

## Unaudited Interim Results

For the six months ended 30th June, 2004

### Group Financial Highlights

	For the six months ended 30th June, 2004		
	2004	2003	Percentage Change
Turnover (HK\$'000)	<b>382,154</b>	318,024	20.2
Profit from operations (HK\$'000)	<b>112,814</b>	62,188	81.4
Net Profit for the period (HK\$'000)	<b>57,217</b>	37,938	50.8
Basic earnings per share (HK cents)	<b>4.2</b>	2.8	50.0
Dividend per share-Interim (HK\$)	–	–	–

### Interim Results

The Board of Directors (“the Board”) of Shanghai Real Estate Limited is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30th June 2004, together with comparative figures for the previous corresponding period in 2003. The unaudited condensed interim financial statements for the six months ended 30th June 2004 have been reviewed by the Company’s Audit Committee.

## Condensed Consolidated Income Statement

For the six months ended 30th June 2004

(Amounts expressed in HK\$'000, except for earnings per share)

	Note	For the six months ended 30th June,	
		2004 (Unaudited)	2003 (Unaudited)
Turnover, net	4	<b>382,154</b>	318,024
Cost of sales		<b>(227,824)</b>	(224,086)
Gross profit		<b>154,330</b>	93,938
Distribution expenses		<b>(15,237)</b>	(7,521)
Administrative expenses		<b>(26,725)</b>	(23,126)
Other Operating income/(expenses)		<b>446</b>	(1,103)
Operating profit		<b>112,814</b>	62,188
Finance (costs)/gains, net		<b>(3,396)</b>	1,592
Share of net profits/(losses) of associated companies	8	<b>14,628</b>	(425)
Profit before taxation		<b>124,046</b>	63,355
Taxation	5	<b>(38,333)</b>	(24,580)
Profit after taxation		<b>85,713</b>	38,775
Minority interests		<b>(28,496)</b>	(837)
Profit attributable to shareholders		<b>57,217</b>	37,938
Interim dividend	6	<b>Nil</b>	Nil
Earnings per share			
– Basic	7	<b>4.2 cents</b>	2.8 cents
– Diluted	7	<b>4.2 cents</b>	2.8 cents

The accompanying notes are an integral part of this condensed consolidated financial statement.

## Condensed Consolidated Balance Sheet

As of 30th June 2004

(Amounts expressed in HK\$'000)

	Note	30/6/2004 (Unaudited)	31/12/2003 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		213,800	213,666
Interests in associated companies	8	296,911	235,545
Deferred tax assets		4,575	5,234
		<b>515,286</b>	454,445
<b>Current assets</b>			
Properties held or under development for sale		1,382,019	1,190,596
Amounts due from related companies	9	8,249	14,490
Other receivables, prepayments and other current assets		53,674	30,825
Deferred expenses	13	16,626	–
Accounts receivables, net	10	121,818	72,035
Trading securities		–	4,693
Cash and bank balances	11	549,508	491,859
		<b>2,131,894</b>	1,804,498
<b>Total assets</b>		<b>2,647,180</b>	2,258,943

The accompanying notes are an integral part of this condensed consolidated financial statement.

	Note	30/6/2004 (Unaudited)	31/12/2003 (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	135,480	135,463
Reserves		977,659	940,546
		<b>1,113,139</b>	1,076,009
<b>Minority interests</b>			
		<b>176,043</b>	149,896
<b>Non-current liabilities</b>			
Long-term bank loans		302,398	274,138
Convertible bonds	13	309,006	–
Deferred tax liabilities		111,837	80,822
		<b>723,241</b>	354,960
<b>Current liabilities</b>			
Short-term bank loans	14	77,433	124,219
Accounts payable	15	46,608	108,497
Other payables and accruals		36,884	65,476
Taxation payable		49,629	76,099
Amounts due to related companies	9	368	9,571
Long-term bank loans, current portion		423,835	294,216
		<b>634,757</b>	678,078
<b>Total equity and liabilities</b>		<b>2,647,180</b>	2,258,943

The accompanying notes are an integral part of this condensed consolidated financial statement.

## Condensed Consolidated Statements of Changes In Equity

(Amounts expressed in HK\$'000)

(Unaudited)

From 1st January, 2004 to 30th June, 2004

	Share premium	Property revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	Exchange translation reserve	Retained earnings	Total
Beginning of period (Audited)	596,031	9,700	15,876	14,423	(3,675)	308,191	940,546
Shares issued (Note 12)	66	-	-	-	-	-	66
Profit attributable to shareholders	-	-	-	-	-	57,217	57,217
Dividends	-	-	-	-	-	(22,490)	(22,490)
Currency translation differences	-	-	-	-	2,320	-	2,320
Balance as at 30/6/2004 (Unaudited)	596,097	9,700	15,876	14,423	(1,355)	342,918	977,659

From 1st January, 2003 to 30th June, 2003

	Share premium	Property revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	Exchange translation reserve	Retained earnings	Total
Beginning of period (Audited)	595,064	9,701	29,414	12,118	(30)	232,134	878,401
Shares issued	735	-	-	-	-	-	735
Profit attributable to shareholders	-	-	-	-	-	37,938	37,938
Dividends	-	-	-	-	-	(26,957)	(26,957)
Currency translation differences	-	-	-	-	(200)	-	(200)
Balance as at 30/6/2003 (Unaudited)	595,799	9,701	29,414	12,118	(230)	243,115	889,917

