



上海置業有限公司
Shanghai Real Estate Limited

(Stock Code:1207)



2006 Interim Report



Group Financial Highlights

**For the six
months ended
30th June, 2006**

Turnover (HK\$'000)	2,197,420
Gross Profit attributable to equity holders of the Company (HK\$'000)	1,002,163
Gross Profit Margin (%)	46%
Net Profit attributable to equity holders of the Company (HK\$'000)	302,443
Basic earnings per share (HK cents)	16.8
Dividend per share-Interim (HK\$)	—

Interim Results

The Board of Directors ("the Board") of Shanghai Real Estate Limited ("the Company") 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 2006, together with comparative figures for the previous corresponding period in 2005. The unaudited interim financial statements for the six months ended 30th June 2006 have been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement

For the six months ended 30th June 2006

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

		For the six months ended 30th June	
	Note	2006 (Unaudited)	2005 (Unaudited)
Turnover	4	2,197,420	441,177
Cost of sales		(1,195,257)	(237,884)
Gross profit		1,002,163	203,293
Other gains – net		–	6,916
Selling and marketing costs		(85,340)	(19,446)
Administrative expenses		(43,577)	(29,316)
Operating profit		873,246	161,447
Finance costs		(24,006)	1,754
Share of results of associates		(22,077)	(5,130)
Profit before income tax		827,163	158,071
Income tax expense	5	(300,882)	(52,982)
Profit for the period		526,281	105,089
Attributable to:			
Equity holders of the Company		302,443	77,801
Minority interests		223,838	27,288
		526,281	105,089
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	6	16.8 cents	5.5 cents
– Diluted	6	16.8 cents	4.5 cents
Interim Dividends	7	–	–

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

Condensed Consolidated Balance Sheet

As at 30th June 2006

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

	Note	Group 30th June 2006 (Unaudited)	31st December 2005 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		185,448	123,666
Investment properties		48,927	48,927
Leasehold land		124,329	124,329
Properties under development for long-term investment		770,720	524,648
Interests in associated companies	8	899,452	558,814
Amount due from a related company	9	274,624	274,624
Deferred tax assets		-	19,085
		2,303,500	1,674,093
Current assets			
Leasehold land		836,348	836,348
Properties held or under development for sale		1,095,262	1,543,942
Contracts work-in-progress		9,266	8,783
Inventories, at cost		196	427
Amount due from related companies		36,208	23,597
Prepayments and other current assets		156,465	127,446
Other receivables		162,351	414,885
Accounts receivable, net	10	27,767	10,586
Prepaid income tax		51,973	46,781
Cash and bank balances		2,222,097	1,395,817
		4,597,933	4,408,612
Total assets		6,901,433	6,082,705
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium	11	1,354,556	859,071
Other reserves		152,913	145,510
Retained earnings		654,776	440,400
		2,162,245	1,444,981
Minority interest		391,603	180,229
Total equity		2,553,848	1,625,210

	Note	Group	
		30th June 2006 (Unaudited)	31st December 2005 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bank loans	12	2,675,292	830,554
Convertible bonds	13	145,507	333,746
Deferred tax liabilities		244,051	4,384
		3,064,850	1,168,684
Current liabilities			
Short-term bank loans		77,670	20,000
Accounts payable	14	117,451	361,027
Other payables and accruals		46,613	96,651
Current income tax liabilities		150,514	117,522
Amount due to related companies		1,370	1,370
Convertible bonds, current portion	13	8,000	202,366
Derivative financial instruments		28,186	28,186
Advances received from the pre-sale of properties under development		406,329	1,996,548
Long-term bank loans, current portion		446,602	465,141
		1,282,735	3,288,811
Total liabilities		4,347,585	4,457,495
Total equity and liabilities		6,901,433	6,082,705
Net current assets		3,315,198	1,119,801
Total assets less current liabilities		5,618,698	2,793,894

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 2006 to 30th June 2006			
	Share capital and premium	Other	Retained earnings	Total
Beginning of period (Audited)	859,071	145,510	440,400	1,444,981
Shares issued	495,485	-	-	495,485
Profit Attributable to shareholders	-	-	302,443	302,443
Appropriations	-	8,659	(8,659)	-
Dividends	-	-	(79,408)	(79,408)
Others	-	(1,256)	-	(1,256)
End of period (Unaudited)	1,354,556	152,913	654,776	2,162,245

