



SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

04

Interim Report

CONTENTS

CONDENSED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT	2
CONDENSED CONSOLIDATED BALANCE SHEET	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	5
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	6
MANAGEMENT DISCUSSION AND ANALYSIS	10
INDEPENDENT REVIEW REPORT	18

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 2004 ("the Period").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

	Notes	Six months ended	
		30 June 2004 HK\$'000 (Unaudited)	30 June 2003 HK\$'000 (Unaudited)
Turnover	3	26,880	280,884
Cost of sales		(21,251)	(186,190)
Gross profit		5,629	94,694
Other revenue		11,156	1,301
Distribution costs		(6,109)	(1,697)
Administrative expenses		(33,578)	(7,014)
(Loss)/profit from operations	4	(22,902)	87,284
Finance costs		(17)	-
Release of negative goodwill to income		7,734	5,137
Share of results of associates		34,951	(6,368)
Profit before taxation		19,766	86,053
Taxation	5	(3,287)	(13,057)
Profit before minority interests		16,479	72,996
Minority interests		302	(27,994)
Net profit for the Period		16,781	45,002
Earnings per share			
Basic	7	HK0.37 cent	HK1.04 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2004

	<i>Notes</i>	30 June 2004 <i>HK\$'000</i> (Unaudited)	31 December 2003 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	4,348	3,954
Goodwill		636	673
Negative goodwill		(56,735)	(64,469)
Interests in associates		60,836	30,895
		<u>9,085</u>	<u>(28,947)</u>
CURRENT ASSETS			
Properties for sale		883,029	409,617
Trade and other receivables	9	92,290	33,047
Deposits for property development		70,794	291,153
Advance for investment		–	47,170
Investment in securities		2,823	3,914
Amounts due from related companies		27,028	–
Tax recoverable		12,878	–
Restricted cash		500	500
Bank balances and cash		442,741	98,771
		<u>1,532,083</u>	<u>884,172</u>
CURRENT LIABILITIES			
Trade and other payables	10	50,976	69,817
Receipts in advances		648,465	192,256
Amount due to a related company		–	4,882
Amount due to a director		–	1,981
Shareholder's loan		–	30,000
Taxation		–	3,782
Bank loans-secured		28,302	150,943
		<u>727,743</u>	<u>453,661</u>
NET CURRENT ASSETS		<u>804,340</u>	<u>430,511</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>813,425</u>	<u>401,564</u>
NON-CURRENT LIABILITIES			
Bank loans-secured		452,830	94,340
Deferred taxation	11	10,657	12,110
		<u>463,487</u>	<u>106,450</u>
MINORITY INTERESTS		<u>121,509</u>	<u>123,180</u>
NET ASSETS		<u>228,429</u>	<u>171,934</u>
CAPITAL AND RESERVES			
Share capital	12	92,616	86,616
Reserves		135,813	85,318
		<u>228,429</u>	<u>171,934</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	86,616	172,029	1,074	68,541	(156,326)	171,934
Issue of shares	6,000	34,000	–	–	–	40,000
Expenses incurred in connection with issue of shares	–	(286)	–	–	–	(286)
Net profit for the Period	–	–	–	–	16,781	16,781
At 30 June 2004	<u>92,616</u>	<u>205,743</u>	<u>1,074</u>	<u>68,541</u>	<u>(139,545)</u>	<u>228,429</u>
At 1 January 2003	86,616	172,029	1,074	68,541	(190,415)	137,845
Net profit for the period	–	–	–	–	45,002	45,002
At 30 June 2003	<u>86,616</u>	<u>172,029</u>	<u>1,074</u>	<u>68,541</u>	<u>(145,413)</u>	<u>182,847</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2004

	Six months ended	
	30 June 2004 <i>HK\$'000</i> (Unaudited)	30 June 2003 <i>HK\$'000</i> (Unaudited)
Net cash from/(used in) operating activities	116,797	(15,720)
Net cash from investing activities	17,324	106,155
Net cash from financing activities	209,849	14,151
Net increase in cash and cash equivalents	343,970	104,586
Cash and cash equivalents at beginning of Period	98,771	22,477
Cash and cash equivalents at end of Period, representing bank balances and cash	<u>442,741</u>	<u>127,063</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment in securities.