The accompanying notes are an integral part of this condensed consolidated financial statement.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2004

(Amounts expressed in HK\$'000)

	Note	For the six months ended 30th June,	
		2004 (Unaudited)	2003 (Unaudited)
<b>Operating activities</b>			
Net cash outflow generated from operations	16	(229,924)	(229,294)
Interest paid		(16,493)	(15,229)
Overseas taxation paid		(28,411)	(47,830)
<b>Net cash outflow from operating activities</b>		<b>(274,828)</b>	<b>(292,353)</b>
<b>Investing activities</b>			
Purchases of fixed assets (net off disposal)		(2,567)	(4,551)
Interest received		1,561	2,030
Increase in investments in associated companies		(46,639)	(77,576)
		(47,645)	(80,097)
<b>Net cash outflow before financing</b>		<b>(322,473)</b>	<b>(372,450)</b>
<b>Financing activities</b>			
Proceeds from issuance of ordinary shares		76	905
Proceeds from issuance of convertible bonds		290,840	–
(Decrease) increase in minority interests		(2,342)	101,440
Decrease in short-term bank loans, net		(46,785)	(18,652)
Increase in long-term bank loans, net		157,879	378,198
Decrease in short-term investment		4,694	–
Dividends paid to shareholders		(22,490)	(26,957)
		381,872	434,934
<b>Increase in cash and cash equivalents</b>		<b>59,399</b>	<b>62,484</b>
<b>Effect of foreign exchange rate changes</b>		<b>2,541</b>	<b>(199)</b>
<b>Cash and cash equivalents, beginning of period</b>	11	<b>434,980</b>	<b>492,744</b>
<b>Cash and cash equivalents, end of period</b>	11	<b>496,920</b>	<b>555,029</b>

The accompanying notes are an integral part of this condensed consolidated financial statement.

## Notes to the Condensed Financial Statements :

(Amounts expressed in HK\$'000 unless otherwise stated)

### 1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

### 2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted for the interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31st December 2003.

In the current period, the Group adopted the following Statements of Accounting Practice (the "SSAP") issued by the HKSA which are effective for the accounting periods on or after 1st January 2003.

SSAP12 (revised): Income Taxes

SSAP35: Government Grants and Disclosure of Government Assistance

In addition, the Group has also adopted the accounting policy during the period for convertible bonds. Convertible bonds are separately disclosed and regarded as liabilities unless conversion occurs. The premium on redemption of the convertible bonds is provided annually and amortised. The costs incurred from the issue of the convertible bonds are deferred and amortised on a straight line basis over the lives of the convertible bonds. If any of the bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, a proportional portion of any remaining unamortised amounts will be charged to the income statement.

### 3. Business segment Information

In accordance with the Group's internal financial reporting, the Group has determined that the business segments be presented as the primary and only reporting format. For management purposes, the Group conducts the majority of its business activities in the PRC. Its operations are organized under three principal business segments: property development, property leasing and sales of hi-tech product and services.

	For the six months ended 30th June, 2004				
	Property development	Property leasing	High-tech	Unallocated	Total
<b>Revenue</b>					
To external customers	362,645	184	19,325	-	382,154
<b>Results</b>					
Segment result	115,520	138	1,592	-	117,250
Unallocated costs		-	-	(4,436)	(4,436)
Operating profit	115,520	138	1,592	(4,436)	112,814
Interest /income (expense), net	-	-	-	(3,396)	(3,396)
Share of net profit of associated companies	14,628	-	-	-	14,628
Taxation	(38,234)	-	(99)	-	(38,333)
Minority interest	(28,463)	-	(33)	-	(28,496)
Profit attributable to shareholders	63,451	138	1,460	(7,832)	57,217



For the six months ended 30th June, 2003

	Property development	Property leasing	High-tech	Unallocated	Total
<b>Revenue</b>					
To external customers	278,340	-	39,684	-	318,024
<b>Results</b>					
Segment result	66,187	-	4,223	-	70,410
Unallocated costs	-	-	-	(8,222)	(8,222)
Operating profit	66,187	-	4,223	(8,222)	62,188
Interest income (expenses), net	-	-	-	1,592	1,592
Share of net loss of associated companies	(425)	-	-	-	(425)
Taxation	(23,678)	-	(902)	-	(24,580)
Minority interest	(671)	-	(166)	-	(837)
Profit attributable to shareholders	41,413	-	3,155	(6,630)	37,938

#### 4. Turnover

	For the six months ended 30th June,	
	2004	2003
Sale and pre-sale of properties held or under development	<b>382,829</b>	293,219
Sale of network hardware and installation of intelligent home equipment and services	<b>19,516</b>	39,869
Revenue from property leasing	<b>195</b>	-
	<b>402,540</b>	333,088
Less: Business tax and surtaxes (Note)	<b>(20,386)</b>	(15,064)
Net	<b>382,154</b>	318,024

Note The Group is subject to business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties and rental income.