	From 1st January 2005 to 30th June 2005			
	Share capital and premium	Other	Retained earnings	Total
Beginning of period (Audited)	731,571	46,776	494,306	1,272,653
Shares issued	80,400	-	-	80,400
Profit Attributable to shareholders	-	-	77,801	77,801
Appropriations	-	3,384	(3,384)	-
Dividends	-	-	(47,187)	(47,187)
Currency differences	-	6,574	-	6,574
Others	-	(3,288)	3,288	-
End of period (Unaudited)	811,971	53,446	524,824	1,390,241

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

Condensed Consolidated Cash Flow Statement

As at 30th June 2006

(Amounts expressed in HK\$'000)

		For the six months ended 30th June	
	Note	2006 (Unaudited)	2005 (Unaudited)
Operating activities			
Net cash (outflow) inflow from			
operating activities	15	(113,162)	101,798
Interest paid		(74,221)	(24,064)
PRC taxation paid		(253,559)	(48,817)
Net cash (outflow) inflow from operating activities		(440,942)	28,917
Investing activities			
Purchases of fixed assets		(64,997)	(225)
Increase in properties under development for long-term investment		(246,072)	–
Interest received		17,626	3,448
Increase in investments in associated companies		(318,561)	–
		(612,004)	3,223
Net cash (outflow) inflow before financing		(1,052,946)	32,140
Financing activities			
Proceeds from issuance of ordinary shares		1,300	21,500
Decrease in minority interests		(12,464)	(22,218)
Increase (decrease) in borrowings		1,883,869	(266,183)
Dividends paid to shareholders		(42,222)	(16,287)
		1,830,483	(283,188)
Decrease in cash and cash equivalents		777,537	(251,048)
Effect of foreign exchange rate changes		48,743	6,292
Cash and cash equivalents, beginning of period		1,395,817	983,917
Cash and cash equivalents, end of period		2,222,097	725,974

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

Note to the 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 applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Financial Reporting Standards.

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 2005.

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 2006				
	Property development	Property leasing	Housing technology	Unallocated	Total
Turnover					
Sales to external customers	2,189,568	243	7,609	-	2,197,420
Segment Results					
Segment profit	919,411	243	(2,831)	-	916,823
Unallocated costs	-	-	-	(89,335)	(89,335)
Operating profit	919,411	243	(2,831)	(89,335)	827,488
Interest income	21,752	-	-	-	21,752
Share of net loss in investment of associated companies	(22,077)	-	-	-	(22,077)
Taxation	(300,882)	-	-	-	(300,882)
Minority interest	(223,779)	-	(59)	-	(223,838)
Profit attributable to shareholders	394,425	243	(2,890)	(89,335)	302,443

	For the six months ended 30th June 2005				Total
	Property development	Property leasing	Housing technology	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	251	9,246	(8,346)	161,447
Interest income	1,760	-	(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	78,842	251	7,054	(8,346)	77,801

4. Turnover

Turnover recognized during the period are as follows:

	For the six months ended 30th June	
	2006	2005
Sales and pre-sale of properties held or under development	2,354,855	461,100
Revenue from construction of infrastructure for intelligent network and sale of network hardware and installation of intelligent home equipment	7,688	9,009
Revenue from property leasing	243	251
	2,362,786	470,360
Less: Business tax, surtaxes and land appreciation tax	(165,366)	(29,183)
Net	2,197,420	441,177

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

(a) Income tax expense

	For the six months ended 30th June	
	2006	2005
Current – PRC taxation	36,372	5,186
Deferred taxation	264,510	47,796
Taxation charge	300,882	52,982

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 Wingo Infrastructure, a Sino-foreign equity joint venture, which is established within the technological economic development zone of an old urban district of a city, where applicable EIT rate for the period is 27%.

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.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of transaction and revenue recognition, based on certain estimations. Prepaid income tax amounted to approximately HK\$52 million as of 30 June 2006 (2005: approximately HK\$47 million).

(b) Land appreciation tax ("LAT")

For the period ended 30 June 2006, the Group accrued and paid LAT at 1 percent of sale and presale of properties as required by the local tax authorities.

(c) Business tax ("BT") and surtaxes

The Group is subject to business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties, installation of intelligent home equipment and property leasing. In addition, the Group is also subject to BT at 3% on the revenue less payments to subcontractors from the construction of infrastructure for intelligent network. On top of BT, 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.

