shanghai, comprises office and commercial properties with a total gross floor area of 33,149 square metres. As at 30 June 2008, a cumulative total floor area of 29,239 square metres was sold, generating RMB658,272,000 (equivalent to HK$739,631,000) in terms of contract value for the Group. During the period under review, a total floor area of approximately 2,914 square metres was sold, bringing in RMB84,939,000 (equivalent to HK$95,437,000) in terms of contract value for the Group. A total floor area of 2,593 square metres was delivered during the period with contract value booked totaling RMB80,012,000 (equivalent to HK$89,901,000).

*Hengsheng Pavilion*

The Group completed the acquisition of the remaining 5% interest in "Hengsheng Pavilion", an integrated property project in Pudong, Shanghai, in March 2008 and now has 100% holding of the project. The project is on a 12,789-square-metre site with a total saleable floor area of approximately 43,248 square metres. It will have a 17-storey office building with a podium consisting of two levels of commercial spaces and two 18-storey serviced apartment buildings with commercial spaces on ground level. There will be two levels of underground space designed for entertainment and leisure-related commercial use and car parks. Construction of the project was basically completed and pre-sale is being arranged currently by the Group with commencement date set in the fourth quarter of 2008. The property is expected to be ready for delivery in the second half of 2009.

*Zendai Thumb Plaza*

The Group holds interest in part of the shopping mall of "Zendai Thumb Plaza" in Pudong, Shanghai for rental purpose. According to the payment terms in the acquisition agreement, the total consideration of RMB680,000,000 was paid by installments from 2005 to 2008. As at 30 June 2008, commercial spaces in the plaza were leased at more than 90%.

## Other cities

*Yangzhou Commercial Project*

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment uses in the heart of Yangzhou city. The project has a total saleable floor area of approximately 80,000 square metres and will include a cultural sightseeing area and a commercial shopping district. It will be developed in two phases. The first phase will comprise 12 buildings consisting of 243 units, with total saleable floor area of approximately 18,000 square metres. The Group is conducting preliminary work in relation to leasing with delivery scheduled for the second quarter of 2009.

*Haikou Project*

At the end of 2007, the Group acquired 95% interest in "海南新世界發展有限公司" and "海南華僑會館有限公司" respectively, through which it obtained a development project with gross floor area of approximately 72,000 square metres and a parcel of land of approximately 7,745 square metres in Haikou, Hainan Province. The Group began work to convert the former into offices with total saleable floor area of approximately 72,000 square metres in April 2008 with pre-sale expected to start in the second quarter of 2009. The project will be ready for delivery by the end of 2009. Another parcel of land of approximately 7,745 square metres is still in planning stage.

*The land in Chenmai County, Hainan*

In Januray 2008, the Group acquired 60% of Hainan Huayi Land Company Limited at a total consideration of no more than RMB206,260,000 in cash. Hainan Huayi Land Company Limited is a property project company holding a parcel of land in Chenmai County, Hainan, with a site area of 1,309,563 square metres. The land is intended for developing into leisure-related commercial property and residential property projects including hotels, villas and other related facilities. The strategic acquisition will enable the Group assume a place in the property market in Hainan reputed for its attraction as a tourist destination in the PRC.

*"Zhongke Langfang Technology Valley" in Langfang city*

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

## Residential Projects

### Shanghai

*Mandarin Palace*

"Mandarin Palace" villas, the Group's premium residential project in Shanghai, maintained satisfactory sales. As at 30 June 2008, a cumulative 39 individual villas with total saleable floor area of 28,254 square metres (18,483 square metres above-ground and 9,771 square metres underground) were sold, generating RMB1,199,965,000 (equivalent to approximately HK$1,348,275,000) in terms of contract value for the Group. During the period under review, two individual villas with total saleable floor area of 1,676 square metres (1,100 square metres above-ground and 576 square metres underground) were sold, generating RMB119,600,000 (equivalent to approximately HK$134,382,000) in terms of contract value for the Group. Since its launch in 2004, "Mandarin Palace" has been well received by the market and its selling price has kept rising. The Group will continue to adopt appropriate sales strategy to maximize returns.