In addition to BT, some subsidiaries are subject to the following surtaxes:

- City development tax, a tax levied at 7% of BT or Value-Added Tax ("VAT");
- Education supplementary tax, a tax levied at 3% of BT or VAT.

## 5. Taxation

	For the six months ended 30th June,	
	2004	2003
Current - PRC taxation	6,979	6,959
Deferred taxation	31,354	17,621
	<b>38,333</b>	24,580

The Group conducts a significant portion of its business in the PRC and the applicable enterprise income tax ("EIT") rate of its subsidiaries operating in the PRC is generally 33% other than Shanghai Wingo Infrastructure Co., Ltd ("Wingo Infrastructure"), a sino-foreign equity joint venture, which is engaged in manufacturing and thus entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years commencing from the first profitable year of operation after offsetting all tax losses carried from previous years (at most five years). Meanwhile, Wingo Infrastructure is established in the old urban district of a city with technological economic development zone and the EIT rate is 27%. 2003 was the fourth profitable year of operation for Wingo Infrastructure and the applicable EIT rate was 13.5%.

The Company is exempted from taxation in Bermuda until 2016. There were also no Hong Kong profits tax liabilities, as the Group did not have any assessable profit in Hong Kong.

## 6. Dividend

The Board had resolved not to declare an interim dividend for the six months ended 30th June, 2004 (2003: Nil)

## 7. Earning per share

The calculation of earnings per share was based on the consolidated net profit of HK\$57,217,000 (2003: HK\$37,938,000) and the weighted average number of 1,354,768,242 shares (2003: 1,354,443,187 shares) in issue during the period.

The calculation of diluted earnings per share was based on the consolidated net profit of HK\$57,217,000 (2003: HK\$37,938,000) and the diluted weighted average number of approximately 1,354,972,784 shares (2003: approximately 1,354,605,263 shares) in issue during the period. Earnings per share was calculated after taking into account the outstanding share options as of 30th June, 2004. The effect the dilutive potential ordinary shares resulting from the outstanding share options on the weighted average number of shares in issue during the period was approximately 204,542 shares (2003: 162,076 shares), which were deemed to be issued at no consideration as if all outstanding share options have been exercised on the date the options were granted.

Note: The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since the exercise price of the Company's convertible bonds was higher than the average market price of the shares of the Company for the six months ended 30th June 2004.

## 8. Interests in associated companies

The increase in interests in associated companies is mainly in relation to Shanghai Jinluodian Real Estate & Development Co., Ltd. ("Jinluodian"). The increase in share of net profits of associated companies mainly relates to Jinluodian.

## 9. Amounts due from / to related companies

Amounts due from related companies are mainly related to an advance to an associated company Shanghai Trans-Ocean Property Management Co., Ltd and Shanghai Telecom Broadband Networking Co., Ltd. Amounts due to related companies are related to balance from associated company Jinluodian.

## 10. Accounts receivable, net

Ageing analyses of accounts receivable as of 30th June, 2004 and 31st December, 2003 are as follows:

	2004	2003
	30th June	31st December
Ageing		
0-360 days	102,416	50,140
361-720 days	12,159	13,794
Over 720 days	7,243	8,101
Less: Provision for doubtful debts	—	—
	<b>121,818</b>	<b>72,035</b>

## 11. Cash and bank balances

Analysis of Cash and Bank Balances as of 30th June, 2004 and 31st December, 2003 are as follows:

	2004	2003
	30th June	31st December
Cash and cash equivalents	496,920	434,980
Restricted bank deposits	52,588	56,879
	<b>549,508</b>	<b>491,859</b>

## 12. Share capital

During the six months ended 30th June, 2004, a total of 170,000 shares were issued on exercise of employee share options.

All the above-mentioned shares issued rank pari passu in all respects with the existing shares in issue.

### **13. Convertible bonds**

On 30th April 2004, the Company engaged J.P. Morgan Securities Ltd. for the issuance of convertible bonds of principal amount of HK\$302 million. The initial conversion price is HK\$ 1.116. The bondholders will have the right to convert their bonds into shares at any time on and after 2nd June 2004 up to the close of business on 3rd April 2009. Unless previously redeemed or converted or purchased and cancelled, the bonds will be redeemed at 111.63% of their principal amount on the maturity date.

The premium on redemption of the convertible bonds is provided annually and amortised. The costs incurred from the issue of the convertible bonds are deferred and amortised on a straight line basis over the lives of the convertible bonds.

### **14. Short-term bank loans**

As of 30th June, 2004 the short-term bank loans were mainly denominated in RMB and due within one year.

### **15. Accounts payable**

The ages of the Group's accounts payable are all less than one year.