(d) Value-added Tax ("VAT")

The Group is subject to VAT, which is levied at a general rate of 17% on the gross turnover upon sale or purchase of goods. An input credit is available whereby VAT previously paid on purchases of raw materials, semi-finished products, etc., may be used to offset the VAT payable on sales to determine the net VAT payable. Sales and purchases are stated net of VAT in the consolidated profit and loss account.

6. Earning Per Share

The calculation of earnings per share was based on the consolidated net profit of HK\$302,443,000 (2005: HK\$77,801,000) and the weighted average number of 1,795,879,387 shares (2005: 1,418,390,610 shares) in issue during the period. The calculation of diluted earnings per share was based on the consolidated net profit of HK\$302,443,000 (2005: HK\$77,801,000) and the diluted weighted average number of approximately 1,803,047,846 shares (2005: approximately 1,664,910,326 shares) in issue during the period.

7. Dividend

The Board had resolved not to declare an interim dividend for the six months ended 30th June 2006 (2005: Nil)

8. Interests in Associated Companies

The increase in interests in associated companies is mainly in relation to Shanghai Qin Hai Real Estate Co., Ltd. and indirect interest in shopping mall properties of Shanghai Anderson Fuxing Land Co., Ltd.

9. Amount due from Related Company

Amount due from related company represents shareholder loan to Shanghai Shuo Cheng Real Estate Co., Ltd.

10. Accounts Receivable, Net

Aging analyses of accounts receivable are:

	Group	
	30th June	31st December
	2006	2005
Accounts receivable	27,767,000	10,586,514
Less: Provision for doubtful accounts	-	-
	27,767,000	10,586,514

An aging analysis of accounts receivable is set out below:

	30th June 2006	31st December 2005
0 – 360 days	27,767,000	10,586,514
361 – 720 days	–	–
	27,767,000	10,586,514

The carrying amounts of accounts receivables approximated their fair value. There is no concentration of credit-risk with respect to accounts receivables, as the Group has a large base of customers.

11. Share Capital

In the first half of 2006, the Group has issued a total of 359,765,628 shares of ordinary shares.

	For the six months ended 30 June	
	2006	2005
	shares '000	shares '000
Exercise of Share Option	1,500	50,000
Exercise of Convertible Bond	335,340	25,090
Scrip Dividend	22,925	35,929
	359,765	111,019

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

12. Long-term Bank Loans

As of 30th June 2006, the long-term bank loans included a US\$200 million guaranteed notes due 2013.

13. Convertible Bonds

Group and Company

On 3 May 2004, the Company issued zero coupon convertible bonds maturing on 3 May 2009 (the "Maturity Date"), in the aggregate principal amount of HK\$302 million with a conversion price of HK\$1.116 per ordinary share of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 111.63 percent of their principal amount on the Maturity Date.

On 9 November 2005, the Company issued convertible bonds maturing on 9 November 2010 (the "Maturity Date"), in the aggregate principal amount of HK\$386 million with an initial conversion price of HK\$1.35 per ordinary share of the Company (subject to future one time adjustment on 9 November 2006). The interest rate of this bond is 3.5% per annum, which is paid in advance at the beginning of each anniversary year. In the event of conversion or early redemption, there would be no claw back of such prepayment of interest. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 110 percent of their principal amount on the Maturity Date.

The fair value of the written put option (bondholders' early redemption option) and purchased call option (bond issuer's early redemption option), as well as the liability component and the equity conversion component, were determined at issuance of the bonds.

The fair value of the liability component as included in liabilities, was initially calculated using a market interest rate for an equivalent non-convertible bond and subsequently measured at amortization cost. The fair value of the put option, recorded as derivative financial liability, was revalued annually with the revaluation gain or loss charged to the income statement. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred income taxes.

14. Accounts Payable

	Group	
	30th June	31st December
	2006	2005
Accounts payable	117,451,000	361,026,904

An aging analysis of accounts payable is set out below:

	30th June	31st December
	2006	2005
0 – 360 days	116,525,000	357,238,328
361 – 720 days	926,000	3,788,576
	117,451,000	361,026,904

Accounts payable with aging of more than one year generally represent retention monies held by the Group in connection with various property projects.

