

Interim Results

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For the six months ended 30th June 2005

	For the six months ended 30th June		Percentage Change
	2005	2004	
Turnover (<i>HK\$'000</i>)	441,177	382,154	15.5%
Gross Profit (<i>HK\$'000</i>)	203,293	154,330	31.7%
Gross Profit Margin (%)	46.1%	40.4%	14.1%
Net Profit for the period (<i>HK\$'000</i>)	77,801	57,217	36.0%
Basic earnings per share (<i>HK cents</i>)	5.5	4.2	31.0%
Dividend per share-Interim (<i>HK\$</i>)	–	–	–

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 2005, together with comparative figures for the previous corresponding period in 2004. The unaudited interim financial statements for the six months ended 30th June 2005 have been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement

For the six months ended 30th June 2005
(Amounts expressed in HK\$'000, except for earnings per share)

	Note	For the six months ended 30th June 2005 (Unaudited)	2004 (Unaudited)
Turnover, net	4	441,177	382,154
Cost of sales		(237,884)	(227,824)
Gross profit		203,293	154,330
Distribution expenses		(19,446)	(15,237)
Administrative expenses		(29,316)	(26,725)
Other Operating income		6,916	446
Operating profit		161,447	112,814
Finance gains/(costs), net		1,754	(3,396)
Share of net (losses)/profits of associated companies	8	(5,130)	14,628
Profit before taxation		158,071	124,046
Taxation	5	(52,982)	(38,333)
Profit for the period		105,089	85,713
Attributable to:			
Equity holders of the Company		77,801	57,217
Minority interests		27,288	28,496
		105,089	85,713
Interim dividend	6	–	–
Earnings per share			
– Basic	7	5.5 cents	4.2 cents
– Diluted	7	4.5 cents	3.7 cents

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

Condensed Consolidated Balance Sheet

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As of 30th June 2005
(Amounts expressed in HK\$'000)

		30th June 2005 (Unaudited)	31st December 2004 (Audited)
	Note		
ASSETS			
Non-current assets			
Fixed assets		218,672	220,596
Interests in associated companies	8	337,260	344,116
		555,932	564,712
Current assets			
Properties held or under development for sale		2,155,161	1,402,580
Inventories, at cost		5,205	360
Amounts due from related companies	9	260,588	312,300
Other receivables, prepayments and other current assets		118,241	132,743
Accounts receivables	10	129,103	349,063
Prepaid taxation		4,057	6,266
Cash and bank balances	11	739,161	983,917
		3,411,516	3,187,229
Total assets		3,967,448	3,751,941

Condensed Consolidated Balance Sheet

As of 30th June 2005
(Amounts expressed in HK\$'000)

		30th June 2005 (Unaudited)	31st December 2004 (Audited)
	Note		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' Equity			
Share capital	12	146,582	135,480
Reserves		1,243,659	1,137,173
		1,390,241	1,272,653
Minority interests		217,659	212,589
Non-current liabilities			
Long-term bank loans		494,059	778,753
Convertible bonds	13	273,885	296,798
Deferred tax liabilities		209,791	161,432
		977,735	1,236,983
Current liabilities			
Short-term bank loans	14	128,531	85,808
Accounts payable	15	303,278	314,406
Advance payments, other payables and accruals		626,134	106,935
Taxation payable		–	104,883
Amounts due to related companies		492	980
Properties held or under development for sale		249,372	318,486
Long-term bank loans, current portion		74,006	98,218
		1,381,813	1,029,716
Total liabilities and shareholders' equity		3,967,448	3,751,941

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

Condensed Consolidated Statements of Changes in Equity

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(Amounts expressed in HK\$'000)
(Unaudited)

	From 1st January 2005 to 30th June 2005								
	Share capital	Share premium	Revaluation reserve	Statutory surplus reserve	public welfare fund	Exchange translation reserve	Retained earnings	Total reserves	Total interest
Beginning of period (Audited)	135,480	596,091	3,288	26,008	18,785	(1,305)	494,306	1,137,173	1,272,653
Shares issued	11,102	69,298	-	-	-	-	-	69,298	80,400
Profit attributable to shareholders	-	-	-	-	-	-	77,801	77,801	77,801
Appropriations	-	-	-	1,128	2,256	-	(3,384)	-	-
Dividends	-	-	-	-	-	-	(47,187)	(47,187)	(47,187)
Currency translation differences	-	-	-	-	-	6,574	-	6,574	6,574
Others	-	-	(3,288)	-	-	-	3,288	-	-
End of period (Unaudited)	146,582	665,389	0	27,136	21,041	5,269	524,824	1,243,659	1,390,241