## 16. Consolidated cash flow statement

- (a) Reconciliation of profit before taxation to net cash (outflow) inflow from operating activities:  
(For the six months ended 30th June 2004)

	2004	2003
Profit before taxation	<b>124,046</b>	63,355
Adjustments for:		
Depreciation of fixed assets	<b>2,433</b>	2,754
Amortisation of deferred expenses	<b>1,540</b>	-
Share of net (profits) losses from associated companies	<b>(14,628)</b>	425
Interest income	<b>(1,561)</b>	(2,030)
Interest expense	<b>3,418</b>	332
Operating profit before working capital changes	<b>115,248</b>	64,836
Decrease in restricted deposits	<b>4,292</b>	72,743
(Increase) decrease in accounts receivable	<b>(49,783)</b>	30,661
Increase in other receivables, prepayments and other current assets	<b>(22,849)</b>	(4,391)
Decrease in advances to related companies	<b>6,241</b>	9,390
Increase in properties held or under development for sale	<b>(178,351)</b>	(284,346)
Decrease in accounts payable	<b>(61,889)</b>	(24,414)
(Decrease) increase in other payables and accruals	<b>(28,592)</b>	5,197
Decrease in taxation payable	<b>(5,038)</b>	(17,613)
Decrease in advances from related companies	<b>(9,203)</b>	(81,357)
Net cash outflow generated from operations	<b>(229,924)</b>	(229,294)

## 17. Related party transactions

During the six months ended 30th June, 2004, there were repayment of amounts due to related companies of approximately HK\$9,203,000.

## 18. Contingent liabilities

In respect of certain of the Group's properties for sale, Trans Ocean Construction, Tranceocean Development and Hangtou Govern assisted buyers in obtaining mortgage loans from banks. These companies are obliged to assist buyers complete mortgage procedures and will stand as guarantor prior to the submission of property title by the buyer to the lender banks for mortgage purposes. As of 30th June, 2004, the outstanding guarantees amounted to approximately HK\$121 million ( 31st December, 2003 : HK\$152 million). Part of the Group's bank deposits amounting to approximately HK\$6,057,000 (31st December 2003: HK\$13,753,000) have been restricted for this purpose.

## Management Discussion and Analysis

### Financial Review

The Group's unaudited consolidated net turnover for the period ended 30th June 2004 was HK\$382 million, an increase of 20.2% from the corresponding period of last year. Profit attributable to shareholders amounted to HK\$57.22 million, an increase of 50.8% from the corresponding period of last year.

### Cash flows

In the first half of 2004, net cash outflow from operating activities amounted to HK\$274.8 million, decreased by HK\$17.5 million as compared with the corresponding period of last year. Net cash outflow from operating activities in the period under review was mainly due to capital expenditures relating to Rich-gate Oasis Garden, Skyway Oasis Garden and Central - Ring Center.

Net cash outflow in investing activities decreased by HK\$32.4 million in the first half of 2004 as compared with the corresponding period of last year, was primarily due to additional investment in associated company, Jinluodian.

In the first half of 2004, funds from financing activities amounted to HK\$381.9 million. This is mainly due to (i) issuance of convertible bonds with net proceeds of HK\$290.8 million in May 2004; and (ii) raising of two year bank loan of HK\$310 million and RMB120 million, giving a net increase in bank loan of HK\$157.9 million after repayment of certain bank loans.

### Liquidity and capital resources

The Group's liquidity position remains sound. Cash and bank balances amounted to HK\$549.5 million as at 30 June 2004. (31 December 2003 : HK\$491.9 million). Working capital (net current assets) of the Group as at 30 June 2004 amounted to HK\$1,497.1 million, an increase of 32.9% from 2003 year end. Current ratio was at a healthy level of 3.4x (31 December 2003 : 2.6x). At 30 June 2004, the Group had short-term bank loans totaling HK\$501.3 million (31 December 2003 : HK\$418.4 million) and long-term bank loans totaling HK\$302.4 million (31 December, 2003 : HK\$274.1 million).

As at 30 June 2004, the Group's net debt to shareholders equity ratio reached 22.8% (31 December 2003 : 18.7%) whereas the total liabilities to shareholders equity increased to 1.22x ( 31 December 2003 : 0.99x). Total liabilities of the Group amounted to HK\$1,357.9 million (31 December 2003 : 1,073.6 million).



Management is comfortable that existing financial resources will be sufficient for future expansion plans.

At 30 June, 2004, the Group had contingent liabilities of HK\$121 million (31 December 2003 : HK\$152 million). The contingent liabilities were in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

## **Business Review**

### **Achieving development objectives**

At the beginning of 2004, the Group laid down certain objectives in order to achieve comprehensive, stable, balanced and sustainable development. These objectives encouraged everyone to be innovative, to manage in a responsible and coordinated manner, maximise efficiency and manage risks effectively. In addition, the Group demanded strict adherence to the construction and sales schedules of projects in progress, as well as stringent cost control measures in order to achieve the growth targets for both sales volume and profitability. From January to June 2004, business progress was smooth and the planned results were achieved.

### **A new and focused sales strategy**

In 2004, the Group adopted coordinated sales strategies for all projects developed under the Oasis Garden brand. Intensive efforts were made in to increase sales of Skyway Oasis Garden Hotel and Condominium and Oasis Xiangdao, Phase 3 of Long Island Oasis Garden. A well planned sales schedule was designed for the three premium residential villa development : Beverly Oasis Garden, Jiangnan Oasis Garden and Thousand Island Oasis Garden. Each of these three developments has its own advantages and unique environmental setting, and are a beneficiary in view of the tightening of land supply by the government. A total floor space of 35,813.4 square meters was sold from January to June 2004.

#### **Skyway Oasis Garden Hotel and Condominium**

This is an up-market Italian style residential project heavily promoted in 2004 by the Group. Launched on 6 May, a total of 9,182.72 square meters had been sold by the end of June, setting the record for monthly sales of floor space for a single project among the Group's up-market developments.