15. Condensed Consolidated Cash Flow Statement

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

	For the six months ended 30 June	
	2006	2005
Profit before taxation	827,163	158,071
Adjustments for:		
Depreciation of fixed assets and amortisation of deferred expenses	24,321	4,058
Share of net loss (profit) in investment of associated companies	22,077	5,130
Interest income	(21,752)	(2,273)
Interest expense	45,758	519
Operating profit before working capital changes	897,567	165,505
(Increase) decrease in accounts receivable	(17,181)	219,960
Decrease in other receivables, prepayments and other current assets	223,516	14,502
(Increase) decrease in amounts due from related companies	(12,611)	51,224
Decrease in properties held or under development for sale/advances received from pre-sale of properties under development	(943,831)	(752,581)
Decrease in accounts payable	(243,576)	(11,128)
(Decrease) increase in other payables and accruals	(50,038)	519,199
Increase (decrease) in taxation payable	32,992	(104,883)
Net cash (outflow) inflow from operating activities	(113,162)	101,798

Management Discussion and Analysis

Financial Review

The Group's unaudited net turnover for the six months ended 30th June 2006 was HK\$2,197,420,000 an increase of 4 times from the corresponding period of last year. Profit attributable to shareholders amounted to HK\$302,443,000 an increase of 3 times from the corresponding period of last year.

Liquidity and capital resources

The Group's liquidity position remains sound. Cash and bank balances amounted to HK\$2,222,097,000 as at 30th June 2006 (31st December 2005: HK\$1,396,000,000). The aggregate bank loans as at 30th June 2006 amounted to HK\$3,199,564,000 (31st December 2005: HK\$1,315,695,000). As at 30th June 2006, the Group had a net debt ratio of 45% (31st December 2005: net cash). Current ratio was at a healthy level of 3.58 times. (31st December 2005: 1.34 times).

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

Business Review

During the first half of 2006, the property markets throughout China and in Shanghai have been developing in a healthy pace following the ongoing implementation of the macroeconomic control measures, and demand was seen to be gradually returning. The Group's property investment, development and sales progressed steadily and orderly according to plan, and the expected results had been achieved.

Sales Progress

The Group's projects under sales included "Rich-Gate Oasis Garden", "Albany Oasis Garden", "Cedar Oasis Garden", "Thousand Island Oasis Garden", "Beverly Oasis Garden" and "Jiangnan Oasis Garden".

During the first half of 2006, the project companies of the Group continued to implement effective sales strategies in response to market changes and provide a solution to home buyers by adopting the theme, "Helping owner to create new home." This has brought satisfactory results to sales. Between January and June 2006, a total contracted saleable GFA of 75,806 square meters was completed, representing a contracted amount of RMB1, 207,070,000.

Rich-Gate Oasis Garden

Being a landmark of luxurious property in Shanghai, Rich-Gate Oasis Garden continued to record transactions despite the market appeared relatively slow, and its average sale price had climbed steadily. A total GFA of 3,004 square meters were sold during the first half of 2006, representing a contracted amount of RMB205,640,000.

Albany Oasis Garden

The high rise residential Tower 1 and Tower 2 of Albany Oasis Garden Phase I were the latest developed property being launched by the Group to the market between April and May 2006. It is strategically located within 2.5 km city center radius in the heart of Shanghai, and is positioned as the latest "HOPSCA" concept of being an "innovative and high quality property." As a luxurious property situated in the city center, it had achieved recognition in the marketplace in terms of its investment potential. The property had been well-received in the market since it was launched, and sales continued to rise.

The high rise residential Tower 1 and Tower 2 of Albany Oasis Garden Phase I has 414 fully-decorated luxurious apartments. As at 30 June 2006, pre-sales with a total GFA of 35,056 square meters were contracted, representing a contracted amount of RMB615, 800, 000.

Cedar Oasis Garden

The 184 units of Phase IV Lot B of Cedar Oasis Garden, which are fully-decorated apartments in European classic style, commenced sales on 27th May 2006. As at 30th June 2006, together with the remaining units Lot A units, a total GFA of 19,784 square meters was contracted, representing a contracted amount of RMB159,700,000.

Lakefront Oasis Garden

Following the success of Tower 11 and Tower 12, Tower 10 of the Lakefront Oasis Garden continued to record good results. As at 30 June, 2006, a total GFA of 6,052 square meters was contracted representing a contracted amount of RMB of 65,950,000.

Thousand Island Oasis Garden

Villas has become more precious in China as land supply for villas has been suspended. During the first half of 2006, a total GFA of 4,770 square meters was contracted representing a contracted amount of RMB of 53,210,000.

Jiangnan Oasis Garden

Jiangnan Oasis Garden achieved good results during the first half of 2006. As at 30th June 2006, a total GFA of 5,918 square meters was contracted representing a contracted amount of RMB of 86,410,000.