### Other cities

*"Valley International" in Jilin*

Occupying a site area of 190,000 square metres, "Valley International", a residential property project in Jilin, boasts a total saleable floor area of approximately 178,000 square metres. The project will be developed in four phases.

Sale of "楓林別墅", the first phase of the project, comprising 118 town houses and 11 villas with total saleable floor area of 39,252 square metres began in November 2006. As at 30 June 2008, a cumulative 116 town houses and five villas with total saleable floor area of 35,322 square metres were sold, generating RMB144,809,000 (equivalent to HK$162,707,000) in terms of contract value for the Group.

The second phase of the project will comprise four low-rise blocks and seven high-rise residential blocks, which together provide 509 residential units and ancillary commercial facilities with total saleable floor area of about 81,794 square metres (78,987 square metres of which will be for residential use and 2,807 square metres will be for commercial use). Construction of the 11 blocks of residential buildings will take place and be delivered in three batches as scheduled.

Construction of the first batch comprising four low-rise blocks with 209 residential units of total saleable floor area 23,985 square metres started in July 2007 and is expected to be completed by the end of 2008 for delivery in the second half of 2009. Sale of the units started in November 2007. As at 30 June 2008, a cumulative 45 units with total saleable floor area of 4,303 square metres were sold, generating RMB16,400,000 (equivalent to HK$18,427,000) in terms of contract value for the Group. During the year under review, a total of 15 residential units with total saleable floor area of about 1,298 square metres were sold, generating RMB5,181,000 (equivalent to HK$5,821,000) in terms of contract value for the Group.

Construction of the second batch comprising five high-rise blocks, which provide 256 residential units with total saleable floor area of 41,302 square metres, has started in the third quarter of 2008. Related works are expected to be completed by end of 2009. Pre-sale will start in the third quarter of 2009.

The third batch comprising two high-rise blocks, which provide 44 residential units with total saleable floor area of 13,700 square metres, is expected to commence construction in the fourth quarter of 2008.

The third phase of the project will comprise 117 villas and town houses with total saleable floor area of about 31,838 square metres. Construction commenced in May 2008 and is expected to be completed by the end of 2009. The fourth phase is still in planning stage.

*"Zendai Ideal City" in Changchun*

Located in Changchun, "Zendai Ideal City" comprises residential properties and related ancillary commercial facilities with a land area of 405,000 square metres and total saleable floor area of approximately 600,000 square metres. The project will be developed in five phases. The first phase occupying a land area of approximately 77,300 square metres and saleable floor area of approximately 112,000 square metres will comprise 23 multi-storey residential buildings and three high-rise residential buildings offering a total of 1,210 units and related ancillary commercial facilities. The first phase is expected to be completed and delivered by the end of 2008. Pre-sale of the first phase commenced in October 2007. As at 30 June 2008, a cumulative 685 units with total saleable floor area of 64,860 square metres were sold, generating RMB218,242,000 (equivalent to HK$245,216,000) in terms of contract value for the Group. During the period under review, 253 units with total saleable floor area of approximately 24,298 square metres were sold, generating RMB84,162,000 (equivalent to HK$94,564,000) in terms of contract value for the Group. The second phase of the project will be developed into 19 multi-storey residential buildings and 10 high-rise residential buildings and ancillary commercial facilities, with total saleable floor area of about 112,000 square metres. Related construction works commenced in May 2008. Pre-sale is expected to start at the end of 2008 and construction is expected to be completed in the second half of 2009. Other parts to be developed are still in planning stage.

*"Zendai Garden-Riverside Town" in Haimen*

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province was not a major property project for sale during the period under review. The project comprises two parcels of land with total area of approximately 1,388,485 square metres.