	From 1st January 2004 to 30th June 2004								
	Share capital	Share premium	Revaluation reserve	Statutory surplus reserve	public welfare fund	Exchange translation reserve	Retained earnings	Total reserves	Total interest
Beginning of period (Audited)	135,463	596,031	9,700	15,876	14,423	(3,675)	308,191	940,546	1,076,009
Shares issued	17	66	-	-	-	-	-	66	83
Profit attributable to shareholders	-	-	-	-	-	-	57,217	57,217	57,217
Dividends	-	-	-	-	-	-	(22,490)	(22,490)	(22,490)
Currency translation differences	-	-	-	-	-	2,320	-	2,320	2,320
End of period (Unaudited)	135,480	596,097	9,700	15,876	14,423	(1,355)	342,918	977,659	1,113,139

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 2005
(Amounts expressed in HK\$'000)

	Note	For the six months ended 30th June 2005 (Unaudited)	2004 (Unaudited)
Operating activities			
Net cash inflow (outflow) arising from operations	16	224,040	(229,924)
Interest paid		(24,064)	(16,493)
PRC taxation paid		(48,817)	(28,411)
Net cash outflow from operating activities		151,159	(274,828)
Investing activities			
Purchases of fixed assets		(225)	(2,567)
Interest received		3,448	1,561
Increase in investments in associated companies		–	(46,639)
		3,223	(47,645)
Net cash inflow (outflow) before financing		154,382	(322,473)
Financing activities			
Proceeds from issuance of ordinary shares		21,500	76
Proceeds from issuance of convertible bonds		–	290,840
Decrease in minority interests		(22,218)	(2,342)
Increase (decrease) in short-term bank loans, net		42,723	(46,785)
(Decrease) increase in long-term bank loans, net		(308,906)	157,879
Decrease in short-term investment		–	4,694
Dividends paid to shareholders		(16,287)	(22,490)
		(283,188)	381,872
(Decrease) increase in cash and cash equivalents		(128,806)	59,399
Effect of foreign exchange rate changes		6,292	2,541
Cash and cash equivalents, beginning of period	11	848,488	434,980
Cash and cash equivalents, end of period	11	725,974	496,920

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

Notes to the Financial Statements

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(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 applicable disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

The accounting policies 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 2004, except as described below.

Impacts on the Group's financial statements due to the new HKFRSs are as follows:

- (i) The adoption of HKAS 18 – Revenue and Interpretation 24 – Revenue – Pre-completion Contracts for the Sale of Properties

Property developers shall apply HKAS 18, as appropriate, in recognising revenue arising from pre-completion contracts for the sale of development properties that do not fall within the scope of HKAS 11 – Construction Contracts, and accordingly, recognise revenue only when all of the criteria specified in paragraph 14 of HKAS 18 are met.

The Group chooses not to apply this standard retrospectively to pre-completion contracts for the sale of development properties entered into before 1st January 2005. The Group shall continue to account for those contracts using the method of accounting used prior to the application of this Interpretation. The Group shall confirm the application of such interpretation for pre-completion contracts for the sale of development properties entered into on or after 1st January 2005 and recognize revenue on completion of the contract work.

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

(ii) The adoption of HKFRS 2 – Share-based Payment

For equity-settled share-based payment transactions with employees (including stock options), HKFRS 2 requires an entity to measure the services received and the corresponding increase in equity in accordance with the equity instruments granted at fair values.

For equity-settled share-based payment transactions, the Group shall apply this HKFRS to the shares, share options or other equity instruments granted after 7th November 2002 but deemed to have been exercised at the effective date of this HKFRS, and therefore shall not prepare the comparative financial statements.

The Group will continue the assessment of the impact of other new HKFRSs and the significant changes arising from them.