Development Progress

The development of the Group's projects has progressed according to plans set up for 2006. Team works, adherence to development schedules, high quality and efficiency have together contributed to the good progress of the project development. Of which,

Rich-Gate Oasis Garden

Following the completion of exterior decoration work in December 2005, this 5-Tower luxurious apartment completed its interior work for 108 units and delivery of occupancy was made as scheduled on 30 June 2006.

Cedar Oasis Garden

Decoration work for a total of 356 units in Lot A No. 9-16 Cedar Oasis Garden was completed and delivery of occupancy was made on 31 May 2006. Concrete structural work with a GFA of 9,000 square meters along the main road of Lot B was completed. Construction work of Lot B No. 1-6 blocks, with a GFA of 67,887 square meters totaling 17 floors, was completed up to the 7th floor and complied with the pre-sales standards. Top up work for No. 7-11 blocks with a GFA of 58,447 square meters was completed and exterior and interior decoration work commenced smoothly.

Thousand Island Oasis Garden

Delivery of occupancy was made for 36 villas in Phase II Thousand Island Oasis Garden. The development for the 94 villas in Phase III is divided into three sections and construction has commenced in full force in March 2006. Of which, top up work for 11 villas of 34 villas in section was completed. The foundation excavation work of 23 villas (of the 30 villas in section two) and 29 villas (of the 30 villas in section three) commenced. Top up work for 8 villas was completed. In addition, the foundation work of the clubhouse of Phase III Thousand Island Oasis Garden has been making good progress.

Jiangnan Oasis Garden

Top up work for 33 villas in Phase II Jiangnan Oasis Garden was completed. The exterior decoration work of 4 villas as show units was completed and the exterior decoration work for the remaining 29 villas commenced in full force. Top up work for the clubhouse of Phase II Jiangnan Oasis Garden was making good progress.

Skyway Oasis Garden Hotel

The curtain wall installation work of the 52-floor storey Skyway Oasis Garden Hotel was nearly completed. The construction of the auxiliary structure for the hotel was also near its completion. Low voltage switchgear room passed the inspection on 7th July 2006 and commenced power generation on 10th July. The installation of all main plant rooms was almost completed. The installation work for water, electricity and ventilation

systems was largely completed. The decoration work for individual levels was completed up to the 46th floor, which laid down a solid foundation for the trial opening during the year.

Oasis Central-Ring Centre

As at 30 June, the construction of the superstructure for No. 1 & 2 buildings of Oasis Central-Ring Centre (office tower) was completed up to the 16th floor, while the top up work of No. 4, 5, 8 & 9 blocks (shopping mall) was completed and passed the Shanghai high quality structural inspection. The top up work for No. 7 block (office tower) was completed and external work has commenced. The steel framework for the substructure of the basement in No. 3 building (service apartment & hotel) had passed the inspection, and the concrete work commenced. The concrete work is expected to finish ± 0.00 on 22 July 2006. Preparation work for the construction of No. 6 building (hotel) was progressing smoothly.

Lakefront Oasis Garden

Delivery of occupancy for Tower 11 & 12 residential high rises of Lakefront Oasis Garden Phase I was made 25 March 2006, one month earlier than scheduled. As at 30 June, external decoration work of Tower 10 above 5th floor was completed and internal decoration work commenced.

Albany Oasis Garden

The construction of the superstructure of Lot D Tower No. 1 (32-floor) of Albany Oasis Garden was completed up to the 26th floor. The top up work for Tower No. 2 & 3 buildings (32-floor) was completed and passed the inspection, while the decoration work of the entrance hall of Tower No. 2 is scheduled for completion by the end of July 2006.

Luodian North European New Town

The construction of civic and public work for Luodian North European New Town was completed. All the operating assets (convention center, hotel, shopping streets, golf course and clubhouse) had commenced their operations and have been delivering results.

Operation of Commercial Property

During the first half of six months period, the Group further strengthened its efforts in the operation and management of the commercial property for leasing and achieved preliminary successes, pursuant to the Group's development strategy to transform itself from a residential property developer into an integrated real estate operator that develops and leases residential, shopping malls, hotels and office spaces, in which,

Shops at Rich-Gate

"Rich-Gate" locates in the commercial district of Huaihai Road and is adjacent to Xintiandi. The shops with a GFA of 11,000 square meters cover 1st floor, 2nd floor and underground floor. It combines Xintiandi's leisure and entertainment district, retail center along Huaihai Road and high-end residential district near Taiping Lake, and is one of the rare large scale shopping centre in the Xintiandi district.