### **Long Island Oasis Garden**

Oasis Xiangdao, Phase 3 of Long Island Oasis Garden, was designed to 'accommodate those from all walks of life over the next five years'. Such theme was described at the exhibition on 1 May, Shanghai Radio which organized a seminar on 'living space for all lifestyles'. Cai Yutian (蔡育天), Chief of the Shanghai Housing and Land Resources Management Bureau (上海市房屋土地資源管理局局長) and representatives of real estate associations participated in the discussion. Since its launch in the second half of 2003, Long Island Oasis Garden has been popular amongst the working class, with sales rising every month. From January to June 2004, 14,547.07 square meters were sold, making a total floor space of 14,993.89 square meters now sold.

### **Jiangnan Oasis Garden**

This up-market project was the Group's sales focus in 2003. It continued to perform well from January to June 2004, with sales of 5,222.58 square meters.

### **Thousand Islands Oasis Garden**

Thousand Islands Oasis Garden is the Group's first property development project in Pudong, Shanghai. Villas in Phase 1 have been completed. With bamboo-lined paths, blossoms on river banks and elegantly sculptured rocks, these villas are set in perfect surroundings. On 25 March 2004, the Director of the Shanghai Municipal People's Standing Committee Gong Xueping paid a visit on site, and gracefully wrote, "I hope that Thousand Islands Oasis Garden will add to the many delights in the city of Shanghai". From January to June 2004, a total floor space of 3,419.09 square meters in Phase 1 was sold.

### **Beverly Oasis Garden**

This elegant development, which has abundant mature and shady trees and took five years to complete, is a prestigious address in the Song Jiang District. It is one of the most sought after high-end properties in Shanghai. In the first half of 2004, 1,005.33 square meters in Phase 1 and 1,989.79 square meters in Phase 2 were sold, totalling 2,995.12 square meters.

## **Strict adherence to project working schedules**

At the beginning of 2004, the Group set a policy of strict adherence to construction and sales schedules, and stringent cost control. All property projects progressed smoothly from January to June, including:

### **Land levelling in Luodian New Town**

The 1.2 square-kilometer core of Luodian New Town comprises: a 30,000 square meter international convention centre; a 70,000 square meter Scandinavian style shopping centre; the 200,000 square meter Meilan Lake; the 73,000 square meter Nobel Technology Park; and five grand buildings and three large piazzas for relaxation, culture and commerce. This central area and the road system in the New Town were completed. A grand opening ceremony was held on 28 June 2004. Land levelling for the rest of the New Town and the construction of the urban ecological park are in progress. Open tender for the land levelling of Phase 2 is expected in the second half of 2004.

### **Rich-Gate Oasis Garden (originally the Mayfair Oasis Garden)**

Work completed to date: in the southern zone, 60% of the excavation work for two levels of basement; and 50% of the steel plating; in the northern zone, 40% of the excavation work for three levels of basement, and 30% of the lining. Construction above ground for residential units will commence soon. The steel-frame for the curtain wall on the showroom and sales centre has been substantially completed. Sales are expected to start in the second half of 2004.

### **Central-Ring Center (originally the Oasis Lakeside Trade Port)**

Work completed to date in Phase 1: structure up to the 10th floor, cement work, external water-proofing and back-filling for the basement in Block 12; structure up to the 7th floor, cement work and external water-proofing for the basement in Block 11. These two high-rise blocks are expected to be launched in the second half of 2004. Foundation work for blocks 7, 8 and 9 is in progress.

### **Skyway Oasis Garden Hotel and Condominium**

The two residential blocks were topped out and the concrete pour work and the external wall decoration progressed well. Occupation is expected to take place in mid 2005. Construction of the main body of the hotel apartments was up to 6 floors above ground.

### **Long Island Oasis Garden**

Work completed to date: in the apartment blocks 1 to 4 in Plot A of Oasis Xiangdao, up to 90% of total construction work; 8 storeys in blocks 5 to 8, which were open for sale on 30 April. The linking of canals and the landscaping are also well underway.

### **Jiangnan Oasis Garden**

Zones 3 and 5 in Phase 1 are ready to be handed over for occupation. Beautification in Zones 1 and 2 was finished and landscaping in Zone 4 was on the whole complete. Resettlement of existing residents on the site of Phase 2 was complete and the four mandatory licences were received. Pre-construction design improvements and preparations were in progress.

### **Beverly Oasis Garden**

Construction of Plot 14 in Phase 2 is progressing satisfactorily: four of the seven show houses were topped out, and the wooden wall structures of three were erected; four of the nine luxury villas were topped out, the wooden wall structure on first level of three were erected, and foundation work for two others started. Excavation for part of the scenic river was also complete.

### **Thousand Island Oasis Garden**

Construction for 22 villas in Phase 1 was complete. Internal decoration for show villas nos. 15 and 16, and the landscaping and planting for outdoor areas were near completion. Pre-construction planning commenced in earnest after government approval was obtained for the 280,000 square meter site in Phase 2.