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 2005				Total
	Property development	Property leasing	High-tech	Unallocated	
Turnover					
Sales to external customers	432,411	251	8,515	-	441,177
Segment Results					
Segment profit	160,296	251	9,246	-	169,793
Unallocated costs	-	-	-	(8,346)	(8,346)
Operating profit	160,296	-	9,246	110	161,447
Interest income	1,650	-	(6)	-	1,754
Share of net loss in investment of associated companies	(5,130)	-	-	-	(5,130)
Taxation	(50,940)	-	(2,042)	-	(52,982)
Minority interest	(27,144)	-	(144)	-	(27,288)
Profit attributable to shareholders	78,732	251	7,054	(8,236)	77,801

Notes to the Financial Statements

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

	For the six months ended 30th June 2004					Total
	Property development	Property leasing	High-tech	Unallocated		
Turnover						
Sales to external customers	362,645	184	19,325	-		382,154
Segment Results						
Segment profit	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 expense	-	-	-	(3,396)		(3,396)
Share of net loss 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

4. TURNOVER

	For the six months ended 30th June	
	2005	2004
Sale/pre-sale of properties held or under development	461,100	382,829
Sale of network hardware and installation of intelligent home equipment	9,009	19,516
Revenue from property leasing	251	195
	470,360	402,540
Less: Business tax, surtaxes and land appreciation tax (<i>Note</i>)	(29,183)	(20,386)
Net	441,177	382,154

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

Note: The Group is subject to business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties and the installation of intelligent home network equipment and rental, and at 3% on the revenue from building of intelligent network infrastructure facilities (after deduction of appropriated amounts). Some subsidiaries are subject to the following surtaxes:

- City development tax, a tax levied at 5% to 7% of BT or Value-Added Tax ("VAT");
- Education supplementary tax, a tax levied at 3% of BT or VAT.

In addition, the Group accrued and paid Land Appreciation Tax ("LAT") at 1 percent of sale and pre-sale of properties as required by the local tax authorities.

5. TAXATION

	For the six months ended 30th June	
	2005	2004
Current – PRC taxation	5,186	6,979
Deferred taxation	47,796	31,354
	52,982	38,333

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%. 2004 was the fifth 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 2005 (2004: Nil)

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

7. EARNING PER SHARE

The calculation of earnings per share was based on the consolidated net profit of HK\$77,801,000 (2004: HK\$57,217,000) and the weighted average number of 1,418,390,610 shares (2004: 1,354,768,242 shares) in issue during the period.

The calculation of diluted earnings per share was based on the consolidated net profit of HK\$77,801,000 (2004: HK\$57,217,000) and the diluted weighted average number of approximately 1,664,910,326 shares (2004: approximately 1,550,759,498 shares) in issue during the period.

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 profit and loss of investment of associated companies mainly relates to the profit and loss attributable to Jinluodian.

9. AMOUNTS DUE FROM/TO RELATED COMPANIES

Amounts due from related companies are mainly related to Earnest money amounted RMB188,000,000 which was paid to Shanghai Shuo Cheng; such Earnest money is converted into shareholder's loan in July 2005.

10. ACCOUNTS RECEIVABLE, NET

Aging analyses of accounts receivable are:

	30th June 2005	31st December 2004
Aging		
– Within 1 year	124,134	346,586
– Over 1 year but within 2 years	4,806	110
– Over 2 years	163	2,367
Less: Provision for doubtful debts	–	–
	129,103	349,063

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

11. CASH AND BANK BALANCES

Analysis of Cash and Bank Balances are as follows:

	30th June 2005	31st December 2004
Cash and cash equivalents	725,974	848,488
Restricted bank deposits	13,187	135,429
	739,161	983,917

12. SHARE CAPITAL

In the first half of 2005, the Group has issued a total of 111,019,000 shares of ordinary shares.

	For the six months ended 30 June	
	2005	2004
	shares '000	shares '000
Exercise of Share Option	50,000	170
Exercise of Convertible Bond	25,090	–
Scrip Dividend	35,929	–
	111,019	170