The shops on the underground floor of Rich-Gate were all leased and 7 leases were signed for the shops on the ground floor, with an occupancy rate of over 75%.

Skyway Oasis Garden Hotel

With a height of 226 meters (2 floors underground and 52 floors above the ground), Sky Oasis Garden Hotel is ranked as No. 1 highest single structure hotel in Puxi. With 666 rooms with a GFA of 100,000 square meters, it is also ranked No. 1 largest single structure hotel in Shanghai. The hardware of the hotel was built in a standard exceeding 30% above the "Accreditation Standards of Five-Star Hotels" set out by the National Tourism Commission.

Management contract was entered into with Landis Management Company (麗緻管理顧問股份有限公司). This international hotel management company is one of the founders of AHA (Asian Hotel Alliances). The Landis Taipei Hotel (亞都麗緻大酒店) as managed by Landis Management Company was included as The Leading Hotel of The World. Skyway Oasis Garden Hotel will be named as Shanghai Skyway Landis Hotel (上海仕格維麗緻大酒店). The hotel is scheduled to open by the end of this year.

Oasis Central-Ring Centre

Oasis Central-Ring Centre, with a GFA of 300,000 square meters, comprises 3 residential high rises, 3 office towers of international standard, 1 shopping mall and 2 high star-graded hotel and service apartment hotel. The greenery and water landscape with a GFA of 40,000 square meters surrounds this commercial district and enhances its investment potential.

Luodian North Europe Town

Luodian North Europe Town is a large scale development project of the Group. During the first half of 2006, exerted efforts were made in the operation of the commercial assets and in the enhancement of the land for development.

On 10th May 2006, Shanghai Jinluodian Real Estate & Development Co., Ltd. entered into a lease contract and held a signing ceremony with Craig Realty Group (the major shareholder and operator of the largest outlets in California, U.S.A.). The introduction of the outlet project will bring a successful business model; Jinluodian became the one of the two designated outlet projects venture established in Shanghai. The US representative will commence the leasing in the Luodian North European New Town retail streets (羅店新鎮北歐風情街) in July 2006.

Golf Clubhouse

In less than two years since its establishment, Lake Malaren Golf Clubhouse achieved encouraging results of having attracted more than 980 members. Memberships have priced to US\$80,000 from US\$40,000 and sales are selective.

Property Management

In order to integrate the property management operation of the Group's properties, Shanghai Good Property Gain Property Management Company Limited managed by the Group was renamed as Shanghai Real Estate Property Management Company Limited (上海上置物業管理有限公司).

To further strengthen the property management and leasing operation of the Luodian North European New Town (羅店北歐新鎮), Meilan Lake Property Management Company Limited (美蘭湖物業管理有限公司) which operates under Shanghai Jinluodian Real Estate & Development Co., Ltd. obtained the certification of ISO9001-2000 and ISO14001-2004 on 22 March 2006.

Newly Acquired Project

Qinhai Real Estate

The Group completed the acquisitions of 40% and 30% equity interests in Shanghai Qinhai Real Estate Co., Ltd. respectively in March and May 2006 respectively, and increased its registered capital from RMB100, 000,000 to RMB300, 000,000. Following the completion of the acquisition and the increase in registered, the Group holds 70% equity interests in Qinhai. Qinhai project has a land area of 37,129 square meters covering Daixing Street in Huangpu District of Shanghai, south of Zhonghau Road and Huangjiaque Road, west of Yingxun Road and north of Ludingbin Road. The GFA of the project is approximately 120,000 square meters and is divided into southern and northern districts. Southern district is planned to develop into a modernized commercial center that holds office, hotel, commercial and entertainment facilities, while the Northern district will be developed for residential and commercial purposes. The project locates in the prime location area of Shanghai city center, with great prospects in the marketplace. The increase of shareholdings in Qinhai further increased the high quality land bank for the Group.

Shops at Rich-Gate

In June 2006, Oasis Garden, a subsidiary of the Group, acquired the interests in the shops at Rich-Gate so as to enable the Group to own the entire retail shops in the longer term. It is expected that stable and recurrent investment revenue will be generated from the leasing of this high quality commercial property.