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

3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to (loss)/profit from operations by business segment is as follows:

	External sales Six months ended		Segment Result Six months ended	
	30 June 2004 HK\$'000	30 June 2003 HK\$'000	30 June 2004 HK\$'000	30 June 2003 HK\$'000
Sales of properties	5,281	280,884	(24,741)	92,527
Sales of air tickets	21,599	—	(449)	—
	<u>26,880</u>	<u>280,884</u>	(25,190)	92,527
Unallocated revenue			11,156	1,301
Unallocated corporate expenses			(8,868)	(6,544)
(Loss)/profit from operations			<u>(22,902)</u>	<u>87,284</u>

4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived at after charging:

	Six months ended	
	30 June 2004 HK\$'000	30 June 2003 HK\$'000
Depreciation of property, plant and equipment	451	277
Amortisation of goodwill (included in administrative expenses)	37	—
Loss on disposal of investment in securities	4,525	—
and after crediting:		
Interest income	503	962
Gain on disposal of subsidiaries	<u>732</u>	<u>—</u>

5. TAXATION

	Six months ended	
	30 June 2004 HK\$'000	30 June 2003 HK\$'000
Current tax		
Hong Kong	–	–
Other jurisdictions	104	13,522
	<hr/>	<hr/>
	104	13,522
Overprovision in prior years	(718)	–
Deferred tax (Note 11)		
Current period	(1,453)	(465)
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	(2,067)	13,057
Share of taxation attributable to associates	5,354	–
	<hr/>	<hr/>
	<u>3,287</u>	<u>13,057</u>

No provision for Hong Kong Profits Tax has been made as the Group made no assessable profit in Hong Kong for the Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the Period (2003: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the Period of HK\$16,781,000 (2003: HK\$45,002,000) and on the weighted average number of 4,520,342,998 (2003: 4,330,782,558) ordinary shares in issue during the Period.

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2004 and 2003 and, accordingly, no diluted earnings per share was presented.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent approximately HK\$26,412,000 on acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

The Group grants a credit period ranging from 30 to 60 days on average to its customers.

Included in trade and other receivables of the Group are trade receivables of HK\$5,387,000 (31.12.2003: HK\$18,982,000). The ageing analysis at the balance sheet date is as follows:

	30 June 2004 <i>HK\$'000</i>	30 June 2003 <i>HK\$'000</i>
0 – 30 days	1,715	10,556
31 – 60 days	1,324	5,503
61 – 90 days	881	1,210
91 – 180 days	1,162	1,361
181 – 360 days	262	116
Over 360 days	43	236
	<hr/>	<hr/>
	5,387	18,982
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$ 22,112,000 (31.12.2003: HK\$61,272,000). The ageing analysis at the balance sheet date is as follows:

	30 June 2004 <i>HK\$'000</i>	30 June 2003 <i>HK\$'000</i>
0 – 30 days	978	6,496
31 – 60 days	725	250
61 – 90 days	453	59
91 – 180 days	305	54,272
181 – 360 days	19,651	76
Over 360 days	–	119
	<hr/>	<hr/>
	22,112	61,272
	<hr/> <hr/>	<hr/> <hr/>

11. DEFERRED TAXATION

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the Period:

	30 June 2004 <i>HK\$'000</i>	30 June 2003 <i>HK\$'000</i>
At beginning of Period/year	12,110	–
Acquisition of a subsidiary	–	14,532
Credit to income for Period/year	(1,453)	(2,422)
	<hr/>	<hr/>
At end of Period/year	<u>10,657</u>	<u>12,110</u>

12. SHARE CAPITAL

During the Period, 300 million ordinary shares of the Company were issued at a subscription price of approximately HK\$0.1333 per share pursuant to a subscription agreement entered into between the Company and an independent third party.

13. OTHER COMMITMENTS

At 30 June 2004, the Group had contracted commitments not provided for in the financial statements in respect of property development expenditure amounted to HK\$210,210,000 (31.12.2003: HK\$268,232,000).

14. POST BALANCE SHEET EVENT

On 15 May 2004, the Group entered into an agreement to acquire a further 15% interest in the registered capital of 上海証大置業有限公司 for a total consideration of RMB36,000,000 (equivalent to approximately HK\$33,962,000), which shall be satisfied by RMB18,000,000 (equivalent to approximately HK\$16,981,000) payable in cash and the balance of RMB18,000,000 (equivalent to approximately HK\$16,981,000) payable by disposal of the Group's indirect 91% interest in a subsidiary. The transaction has been completed after the balance sheet date.