The first parcel of land with total land area of approximately 577,485 square metres will be developed in two parts. The first part named "Zendai-Dong Zhou Mansion" will be developed into 3 phases. Phase I consists of 52 villas with total saleable floor area of approximately 17,457 square metres. As at 30 June 2008, a cumulative 41 units with total saleable floor area of 13,903 square metres were sold, generating RMB64,483,000 (equivalent to HK$72,453,000) in terms of contract value for the Group. Phases II and III of "Zendai-Dong Zhou Mansion" are still in the planning stage. "Multiflora Garden", the second part of "Zendai Garden-Riverside Town", will be developed in four phases into an integrated residential area comprising low density town houses. Construction of Phase I offering 212 units with total saleable floor area of 57,000 square metres is expected to be completed by the end of 2008. As at 30 June 2008, a cumulative 96 units with total saleable floor area of 26,198 square metres were sold, generating RMB116,452,000 (equivalent to HK$130,844,000) in terms of contract value for the Group. During the period under review, 30 units with total saleable floor area of approximately 8,028 square metres were sold, generating RMB39,438,000 (equivalent to HK$44,312,000) in terms of contract value for the Group. The other three phases of "Multiflora Garden" are in planning stage.

The second parcel of land with area of approximately 811,000 square metres will be developed into residential properties in phases. Construction of "清華園生態花園", the first phase, with total land area of approximately 43,551 square metres and saleable floor area of approximately 54,600 square metres has started in August 2008 and pre-sale will start at the end of 2008. Other parts to be developed are still in planning stage.

In addition, the Group completed the acquisition of a piece of land of approximately 133,200 square metres in Haimen in January 2008 at a total consideration of RMB27,000,000 (equivalent to HK$27,976,000). Neighbouring "Zendai Garden-Riverside Town", the land will optimize overall planning of the Group's project in the area.

*Huzhou, Zhejiang Province*

In January 2008, the Group acquired a site of approximately 59,935 square metres in Huzhou, Zhejiang Province at a total consideration of RMB122,000,000 (equivalent to HK$137,079,000). The project has a gross floor area of approximately 119,000 square metres and will be developed into residential and ancillary commercial properties. It is still in planning stage with construction scheduled to start in 2009 and be completed in 2011.

**Subsequent events**

*Acquisition of Giant Hope Investments Limited*

In April 2008, the Group agreed to acquire the entire issued share capital and shareholder's loan of Giant Hope Investments Limited ("Giant Hope") from its controlling shareholder to obtain a number of quality property projects and land, including "Radisson Hotel Pudong" in Shanghai, a parcel of land in Qingpu District in Shanghai and a parcel of land in Qingdao, Shandong, and also more retail shops and car park spaces in Zendai Thumb Plaza for rent. With the deal completed in July 2008, the Group now has stronger overall competitiveness in the property market, a boosted land reserve including sites in major prosperous cities in the PRC and assurance of stable rental income.

*Increase of Registered Capital of Shanghai Zendai Himalaya Real Estate Company Limited ("HLCL")*

On 31 July, 2008, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited ("Shanghai Zendai Investment") pursuant to which Shanghai Zendai Investment and the Group agreed to increase the registered capital of HLCL from RMB380,000,000 to RMB632,000,000 by contribution of RMB252,000,000 cash as additional registered capital.

The additional registered capital of RMB252,000,000 to HLCL will be contributed by Shanghai Zendai Investment and the Group in proportion to their respective interests in HLCL's registered capital. The additional registered capital of RMB252,000,000 to HLCL shall be satisfied by the cash contribution of RMB176,400,000 and RMB75,600,000 by Shanghai Zendai Investment and the Group respectively. The transaction constituted a connected transaction and was approved by the independent shareholder at the Special General Meeting held on 5 September 2008.

*Land Parcels in Inner Mongolia Autonomous Region*

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

**Prospects**

The Group is of the view that the PRC central government is taking measures to cool down the property market, which is favourable to the long term development of the economy and the property market. Thus, we are confident about the prospects of the PRC's property market.