## **Increase of interest in Shanghai Wingo Infrastructure Company Ltd. and strengthening of urban construction business**

The Group completed its change of shareholding in its subsidiary, Shanghai Wingo Infrastructure Company Ltd, in February 2004. The equity ratio has since been: 95% held by Wingo Investment Ltd; 3% by Trans Ocean (Shanghai) Real Estate & Construction Co. Ltd and 2% by Shanghai Construction and Engineering Works Ltd (上海建工機械工程有限公司). After the increase of shareholding, the Group's interest in Wingo Infrastructure is therefore currently 98%.

## **Success in obtaining funds for new projects**

Despite the State's macro-economic measures and local banks' squeeze of credit, the Group was successful in opening up channels for funding, owing largely to its past outstanding performance, the Oasis Garden's brand name and its sound business plans for its future projects. At the same time, the Group has maintained prudent financial management. In the first half of 2004, besides issuing convertible bonds, the Group was also successful in obtaining syndicated loans.



On 18 March 2004, the Group signed an agreement with both CITIC Ka Wah (Hong Kong) Bank and the Shanghai branch of CITIC Industrial Bank and was granted a one-off loan of HK\$310 million and RMB120 million. This was the single largest loan granted to a single real estate project in Shanghai since June 2003. This loan will be used primarily by Shanghai Anderson Fuxing Land Co. Ltd., one of the Group's subsidiaries, to develop the Rich-Gate Oasis Garden, neighbouring Xintiandi in the Lu Wan District.

## **Enhanced reputation due to award-winning projects**

### **Party Chairman Hu Jintao visited hi-tech residential districts**

On 17 June 2002, former party leader Jiang Zemin visited Ming Ren Garden (名人花園) in Pudong, Shanghai, an intelligent residential project with broadband network built by the Group. On 26 July 2004, the new leader Hu Jintao and his working group visited Ming Ren Garden (名人花園) while in Shanghai, and commended the Group for its efforts in making such intelligent residential project.

### **Luodian New Town**

This new town, developed by one of the Group's subsidiaries, Shanghai Jinluodian Real Estate & Development Co. Ltd, was recognised by the Association of the China Real Estate Industry as a 'famous small town in China'. Its thorough town-planning and outstanding building quality has had a very positive impact on the outlook of Shanghai's new towns and their environment. Luodian New Town was the only town in Shanghai's 'one city and nine towns' project to be given such recognition.

### **Skyway Oasis Garden Hotel and Condominium**

In July 2004, this development was given the 'Award for Innovation' at the Fourth Chinese International Residential Properties Exhibition organised by the State Construction Department. The award, the top one of the six given to major developments in Shanghai, was in recognition of Skyway's innovative planning and design.

### **Shanghai Hangtougovern Real Estate Co. Ltd**

Shanghai Hangtougovern Real Estate Co. Ltd was listed in '*Outstanding Real Estate Developments in China*' for its high quality and the recognition on the market of its Thousand Island Oasis Garden.



## Business outlook

### Macro-economic measures stabilise the economy

In line with the Central Government's macro-economic measures, the Shanghai municipal government has been exercising certain restrictions on the real estate market since the second half of 2003. Open tender is now required for all land sales; resettlement in central districts is to be maintained at an optimal level; the supply of medium to low price commodity properties is to be increased; the transfer of real estate under construction is to be restricted; the loan size for real estate projects is to be controlled and the ratio of self-financing raised; on-line filing and registration of sales contracts for commodity properties is to be adopted; and pre-sale requirements for medium to low price commodity properties are to be lowered. The objectives are: to balance supply and demand in the property market; to prevent excessive fluctuation in property prices; to bring property price rises in line with GDP growth and the public's disposable income; and to ensure that property developments are consistent with the social and economic developments of Shanghai.

One year on, the macro-economic measures are showing results. Premier Wen Jiabao at the State Council's Executive Meeting on 14 July 2004, after presenting an analysis of the economic situation in the first half of the year, indicated that the national economy was showing steady growth. On 16 July, at a State Council press conference, Zheng Jingping (鄭京平), a spokesperson for the State Statistics Bureau, denied that China's economy was over-heated. He pointed out that from January to June 2004, China's GDP growth was 9.7%, with the second quarter at 9.6%; and although the CPI rose by 5% compared to last year, 3.9% of this was mainly due to inflation in the fourth quarter of 2003, especially in food prices. There were no major fluctuations; instead there was strong growth. In addition, the Shanghai Statistics Bureau's report on the economic situation in the first half of 2004 indicated that 'property prices are not escalating rapidly; credit is no longer being given without checks; growth in investment has slowed down; and inflation has eased off'. The Shanghai economy has had a safe 'soft landing'.

In line with the spirit of the State Council's Executive Meeting, in the second half of 2004, the Central Government intends to follow a scientific approach to encouraging sustainable and stable growth. It will implement policies in a consistent way, regularly evaluate results and make sensible adjustments to suit a variety of needs, while strengthening reforms, reinforcing the rule of law, and achieving synergy through coordinated planning and effort. It is anticipated that the Central Government will not roll out new and drastic economic measures, and that GDP will grow 9-10%, basically the same as 2003.