On 23 July 2004, the Group entered into an agreement to acquire a further 24% interest in the registered capital of 上海証大三角洲置業有限公司 for a total consideration of RMB81,000,000 (equivalent to approximately HK\$76,415,000) in cash. The transaction has not been completed up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 June 2004, the Group's turnover reached HK\$26,880,000, as compared with HK\$280,884,000 in the corresponding period last year. Profit attributable to shareholders recorded HK\$16,781,000, as compared with HK\$45,002,000 in the corresponding period last year. Basic earnings per share was HK0.37 cent (2003: HK1.04 cents). The revenue was mainly contributed by the sales of air-tickets and the sales of properties, namely Shui Qing Mu Hua and Zendai Jia Yuan. With the timetable for delivery of flats already set, plus aggressive pursuit of business reform and cost control, the management is very confident of the Group's performance in 2004.

Business Review

The Group acquired 60% interests in Wah Kong Travel Limited, which is mainly engaged in the sales of air-tickets and provision of travel related services, in July 2003. Turnover of this business segment for the six months ended 30 June 2004 was HK\$21,599,000 (2003: nil).

In the first half of 2004, the Company had increased its stakes in different companies to further expand its operations and business.

The Group acquired a further 15% interest in Shanghai Zendai Real Estate Company Limited ("Shanghai Zendai Land") at a consideration of RMB36,000,000 (equivalent to approximately HK\$33,962,000) in May this year and the transaction was completed in July 2004. Together with the 65% interest it acquired early last year, the Group is now holding 80% interest in Shanghai Zendai Land. Of the RMB36,000,000 (equivalent to approximately HK\$33,962,000), RMB18,000,000 (equivalent to approximately HK\$16,981,000) will be payable in cash while the balance will be settled by the transfer of the Group's asset, a 91% interest in Shanghai Shui Qing Mu Hua Hotel Management Company Limited.

After the transaction is completed, the Company will have an optimised capital structure and an expanded revenue stream. In view of positive prospects of the Shanghai property market, the management believes that it will enhance the Group's profitability and strengthen its position as a leading property developer in Shanghai.

To reflect the change in the Group's equity interest in Shanghai Zendai Land and its future focus more on property development, the Group officially changed its name to "Shanghai Zendai Property Limited" on 28 July 2004. Leveraging Shanghai Zendai Land's position as one of the "Top 50 Fundamental Property Developing Corporations in Shanghai" and its reputation as a renowned trademark in the Shanghai property market, the Group hopes to further enhance its brand and achieve the ultimate goal of securing the listing status for Zendai Group with its whole assets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review (Continued)

In July this year, at a consideration of RMB81,000,000 (equivalent to approximately HK\$76,415,000) funded by internal resources, the Group purchased a further 24% interest in Shanghai Zendai Delta Land Company Limited ("Zendai Delta Land") through Shanghai Zendai Land, in which it owns 80% interest. Currently, Zendai Delta Land mainly engages in developing the high-end property project Shui Qing Mu Hua.

The transaction is expected to be completed at the end of September. Upon the completion of the transaction, the Group's effective interest in Zendai Delta Land will increase from 25% to 44.2%. The management believes that the Group will benefit from the further acquisition as Zendai Delta Land possesses the techniques and the expertise in serving the high-end property market, hence will allow the Group to accelerate its business growth and bring in better return more rapidly.

The Group's two major mid-to-high-end residential projects in Putong, Shanghai, Shui Qing Mu Hua and Zendai Jia Juan recorded satisfactory sales performance in the first half of the year.

With close proximity to the Century Park and Lujiazui district, 804 out of 855 units of Shui Qing Mu Hua apartment have been sold till the end of August, generating a total cash of approximately RMB1,289,000,000 (equivalent to approximately HK\$1,217,000,000). The sales of 199 units were completed between January and June this year, bringing in cash of approximately RMB325,000,000 (equivalent to approximately HK\$307,000,000). The average selling price amounted to RMB11,200 per square metre. The delivery of 294 flats was completed in the corresponding period with the amount involved reaching RMB518,000,000 (equivalent to approximately HK\$489,000,000). The delivery of approximately 450 flats of Shui Qing Mu Hua is scheduled for the second half of the year.

Adjacent to Shui Qing Mu Hua, Shui Qing Mu Hua individual villa commenced its construction in 2003 and the sale is expected to commence in October. It comprises a total of 50 individual villas with a saleable area of 26,000 square meters. The anticipated selling price is RMB50,000 per square metre. It is expected to sell eight villas in the year.

As for the Zendai Jia Yuan project, the first and second phases have already been sold out and completed delivery. 1,165 out of a total of 1,258 units in the southern part of Phase Three have also been sold out by the end of June. The sales amount reached RMB698,000,000 (equivalent to approximately HK\$658,000,000). Less than 100 units remained unsold. The sales area of the southern part is over 185,500 square metres. The expected delivery time is scheduled to be March 2005. The sale of the northern part of Phase Three also commenced with part of the construction still underway. The northern part comprises a total of 1,020 units with a sales area of around 117,000 square metres. The expected delivery time is scheduled to be March 2006.