Apart from the Group's home base Shanghai, the Group has a business footprint covering the Yangtze River Delta region (Haimen, Yangzhou and Huzhou), the Bohai Bay Rim (Langfeng), northeastern China (Changchun, Jilin and Qingdao), southern China (Hainan) and Inner Mongolia. Looking ahead, the Group will adhere to its long-standing development strategy of striving for steady growth in strong strides by accurately tapping market trend and taking advantage of its competitive edge. It will also diversify investment geographically and in types of property to consolidate its leading brand position and to deliver ever better reward to shareholders.

**Liquidity, financial resources, capital structure and gearing**

As at 30 June 2008, the Group had a healthy financial position with net assets amounted to approximately HK$2,495 million (31.12.2007: HK$2,530 million). Net current assets decreased from approximately HK$3,134 million in 31 December 2007 to approximately HK$2,871 million, with current ratio of approximately 2.06 times (31.12.2007: 2.26 times). The Group adopts relatively prudent financial policy and closely monitors its cash flow. As at 30 June 2008, the Group had consolidated bank loans of approximately HK$692 million (in which 88% was denominated in Renminbi, with the others denominated in Hong Kong dollars), out of which HK$244 million is repayable within one year and senior loan notes of HK$1,140 million which is due in June 2012. As at 30 June 2006, the Group's bank balances and cash were approximately HK$1,187 million, in which 92% was denominated in Renminbi, with the others denominated in Hong Kong dollars.

**Sale of properties**

For the six months ended 30 June 2008, the turnover of this segment reached HK$909,061,000, representing an increase of HK$274,043,000 or 43% as compared to HK$635,018,000 for the six months ended 30 June 2007. The profit from this segment was HK$388,506,000 representing an increase of HK$221,954,000 as compared to HK$166,552,000 for the corresponding period in 2007. The increase in turnover and result of this segment were mainly attributable to more properties and high value commercial properties were delivered during the period as compared to the delivery of residential properties in the corresponding period.

**Travel and related business**

For the six months ended 30 June 2008, the turnover of this segment decreased from HK$7,757,000 to HK$4,868,000 in the current period.

**Properties investment**

For the six months ended 30 June 2008, the turnover of this segment increased from HK$14,849,000 to HK$21,062,000 in the current period.

**Foreign currency exposure**

As most of the Group's monetary assets and liabilities are denominated in Renminbi, the exchange rate risks of the Group is considered to be minimal.

**Employees**

At 30 June 2008, the Group employed approximately 270 (2007: 280) employees in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance.

**Charges on assets**

As at 30 June 2008, the Group's properties for development and sales and investment properties of approximately HK$1,671,320,000 have been pledged to banks to secure bank loans granted to the Group.

**Contingent liabilities**

The Group provided guarantees of HK$59,380,000 at 30 June 2008 (31.12.2007: HK$47,350,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties, and there is no material outstanding litigation.

## INTERIM DIVIDEND

The board of directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: nil).

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

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

## CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Mode Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Based on specific enquiry of the directors of the Company, the directors of the Company have confirmed they have complied with the Model Code.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 30 June 2008 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's auditor, whose independent review report will be included in the interim report. The audit committee has also reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2008.

## APPRECIATION

On behalf of the board of directors of the Company, I would like to thank our customers, suppliers, bankers, staffs and our shareholders for their support, efforts and commitments to the Group during the period.

By Order of the Board
**Shanghai Zendai Property Limited**
**Dai Zhikang**
*Chairman*

Hong Kong, 11 September 2008

*As at the date of this announcement, the executive directors of the Company are Mr. Dai Zhikang,Mr. Fang Bin, Mr. Zhang Wei, Mr. Lu Puling, Mr. Wang Xiangang, Mr. Ye Wenbin, and Mr. Tang Jian. The independent non-executive directors of the Company are Mr. Lo Mun Lam, Raymond, Mr.Lai Chik Fan and Dr. Tse Hiu Tung, Sheldon.*

* *For identification purpose only*