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

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

13. CONVERTIBLE BONDS

On 3rd May 2004, the Company issued zero coupon convertible bonds with an aggregate principal of HK\$302 million, the maturity date of which is 3rd May 2009. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 111.63% of their principal amount. In accordance with the terms provided by the bonds, such bonds may be redeemed at the option of the Company, at the early redemption amount as stated in the convertible bonds from time to time; (i) in whole or in part, on or after 3rd May 2006 but no less than 7 business days prior to the maturity date, when the closing price of the Company's shares on the Stock Exchange shall have been at least 130% of the conversion price for any 20 trading days out of 30 consecutive trading days prior to the date upon which notice of such redemption is given or (ii) in whole, any time when the aggregate principal amount of the convertible bonds outstanding shall have been less than 10% of original aggregate principal or (iii) in whole, any time if there are any changes in Bermuda, Hong Kong and PRC taxation. The bondholder may, at their options, require the Company to redeem bonds at the early redemption amount: (i) on 3rd May 2006 or (ii) when there is any change of control over the Company or (iii) when the Company is delisted.

	Group and Company	
	30th June 2005	31st December 2004
Convertible bonds matured in 2009	302,000	302,000
Less: bonds converted	28,000	–
	274,000	302,000
Add: Accrual of redemption premium charged to profit and loss account	7,648	4,470
Less: Unamortised issuance costs	(7,763)	(6,972)
	273,885	296,798

14. SHORT-TERM BANK LOANS

As of 30th June 2005 the short-term bank loans were amounted in RMB70,000,000 and due within one year.

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

15. ACCOUNTS PAYABLE

The aging of the Group's accounts payable is all less than one year.

16. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to net cash outflow from operating activities:

	For the six months ended 30th June	
	2005	2004
Profit before taxation	158,071	124,046
Adjustments for:		
Depreciation of fixed assets	2,149	2,433
Amortisation of deferred expenses	1,909	1,540
Share of net loss (profit) in investment of associated companies	5,130	(14,628)
Interest income	(2,273)	(1,561)
Interest expense	519	3,418
Operating profit before working capital changes	165,505	115,248
Decrease in restricted deposits	122,242	4,292
Decrease (increase) in accounts receivable	219,960	(49,783)
Decrease (increase) in other receivables, prepayments and other current assets	14,502	(22,849)
Decrease in advances to related companies	51,712	6,241
Increase in properties held or under development for sale	(752,581)	(178,351)
Decrease in accounts payable	(11,128)	(61,889)
Increase/(decrease) in prepayments, other payables and accruals	519,199	(28,592)
Decrease in taxation payable	(104,883)	(5,038)
Decrease in advances from related companies	(488)	(9,203)
Net cash inflow (outflow) from operating activities	224,040	(229,924)

Notes to the Financial Statements

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

17. RELATED PARTY TRANSACTIONS

During the six months ended 30th June 2005, repayment received from related companies by the Group was approximately HK\$56,413,000.

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 2005, the outstanding guarantees amounted to approximately HK\$40 million (31st December 2004: HK\$48 million). Part of the Group's bank deposits amounting to approximately HK\$1,186,792 (31st December 2004: HK\$1,439,909) have been restricted for this purpose.

FINANCIAL REVIEW

The Group's unaudited net turnover for the six months ended 30th June 2005 was HK\$441,177,000, an increase of 15.5% from the corresponding period of last year. Profit attributable to shareholders amounted to HK\$77,801,000, an increase of 36.0% from the corresponding period of last year.

Impact of change in revenue recognition

The Group has changed its revenue recognition methods: in prior years, revenue was recognized based on the percentage of completion. Since 1st January 2005, revenue was recognized on the completion and delivery.

This change affected the recognition and accounting of revenue this year, which would effectively delayed to the time of completion and delivery of the property. However, it has no impact on sales and cash flow.

Liquidity and capital resources

The Group's liquidity position remains sound. Cash and bank balances amounted to HK\$739,161,000 as at 30th June 2005 (31st December 2004: HK\$983,917,251). The aggregate bank loans as at 30th June 2005 amounted to HK\$696,596,000 (31st December 2004: HK\$ 962,779,000). As at 30th June 2005, the Group was in a net cash position (31st December 2004: net cash). Current ratio was at a healthy level of 2.5 times (31st December 2004: 3.1 times).

Management is of the opinion that existing financial resources will be sufficient for future expansion plans.

Pledge of Assets

At 30th June 2005, approximately HK\$1,398,000,000 of properties underdevelopment were pledged for short-term and long-term bank loans.