Since the management expects these two property development projects to become the major growth drivers of the Group's business in the future, it will direct more resources into developing related businesses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Placement of Shares

During the period, the Company completed a placing arrangement. On 31 January 2004, the Group signed a conditional agreement with investor, Genuine Assets Limited to place 300,000,000 new shares at HK\$0.1333 per share so as to expand the Company's capital base and consolidate the Group's financial status. Of the net proceeds of approximately HK\$39,700,000, about HK\$9,700,000 was used as the Group's working capital and the remaining HK\$30,000,000 for investment in potential property-related development projects.

Prospects

After the placing was completed in February 2003, funds were immediately injected into quality property development projects, including the high-end Shui Qing Mu Hua and the large-scale Zendai Jia Yuan. The Group also regularly pursued other projects with great potential in accordance with the development direction it set for itself. With less than two years' time, the Group has laid a solid foundation for its business. The Group will speed up its development in the coming years and invest more resources in projects so as to achieve the ultimate goal of injecting Zendai Group's whole assets into the listed company.

Between March and May this year, though the demand for property dropped after the government of the People's Republic of China (the "PRC") implemented a series of macroeconomic control measures, property price in Shanghai remained stable. In mid-July, the National Bureau of Statistics announced that the average selling price of properties in the PRC rose 10.4% over the same period last year while that of private housings increased by 13%. Shanghai still tops the list of cities with residential property price recording the highest surge of up to over 21%.

For four consecutive years, the total gross floor area sold have exceeded the completed floor area in Shanghai. According to the city's statistics bureau, about 7,890,000 square metres of property were sold in the first half of the year, over 1,610,000 square metres more than the floor area completed, reflecting a shortage of supply in the property market. The overwhelming market response helped to lower vacant property area in Shanghai during the period by over 58% when compared with the corresponding period last year.

As the supply of general properties is increasing rapidly, the market believes the price of low-to-mid-end apartments will decrease moderately in the second half of the year. The government's economic austerity measures are, however, not expected to affect the high-end property segment with 90% buyers coming from overseas. The prices of those properties have room for upward adjustment of up to 30%. The Company, which engages in the development of mid- to high-end properties, sees the austerity measures for ensuring healthy development of the market as beneficial to both the development of the economy and the property market in the long run. The measures are helping to further optimize the market structure by expelling the unfit while allowing the competent players to grow and develop in a healthy environment. Leveraging the solid foundation and rich experience in the PRC property market, the Company will grasp the business opportunities ahead to effect greater development.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Prospects (Continued)

In view of the sustained economic growth as well as the continuously enhanced living standard in the PRC, the Group plans to launch the first eight individual villas of its high-end property project Shui Qing Mu Hua in October this year. With a total of 50 individual villas, Shui Qing Mu Hua is favorably located. Designed by renowned interior designers from Japan and Hong Kong, the residential units have diverse styles to meet the different tastes of buyers. Hence, the management believes the market will respond positively and sales performance will be satisfactory. The villas are expected to bring significant contributions to the Group.

At the same time, the Group is actively developing the northern part of Phase Three of Zendai Jia Yuan, a mid-end property project with a total floor area of 150,000 square metres. One-third of the flats will be launched in October this year.

During the Period, the Group successfully grew its assets, laying a solid foundation for its further development. The net asset value of Zendai Delta Land surged from RMB101,299,000 (equivalent to approximately HK\$95,565,000) as at 31 December 2003 to RMB188,317,000 (equivalent to approximately HK\$177,658,000) as at 31 March 2004. It was attributed mainly to Zendai Delta Land's profit of RMB87,018,000 (equivalent to approximately HK\$82,092,000) recorded for the three months ended 31 March 2004.

Moreover, according to the estimate of independent valuer, the value of the property interest of Shui Qing Mu Hua held by Zendai Delta Land was about RMB1,363,800,000 (equivalent to approximately HK\$1,286,604,000) as at 31 May 2004. Compared with RMB585,566,000 (equivalent to approximately HK\$552,411,000), being the face value of Shui Qing Mu Hua as at 31 March 2004, the estimated value was RMB778,244,000 (equivalent to HK\$734,192,000) higher. In short, the face value of Shui Qing Mu Hua was at a 57.1% discount over the estimated value.