“Rich-Gate” Project in Shenyang

On 30 July 2006, Starweb Investment Limited (星域投資有限公司), a subsidiary of the Group entered into a Transfer Agreement with Shenyang Huarui Real Estate Development Limited (沈陽華銳房地產開發有限公司) and Ding Renhua (丁花仁) to acquire 51% equity interests in Shenyang Huarui Shiji Investment Development Limited (沈陽華銳世紀投資發展有限公司) at a consideration of RMB204,000,000. Shenyang Huarui Shiji Investment Development Limited has the development right of No. 2003-059 land in Financial Development Zone of Shenyang North Station (沈陽北站金融開發區). The lot is located in the city center of Financial and Commercial Development Zone of Shenyang North Station (沈陽北站金融商貿開發區) with a total area of 161,798.7 square meters and GFA of 1,600,000 square meters. It is planned to develop into shopping malls, high-end office tower, star grade hotel, apartment hotel, etc. and is a showcase project of the Shenyang Financial Corridor. Phase I with a floor area of 375,000 square meters comprises shopping mall and apartments. The construction of superstructure and topping-up for the main building will be finished in August 2006. Leasing of the shopping mall has commenced and it is expected to put into operation in October 2007.

The acquisition of Shenyang “Rich-Gate” project did not only further increase the high quality land bank for the Group but also marked an important step for the Group’s strategic move outside Shanghai.

Credit Rating

In April 2006, according to the reports issued by the credit rating agencies from Standard & Poor’s and Moody’s, the Company was rated BB– and Ba3 respectively with stable outlook. The analysts stated that the ratings reflected the outlook and being stable.

The credit analysts of S&P and Moody’s also stated that the rating reflected the Group has acquired land bank at low costs, the prime location of certain properties under development and the Company’s experience of operating businesses in and knowledge of the local market.

Issuance of bonds

In April 2006, the Group issued US\$200,000,000 8.625% Guaranteed Notes. The successful issuance of bonds strengthened the cash inflow of the Company, and provided funding to further increase the land bank for future development by way of acquisition of additional equity interests in existing projects and high quality land.

Business Outlook

Steadily progressing growth of the economy in the PRC and Shanghai

According to the figures from the National Bureau of Statistics of China, the growth of national GDP in the first half of 2006 was 10.9% as compared with the corresponding period last year, representing the most rapid growth since 2005. Of which, the growth in the second quarter even reached 11.3%. It was considered by the spokesman of the National Bureau of Statistics of China that, with respect to the country as a whole, notwithstanding the excessive growth of fixed assets investment and increase in lending in the first half of 2006, the economy still performed well as a whole. It is expected that the growth of fixed assets investment in the second half of 2006 will be maintained at an appropriate rate.

In the first half of 2006, the economy of Shanghai continued to develop steadily compared to the second half of last year. The national GDP was RMB 478.193 billion, with a growth of 12.6% as compared with the corresponding period last year, representing a period-on-period increase of 2.3 percentage points. The "2006 Report on the Strategies for the Sustainable Development in the PRC " published by the Chinese Academy of Science described the latest ranking of 31 provinces, autonomous regions and directly-administered municipalities in the State with sustainable development capabilities. Shanghai ranked top in terms of sustainable development capabilities throughout the country.

Extension of macroeconomic control measures, and enhancement of policies for land, taxation and credit

Since May 2006, the PRC central government had imposed a series of macroeconomic control measures against the real estate sector and the property market. These macroeconomic control policies were an extension of the macroeconomic control measures against the real estate sector and the property market imposed by the State in 2005, including: the adjustment of supply for residential properties, enhancement the taxation policies for the transfer of residential properties and governing the inflow of foreign capital. In the meantime, with reference to the "Opinions Concerning the Adjustment of Supply and Stabilization of Prices for Residential Properties" issued by nine authorities led the Ministry of Construction instructed by the Office of the State Council, the real estate sector is an important pillar in the newly phase of development in the PRC. Leading and promoting the sustainable and healthy development of real estate industry will facilitate the steady growth of national economy, satisfy the demand for home buyers from public, and achieve the target of building a middle class society across the country.

The new macroeconomic control policy will further ratify unbalancing factors in the real estate sector; provide better development opportunities and wider rooms to real estate development operators who possess good development vision and strategy as well as adequate funding.

Effect of macroeconomic control policies gradually reflected

According to the latest figures from the National Development & Reform Commission of the PRC on 3 July, 2006, between January and May, the selling prices of newly-built housing in 70 major cities in the PRC increased by 6.1% as compared with the corresponding period in last year, increased by 0.8% compared with the preceding five-month period, with the 0.1% percentage points higher in June.