Contingent Liabilities

At 30th June 2005, the Group had contingent liabilities of HK\$40 million (31st December 2004: HK\$48 million). The contingent liabilities were in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

Management Discussion and Analysis

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BUSINESS REVIEW

In the first half of 2005, while the PRC Central Government and Shanghai Municipal Government implemented macroeconomic regulation and control on the property industry and property market, different levels of management of the Company responded in a steadfast way: strengthening market analysis and response; introducing innovative tactics and implementing various responsive measures which allow all projects to have a steady progress.

Sales Progress

In the first half of 2005, the Group has 8 large-scale property development and real estate development projects under construction, including "Luodian North Europe Town", "Rich-Gate Oasis Garden", "Skyway Oasis Garden Hotel & Condominium", "Beverly Oasis Garden", "Central-Ring Centre", "Thousand Island Oasis Garden", "Long Island Oasis Garden" and "Jiangnan Oasis Garden". Except for "Skyway Oasis Garden" which was largely sold out in 2004, projects under sale include Long Island Oasis Garden Phase III "Cedar Oasis Garden", "Rich-Gate Oasis Garden", "Lakefront Oasis Garden" and "Thousand Island Oasis Garden".

During the first half of 2005, the Group studied the market trends carefully and actively adjusted its sales targets and strategies. It focused on "Serviced sales", emphasized on "Customer-Oriented sales", streamlined sales and marketing tools, developed overseas distribution channel and accelerated cash return. From January to June 2005, a total floor area of 47,218.87 square meters was sold involving a contracted amount of RMB924,441,000, in which:

"Rich-Gate Oasis Garden" sold a total floor area of 10,272 square meters.

"Cedar Oasis Garden" sold a total floor area of 17,006.79 square meters.

"Lakefront Oasis Garden" sold a total floor area of 6,332.01 square meters.

"Thousand Island Oasis Garden" sold a total floor area of 11,778.67 square meters.

Construction Progress

From January to June 2005, constructions of all development projects have been carried out on schedule in an active and steady pace, in which,

Luodian North Europe Town: Before the launch of new lands, the Company devoted its effort to the construction of Lake Malaren North 18-hole golf course, the decoration work of Lake Malaren Golf Hotel and the improvement work of water ecosystem. It expanded its work at operational management and inviting investment for its current operational fixed assets in order to develop new operational spectrum. Meanwhile, the Company actively searched for and groomed potential land buyers in preparation for the open tender or market launch after announcement of the land transfer quotas of commodity housing by the government in the second half of the year.

Rich-Gate Oasis Garden: Structure topping-out for 5 residential high rises was completed and 3 sample rooms (showrooms) have been opened for the public. Interior design and stone curtain wall hanging-anchor work were fully launched and expected to be completed and ready for occupancy in June 2006. Commercial stores along the street and underground are open for commercial invitation.

Skyway Oasis Garden: Structure topping-out for 52-floor main building was completed. Second structural work and installation work were carried out smoothly. The overall project will be completed according to schedule in 2006.

Beverly Oasis Garden: The construction and decoration of 7 villas in the sample room zone of The Country (Phase II Lot No. 14) were completed. It is expected that such luxury villas will be ready for sale during the year.

Oasis Central-Ring Centre: Installation and decoration have commenced at No. 11 and No. 12 of the high-rise residential buildings. The fundamental construction work of No. 10 high-rise residential building was completed. Circular foundation with a diameter of 200 meters for commercial building, office tower, hotel and other complex construction has begun.

Thousand Island Oasis Garden: Residence migration for Phase II was basically done. Planned construction work of 74 individual villas was carried out in full scale and structural topping-up of 66 individual villas was completed, 49 individual villas were granted pre-sale certificates.

Cedar Oasis Garden: No. 1-4 fully-decorated apartments of Phase III Lot A were completed smoothly and delivered for occupancy. Decoration of No. 5-8 apartments has begun and expected to be completed and ready for occupancy by the end of 2005. 100,000 square meter residential building in Phase III Lot 3 has started construction and pre-sale certificates are expected to be granted by the end of this year or the beginning of 2006, and public sale will follow.

Management Discussion and Analysis

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Jiang Nan Oasis Garden: The construction of 20 out of 30 plus Phase II detached villas has started. Structural topping-up of 10 villas was completed and ready for sale during the year.

Winggo Infrastructure: It is focused on design and management as main stream to develop its principal business, taking advantage of the intelligent residential construction and raising the construction quality.