### **Less vacant floor area due to market equilibrium**

As a result of the timely and appropriate macro-economic measures, the property market did not suffer the predicted downturn, but continued to grow steadily. From January to June 2004, a total floor area of 74.64 million square meters of commodity housing units was under construction, an increase of 20.4% over the same period last year; the finished area was 7.18 million square meters, an increase of 12.7%; advanced sales of new commodity housing units reached 13.15 million square meters, an increase of 20.4%; transactions of properties in stock amounted to 10.51 million square meters, an increase of 31.3%; and vacant residential floor space was 1.07 million square meters, a drop of 52.7%.

### **Continuing steady climb for real estate in China**

The price index of real estate in Shanghai continued to climb, albeit at a visibly slower pace. As at June 2004, the composite index of real estate in Shanghai was 1,260, an increase of 88 points, or a growth rate of 7.5% since December 2003, the index for residential properties in Shanghai was 1,209, a rise of 86 points, or 7.7% since December 2003. Commodity housing units in Shanghai remained the highest priced in the country, with an average of RMB5,135 per square meter. The price index for offices in Shanghai was 1,226, a rise of 68 points, or 5.9% from December 2003. As Cai Xucho (蔡旭初), Chief Economist at the Shanghai Statistics Bureau, stated at a municipal government press conference in July 2004, "The economic measures are not meant to bring the prices to a defined level. Property prices will still rise as the measures are further implemented, but at a more moderate rate."

People have generally accepted the soft landing policy for real estate and are not worried about a bubble. With people's mind at ease, the property market is again working within reasonable parameters.

### **Influx of foreign funds into China's property market**

In 2004, the nation-wide macro-economic measures having been implemented, foreign investment funds have flooded into China, especially Shanghai. Morgan Stanley of the United States, investment fund under CapitaLand, GIC of Singapore, ING, the Macquarie Bank of Australia, and multi-national investment funds from the United States, such as Lehman Brothers funds, the Roosevelt Funds, and the Rockefeller Funds are all active in the Shanghai market. The purpose and scale of these investments are also changing. Many investors are turning to developing properties and the amount of capital being invested is expanding rapidly.



The economic measures that the Chinese government has imposed on certain industries including real estate have created opportunities for foreign funds. The way that foreign capital is flowing into Shanghai demonstrates investors confidence and the optimistic outlook for the Shanghai property market.

### **Different strategies to meet different needs**

The Group is developing eight real estate projects. These are residential communities, commercial buildings, shopping complex , hotel-style serviced apartments, and new towns. For residential purposes, the Oasis Xiangdao will meet the needs of a variety of lifestyles over the next five years, and the Jiangnan Oasis Garden will cater for those who want luxury villas. Development and sales strategies will therefore vary to suit the different buyers.

### **Cost control to ensure profit growth**

As land sales are going to open tender, registration of commodity housing contracts is going on-line and the market is becoming more transparent, cost control is essential if property companies are to maintain profitability. The Group will further improve its tendering for design, construction, procurement and sales systems. It will also invite international management companies to tender for the large commercial buildings and hotel-style apartments. In addition, the Group will strengthen the financial management, technical support and sales strategy for new projects, to ensure a healthy cash flow. While maintaining high quality standards for all properties, the Group will impose stringent operational cost controls to maximise profit and returns for investors.

### **Optimal land reserve for developments in the next five years**

The Group has a high quality and cost-efficient land bank complete with development rights certification. The total area available for development is over 900,000 square meters, sufficient for continuous development over the next five years. From 2004 to 2008, it is expected that construction area, saleable area and sales volume will enjoy positive continuing growth . While maintaining a strong cash flow, the Group will increase its interest in investment properties to an optimal level to ensure long-term rental income to sustain future developments.



## Directors' Interests in Shares

As of 30th June 2004, the Directors who had interests or short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

Name of Company	Number of Director	Personal Interest	Number of Shares held		Approximate Percentage of Aggregate long position in Share to the issued Share capital of the Company as at 30th June 2004
			Family Interest	Interest	
Shanghai Real Estate Limited	Shi Jian	2,000,000(1)	2,000(2)	766,804,000(3)	56.75%
	Li Yao Min	1,000,000(1)			0.07%
	Yu Hai Sheng	1,000,000(1)			0.07%
	Shi Jian Dong	2,000(1)			0.0002%
	The Lord Killearn	100,000			0.007%
Good Time Resources Limited	Shi Jian	245,377,280	230,041,200		62%(4)

Note:

- (1) These Shares are held by Directors through the exercise of options on 3rd December 2001 (which were granted on 24th December 1999).
- (2) These shares are held by Ms. Si Xiao Dong, the wife of Mr. Shi Jian.
- (3) These 766,804,000 Shares are held by Good Times Resources Limited, a company incorporated in the British Virgin Islands in which Mr. Shi Jian and his wife, Ms. Si Xiao Dong, together beneficially own 62%, of its issued share capital.
- (4) The remaining 38% interest in Good Time Resources Limited are held by other management staff of the company including but not limited to Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Jiang Xu Dong and Mr. Shi Jian Dong.

## Directors' Rights to Acquire Shares

As at 30th June, 2004, all Directors had not been granted any options nor exercised any options.

Save as disclosed above, none of the Directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (include interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in The Rules Governing the Listing of Securities on the Stock Exchange, to be notified to the Company and the Stock Exchange.