Looking forward to the second half of the year, the Group will continue to strive for steady business growth. As the economy continues to grow and people's purchasing power increases in the PRC, and with the timetable for delivery of property already set, the Group is confident of securing significant progress in its business and returning satisfactory overall performance in 2004.

Leveraging the Group's prominent brand reputation and its quality property projects, and through adopting flexible sales strategy that meets market demand, the Group will be able to maintain stable growth in turnover and profit and bring satisfactory return to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity, financial resources, capital structure and gearing

At 30 June 2004, the Group had a healthy financial position with net assets amounted to approximately HK\$228 million (31.12.2003: HK\$172 million). Net current assets increased from approximately HK\$431 million in 31 December 2003 to approximately HK\$804 million, with current ratio of approximately 2.11 times (31.12.2003: 1.95 times).

The Group adopts relatively prudent financial policy and closely monitors its cash flow. At 30 June 2004, the Group has consolidated bank loans of approximately HK\$481 million (denominated in Renminbi), in which HK\$28 million is repayable within one year and HK\$453 million is repayable after one year but not exceeding two years. At 30 June 2004, the Group's bank balances and cash are approximately HK\$443 million, in which 96% was denominated in Renminbi, with the others denominated in Hong Kong dollars.

The gearing ratio of the Group was 2.11 times (31.12.2003: 1.64 times) (basis: total of amount due to a related company, amount due to a director, shareholder's loan and bank loans divided by shareholders' funds). The increase in gearing reflected the Group's financing requirement to match the accelerated development pace.

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 2004, the Group employed approximately 200 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

At 30 June 2004, the Group's properties for sale of approximately HK\$883 million has been pledged to banks to secure bank loans granted to the Group.

Contingent liabilities

At 30 June 2004, the Group had no significant contingent liabilities or outstanding litigation.

INTERIM DIVIDEND

The board of directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of director	Number of ordinary shares	Capacity and nature of interests	Approximate percentage of issued share capital
Mr. Dai Zhi Kang	2,519,080,000	Interests held by controlled corporation (Note)	54.40%

Note: All of these interests represent long positions. Mr. Dai Zhi Kang is the beneficial owner of the entire issued share capital of Giant Glory Assets Limited ("Giant Glory"), and is therefore deemed to be interested in the 2,519,080,000 shares held by Giant Glory pursuant to the SFO.

Save as disclosed above, none of the directors or chief executives of the Company had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2004.

SHARE OPTIONS

The Company adopted a share option scheme on 18 July 2002 (the "Scheme"), with expiry date on 17 July 2012, for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No share options have been granted under the Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section of "Share Options" above, at no time during the Period was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate and neither the directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of issued ordinary shares	Approximate percentage of the issued share capital
Giant Glory (<i>Note 1</i>)	Beneficial interests	2,519,080,000	54.40%
Honour Great Holdings Limited (<i>Note 2</i>)	Beneficial interests	464,355,000	10.03%
Ms. Liu Lijuan (劉麗娟) (<i>Note 2</i>)	Interests held by controlled corporation	464,355,000	10.03%
Genuine Assets Limited (<i>Note 3</i>)	Beneficial interests	300,000,000	6.48%
Ms. Huang Jin (黃瑾) (<i>Note 3</i>)	Interests held by controlled corporation	300,000,000	6.48%

Notes:

1. This represents the deemed interest of Mr. Dai Zhikang as referred to in the note under the section headed "Directors' interests in shares" above.
2. Ms. Liu Lijuan is the beneficial owner of the entire issued share capital of Honour Great Holdings Limited and therefore is deemed to be interested in the 464,355,000 shares held by Honour Great Holdings Limited pursuant to the SFO.
3. Ms. Huang Jin is the beneficial owner of the entire issued share capital of Genuine Assets Limited and therefore is deemed to be interested in the 300,000,000 shares held by Genuine Assets Limited pursuant to the SFO.

All the interests stated above represent long positions. As at 30 June 2004, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

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 Period.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), throughout the Period.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditors, KLL Associates CPA Limited, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements.

By Order of the Board
Dai Zhikang
Chairman

Hong Kong, 13 September 2004



KLL Associates CPA Ltd

華融會計師事務所有限公司

Suite 1303, Shanghai Ind. Investment Bldg.,
60 Hennessy Road, Wanchai, Hong Kong

TO THE BOARD OF DIRECTORS OF SHANGHAI ZENDAI PROPERTY LIMITED

(Formerly known as Shanghai Century Holdings Limited)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 2 to 9.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Company’s management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2004.

KLL Associates CPA Limited

Lee Ka Leung, Daniel

Practising Certificate Number P01220

Hong Kong, 13 September 2004