Social Participation and Honours

In January 2005, the whole staff of the Group participated in the “Raise Fund, Save Victims” fund-raising activity to help the victims of earthquake and tsunami took place in the Indian Ocean.

Shanghai Trans-Ocean Property Management Company Limited was officially renamed as 上海利物得物業管理有限公司 (“Shanghai Good Property Gain Property Management Company Limited”) and passed the annual audits of ISO9000 and ISO14001 certification.

Winggo Infrastructure Company was award “2004 Shanghai Municipal Huang Pu District Excellent Foreign Investment Enterprise”.

Skyway Company was awarded as “Advanced Collective” in the meritorious service contest of residential construction projects in Shanghai Municipal in 2004 and the “Enterprise residential cultural contribution award” (企業居住文化貢獻獎).

Skyway Oasis Garden was awarded the “Community with Excellent Quality” (四高優秀小區) and Lakefront Oasis Garden was awarded “Shanghai’s most popular site integrated award” (上海最受歡迎樓盤綜合獎).

Newly Acquired project

Following the Group acquisition of 20% interest in Shanghai Shuo Cheng Real Estate Co. Ltd. (“Shuo Cheng”) in 2004, it successfully increased its interest in Shuo Cheng by 20% in July 2005. Shuo Cheng has the development right for the project of Albany Oasis Garden located at Zhongxin Road and Xizhang North Road of the center of Shanghai, which comprises a total floor area of 480,000 square meters. Such increase in shareholding has enhanced the Group’s land for development and property project reserve in the center of Shanghai. The high-rise residential building located at lot D of the project has started construction since March 2005 and expected to be available for sale within the year.

Business Overview

– *Steady development for PRC and Shanghai overall economy*

From January to June 2005, the growth of national GDP was 9.5% and Shanghai recorded a growth of 10.3%, representing a decrease of 0.2% and 4.5% respectively over the corresponding period last year. Growth in national total fixed asset investment was 25.4% and Shanghai's figure was 15.1%, representing a decline of 3.2% and 10.8% respectively; national's total real estate investment grew by 23.5% and Shanghai's by 15.5%, over the last corresponding period, representing a drop of 5.2% and 4.9% respectively. National CPI increased by 2.3% and Shanghai's CPI increased by 1%. Inflation pressure obviously was lessened and there was no sign of deflation. It is expected that the overall economy in the second half of 2005 will maintain at a higher digit level.

– *Macroeconomic control measures implemented; effect of policies emerged*

In the first half of 2005, the PRC central government and the Shanghai municipal government continued to carry out macroeconomic control measures in real estate market by introducing several control measures which were targeted at investment scale control, supply structure enhancement for commodity housing market and property price stabilization to avoid prices ups and downs. Effect of these policies was apparent. In June 2005, among the 40 key cities, the index of average sale price of commodity housing recorded in 14 cities (compared with last month's figures) showed negative growth. Negative growth was recorded in the index of secondary residential housing transaction price in 14 cities. Among the 14 cities that carried out comparison for same level properties, 3 cities recorded negative growth and 7 cities recorded a growth rate below 0.4%. The real estate market responded toward attaining the expected targets: suppressed investment, controlled investment, guided rational consumption and stabilized property price. As such, for the second half year, the possibility of introducing tighter macroeconomic controls on real estate market by the central government was low.

– *The growth rate of Shanghai commodity housing price slowed down; transaction volume recovered its rising trend*

According to the Shanghai index of China Real Estate Index (CREI), in June 2005, the Shanghai composite index of CREI was 1517, representing an increase of 145 points and a growth rate of 10.57% when compared with December 2004. However, it only represented an increase of 4 points and a growth rate of 0.26% when compared with May 2005. The Shanghai index of CREI stood at 1456 points, representing an increase of 136 points and a growth rate of 10.30%

Management Discussion and Analysis

when compared with December 2004. It served the same level of performance in May 2005. In the first half of 2005, except March, the growth rate of the remaining months obviously tended to slow down.