## Substantial Shareholders' Interests

As of 30th June, 2004, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Nature of Interests	Number of shares	Percentage of aggregate long position in shares to the issued share capital of the Company as at 30th June, 2004
Good Time Resources Ltd.	Beneficial Interest	766,804,000	56.60%

Save as disclosed above, there was no person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under Section 336 of the SFO.

## Employees

As at 30th June, 2004, the Group had 671 employees in Hong Kong and the PRC. The Group adopts its remuneration policies based on employees' performance and experience.

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June 2004.

## Audit Committee

The Audit Committee has reviewed this unaudited condensed financial statements, the accounting principles and practices adopted by the Group.

## Code of Best Practice

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board

**Shi Jian**

*Chairman*

Hong Kong, China, 26th August 2004

## List of Properties

Property name	Beverly Oasis Garden	Long Island Oasis Garden	Rich-Gate Oasis Garden
Address	<b>Phase 1:</b> No. 366 Alley, Ming Hua Road, Xin Qiao Town, Song Jiang District, Shanghai, the PRC <b>Phase 2:</b> Qing Zheng Village, Xin Qiao Town, Song Jiang District, Shanghai, the PRC	1288 Alley, Hua Song Road Jiu Ting Town, Song Jiang District, Shanghai, the PRC	No.222, Ma Dang Road, 39 Lu Wan District, Shanghai, P.R.C.
The stage of completion as of the 30/6/2004	Phase 1: 100% Phase 2: 80%	Phase 1: 100% Phase 2: 100% Phase 3: 10%	Foundation works are progressing
Expected completion date	Phase 1: N/A Phase 2: May. 2005	Phase 1: N/A Phase 2: N/A Phase 3: Aug 2007	Sept, 2005
The existing use	Residential	Residential	Residential & shops
Site area (Sq. m)	Phase 1: 490,562 Phase 2: 509,438	Phase 1: 109,388 Phase 2: 99,733 Phase 3: 261,886	14,651
Total gross floor area (Sq. m)	Phase 1: 115,110 Phase 2: 135,000	Phase 1: 96,587 Phase 2: 45,730 Phase 3: 410,000	50,000
The percentage interest in the property	97.5%	97.5%	51.48%

<b>Property name</b>	<b>Jiang Nan Oasis Garden</b>	<b>Thousand Island Oasis Garden</b>	<b>Central-Ring Center</b>	<b>Skyway Oasis Garden</b>
<b>Address</b>	No.6 & 18-1, Nan Gang Chuen, Zhu Jia Jiao Zheng, Qing Pu District, Shanghai, P.R.C.	Hangou Center in Nan Hui District, Shanghai, P.R.C	No.801, Jun Bei Road, Putuo District, Shanghai, P.R.C	Da Pu Road B & C Lu Wan District, Shanghai, P.R.C.
<b>The stage of completion as of 30/6/2004</b>	Phase I: 100% (96 villas) Phase 2: 0% (46 villas)	Phase 1: 80% Phase 2: 0%	10%	Phase 1: 50% Phase 2: 10%
<b>Expected completion date</b>	Phase I : Jun., 2004 Phase II : Jun., 2005	Dec., 2005	Dec., 2007	Residential: Dec., 2004 Service apartments: Dec., 2006
<b>The existing use</b>	Residential	Residential	Residential & office	Residential & Service Apartments
<b>Site area (Sq. m)</b>	254,312	400,000	74,268	26,282
<b>Total gross floor area (Sq. m)</b>	52,702	54,000	280,000	130,000
<b>The percentage Interest in the property</b>	49.70%	98%	76.63%	56%

## Corporate Information

### Board of Directors

Shi Jian (*Chairman & President*)

Li Yao Min (*Vice-Chairman*)

Yu Hai Sheng (*Vice-Chairman*)

Shi Jian Dong

Jiang Xu Dong

Cheung Wing Yui\*

Wang Ru Li\*

Sang Rong Lin\*\*

Yeung Kwok Wing\*\*

The Lord Killearn\*\*

Geng Yu Xiu\*\*

\* Non-executive Directors

\*\* Independent Non-executive Directors

### Authorized Representatives

Shi Jian

Li Yao Min

### Company Secretary

Yue Wai Leung AICPA, AHKSA

### Legal Advisers

Hong Kong: Woo, Kwan, Lee & Lo

Bermuda: Conyers Dill & Pearman

### Auditors

Pricewaterhousecoopers

### Principal Bankers

Hong Kong: Bank of China (HK) Ltd.

CITIC Ka Wah Bank Limited

DBS Bank (Hong Kong)  
Limited

PRC: The Agricultural Bank of China  
The industrial and  
Commercial Bank of China

### Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

### Hong Kong Office

36th Floor, Times Tower

391-407 Jaffe Road

Wan Chai, Hong Kong

### Principal Registrar and Transfer Office

Butterfield Corporate Service Ltd

Rose Bank Centre

11 Bermudiana Road

Pembroke, Bermuda

### Hong Kong Branch Registrar and Transfer Office

Tengis Limited

Share Registration

28/F, BEA Harbour View Centre

56 Gloucester Road

Wanchai, Hong Kong

### Stock Code

1207

### Internet Web Site

Jiajia.net

### E-mail

tech@trans-ocean.com.hk