According to a property website, while the slowdown of the increase of commodity housing price, the transaction volume of commodity housing obviously dropped. However, the statistical data of June and July 2005 revealed that, during the normal low season of property transaction, the confidence of property buyers (particularly those home buyers) would resume resulting in an increase in the transaction volume of residential building. Compared with May, the transaction volume of commodity housing in June increased by 2.5%. The transaction volume of ordinary commodity housing (excluding resettlement housing and villas) in July increased by 1.4% compared with June. With slight adjustment of the growth rate of prices and the return of the rational consumer behavior, the objective market demand showed a seemingly active phenomenon.

The reformation of RMB exchange rate mechanism and small scale upward revaluation of RMB resulted in a positive impact on real estate enterprises focusing on the development of luxury property since the majority of its equipment and facilities are imported. Revaluation of RMB not only reduced the construction costs, but also, to a large extent, raised the expectation and confidence of overseas buyers in buying luxury properties in the PRC, and sales will be stimulated.

For the second half of 2005, the Group will continue to strengthen its analysis and studies of economic development and property market trend and carry out business by following the trend and emphasize on its control and budgeting management. It will continue to follow construction schedules and sales schedule, and the quality and pace of construction. It will also tighten cost control management, sustain bulk procurement of resources and materials, strengthen budgeting and accounting and auditing, so as to avoid and manage financial risks. It will also devote its effort to increase the professional quality of all levels of management, its governance level and competitiveness.

Following the change in the accounting standards for real estate enterprises introduced by the Hong Kong Institute of Certified Public Accountants (HKICPA), the Group and its subsidiaries and associated companies have taken a serious view to respond to such changes. Emphasizing its cash flow and targeting at the completion of construction and occupancy, the Group will plan reasonably and arrange practically the progress of construction, the progress of sales, the progress of collection of receivables and the timetable for completion of construction and occupancy. The Group will work hard on attaining and outperforming targets of all financial and profitability targets for the year.

DIRECTORS' INTERESTS IN SHARES

As of 30th June 2005, 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") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers were as follows:

Name of Company	Number of Director	Number of Shares held			Approximate Percentage of Aggregate long position in Shares to the issued share capital of the Company as at 30th June 2005
		Personal Interest	Family Interest	Corporate Interest	
Shanghai Real Estate Limited	Shi Jian	2,076,744 ⁽¹⁾	2,076 ⁽²⁾	800,900,548 ⁽³⁾	56.01%
	Li Yao Min	2,076 ⁽¹⁾			0.0001%
	Yu Hai Sheng	1,038,372 ⁽¹⁾			0.07%
	The Lord Killearn	103,837			0.007%
GoodTime Resources Limited	Shi Jian	256,488,176	240,420,164		62% ⁽⁴⁾

Notes:

- (1) These Shares were held by the Directors through the exercise of options on 3rd December 2001 (which were granted on 24th December 1999).
- (2) These shares were held by Ms. Si Xiao Dong, the wife of Mr. Shi Jian.
- (3) These Shares were held by GoodTimes 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 were 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. Qian Reng Hui.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

As at 30th June 2005, all Directors had not been granted any options nor exercised any options. Save as disclosed above, during the period neither the Company nor its subsidiaries has made any arrangement through which directors of the Company could acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2005, the following persons or 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	Number of shares	Percentage of aggregate long position in Shares to the issued share capital of the Company as at 30th June 2005
Good Time Resources Ltd.	800,900,548	56.01%
J.P.Morgan Chase & Co.	112,742,767	7.88%

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 2005, the Group had 671 employees in Hong Kong and the PRC. The Group adopts its remuneration policies based on employees' performance and experience.

SHARE OPTION SCHEME

A share option scheme was approved in a special general meeting held on 23rd May 2002. According to this share option scheme, the directors may, at their discretion at any time during the ten years from the date of approval of the scheme, invite any executive and/or employee of the Group to take up share options of the Company. The subscription price is determined by the directors and will be determined according to the higher price of (i) the average official closing price of the shares on the SEHK for the five trading days immediately preceding the relevant offer date and (ii) the official closing price of the shares on the SEHK on the relevant offer date. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee and unless the Board shall otherwise resolve in relation to any option at the time of grant, such period of time should not exceed 3 years commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of such period or 11th November 2009, whichever is the earlier.

A summary of the movements of share options granted under the scheme during the period is as follows:

	Number of options 2005
Beginning of period	51,000,000
Granted during the period (i)	1,500,000
Exercised during the period (ii)	(50,000,000)
End of period	2,500,000

- (i) Share options were granted on 4th February 2005 and 27th May 2005 at the exercise prices of HK\$0.94 per share and HK\$0.83 per share respectively. At the date immediately before 4th February 2005 and 27th May 2005, the market value per share was HK\$0.94 and HK\$0.83 respectively.
- (ii) Share options exercised on 21st February 2005 resulted in 50,000,000 shares being issued at HK\$0.43 per share. At the date immediately before 21st February 2005, the market value per share was HK\$1.2.

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

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June 2005.

DIRECTORS' COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made of all Directors, who have confirmed that they complied with required standard set out in the Model Code.

AUDIT COMMITTEE

The Company established an audit committee on 12th November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has seven members comprising the two non-executive Directors and the five independent non-executive Directors.

CORPORATE GOVERNANCE

In April 2005 the company adopted its own code on corporate governance practices which incorporates all the code provisions and a majority of the recommended best practices in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Throughout the period, the company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14.

On behalf of the Board

Shi Jian

Chairman

Hong Kong, China, 26th August 2005

List of Properties

Project name	Beverly Oasis Garden	Long Island Oasis Garden	Rich-Gate Oasis Garden
Address	<p>Phase I: No. 366 Alley, Ming Hua Road, Xin Qiao Town, Song Jiang District, Shanghai, the PRC</p> <p>Phase II: Qing Zheng Village, Xin Qiao Town, Song Jiang District, Shanghai, the PRC</p>	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.
Stage of completion as at 30/6/2005	Phase I: 100% Phase II: 90%	Phase I: 100% Phase II: 100% Phase III: 30%	Residential: 70% Shops: 70%
Expected completion date	Phase I: N/A Phase II: May 2005	Phase I: N/A Phase II: N/A Phase III: August 2007	June 2006
Existing use	Residential	Residential	Residential & shops
Site area (sq.m.)	Phase I: 490,562 Phase II: 509,438	Phase I: 109,388 Phase II: 99,733 Phase III: 261,886	14,651
Total gross floor area (sq.m.)	Phase I: 115,110 Phase II: 135,000	Phase I: 96,587 Phase II: 45,730 Phase III: 410,000	50,000
Share of interest attributable to the Group	97.5%	97.5%	51.48%

List of Properties

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Project name	Jiang Nan Oasis Garden	Thousand Island Oasis Garden	Central-Ring Center	Skyway Oasis Garden
Address	No.6 & 18-1, Nan Gang Chuen, Zhu Jia Jiao Zheng, Qing Pu District, Shanghai, PRC.	Hangou Center in Nan Hui District, Shanghai, P.R.C	No.801, Jun Bei Road, Putuo District, Shanghai, P.R.C	Lot B & C, 53 Alley, Da Pu Road, Lu Wan District, Shanghai, P.R.C.
Stage of completion as at 30/6/2005	Phase I: 100% (96 villas) Phase II: 30% (30 villas)	Phase I: 90% Phase II: 50%	Residential: 50% Commercial Complex: 10%	Phase I: 50% Phase II: 10%
Expected completion date	Phase I: June 2004 Phase II: December 2005 to June 2006	December 2005 to June 2006	December 2007	Residential: December 2004 Service apartments: December 2006
Existing use	Residential	Residential	Residential, Commercial, office & Hotel	Residential & Hotel Service apartments
Site area (sq.m.)	254,312	400,000	74,268	26,282
Total gross floor area (sq.m.)	52,702	54,000	280,000	130,000
Share of Interest attributable to the Group	49.70%	98%	95.79%	56%

BOARD OF DIRECTORS

Shi Jian (*Chairman*)
 Li Yao Min (*Vice-Chairman & President*)
 Yu Hai Sheng (*Vice-Chairman & Co-President*)
 Jiang Xu Dong (*Co-President*)
 Qian Reng Hui (*Co-President*)
 Cheung Wing Yui*
 Wang Ru Li*
 Sang Rong Lin**
 Yeung Kwok Wing**
 The Lord Killern**
 Geng Yu Xiu**
 E. Hock Yap**

* Non-executive Directors

** Independent Non-executive Directors

AUTHORIZED REPRESENTATIVES

Shi Jian
 Li Yao Min

COMPANY SECRETARY

Yue Wai Leung

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

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