During the first half of 2006, investment for real estate development in Shanghai amounted to RMB 58.326 billion, an increase by 0.4% as compared with the corresponding period in last year, but the increase was

down to 15.1% compared to the corresponding period in last year. In the first half of 2006, while the sales of housing in Shanghai fell, the transaction prices still increased slightly. In June 2006, the Shanghai composite index of CREI was 1358 points, despite a drop of 10.48% compared with the corresponding period in 2005, it was increased by 1.42% compared with January 2006, and increased by 1% compared with the preceding month. The Shanghai index of CREI was 1290 points, despite a drop of 11.4% compared with the corresponding period in 2005, it was increased by 1.34% compared with January 2006, and increased by 1.1% compared with the preceding month. This revealed that, after experiencing a year of macroeconomic control, real estate market in Shanghai became stable, and implied a retuning domestic demand.

Demand for offices and shops continued to rise

Pursuant to the report published on 27 April 2006 by FPD Saville Property Management Limited, the Shanghai office rental index in the first quarter of 2006 continued to stay on an upward trend. Overall rentals increased by approximately 4%, while the rentals for Central Business District and Non-Central Business District increased by 4.8% and 3% respectively.

According to the latest research report prepared by DTZ, the supply of Shanghai Grade A office in the first half of 2006 was limited. Sustainable market demand resulted in the fall of vacancy for offices in Shanghai. In June 2006, the vacancy of Shanghai Grade A Office in the Central Business District and Grade A Office in Shanghai as a whole was 3% and 6.6%, which slightly dropped by 0.1% as compared with the end of 2005.

In the second half of 2006, the Group will continue to carry out research and analysis on macroeconomic development and property market trend, enhance effective management policies and project execution. Corporate culture will be promoted and characterized by "innovation, efficiency, responsibility and sharing". This will increase the Group's competitiveness and lay a solid foundation for transforming itself from a residential property developer into an integrated real estate operator that develops and leases residential, shopping malls, hotels and offices.

Directors' Interests in Shares

As at 30th June, 2006, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, to be notified to the Company and Stock Exchange, were as follows:

Long positions in Shares

Director	Personal Interests	Family Interests	Corporate Interests	Total	Approx. %
Shi Jian	2,076,798	2,131 (Note 1)	801,400,548 (Note 2)	803,479,477	42.97
Li Yao Min	2,131	-	-	2,131	0.0001
Yu Hai Sheng	1,065,898	-	-	1,065,898	0.06
The Lord Killlearn	103,837	-	-	103,837	0.006

Notes:

1. These Shares were held by Ms. Si Xiao Dong, the wife of Mr. Shi Jian.
2. These Shares were held by Good Time 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. Mr. Shi Jian and Mr. Li Yao Min, being executive Directors, are directors of Good Time Resources Limited.

Directors' Rights to Acquire Shares

As at 30th June 2006, 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

So far as is known to any Director or chief executive of the Company, as at 30th June 2006, the following persons (other than a Director or chief executive of the Company) or corporations had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long and short positions in Shares

Name of Shareholder	Nature of Interest	Capacity	Number of Shares	Approx. %
Good Time Resources Limited (Note)	Corporate interest	Registered and beneficial owner	801,400,548(L)	42.86
OZ Management, L.L.C.	Corporate interest	Interest of controlled corporations	146,751,388(L) 46,347,000(S)	7.85 2.48
Valued Partners Limited	Corporate interest	Interest of controlled corporations	111,440,000(L)	5.96

(L) indicates a long position

(S) indicates a short position

Note: Mr. Shi Jian and Mr. Li Yao Min, both being executive Directors, are directors of Good Time Resources Limited

Employees

As at 30th June 2006, the Group had 1975 employees in Hong Kong and the PRC. The Group adopts its remuneration policies based on employees' performance and experience.

Share Option Scheme

During the period, no option was granted. A total of 1,500,000 shares was exercised during the period.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June 2006.

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, 21st August 2006

List of Properties

Project/Type: **Rich-Gate Oasis Garden**/Residential & Retail

Location/Direction: Lu Wan District/Down Town Area

Site area: 22Mu (14,651m²)

Address: No.222, Ma Dang Road, 39 Lu Wan District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential	40,860	2002/5	2006
Retails	11,312	2002/5	2006

Project/Type: **Beverly Oasis Garden**/Residential

Location/Direction: Song Jiang District/South-West

Site area: 1,250Mu (829,000m²)

Address: Phase 1: No. 366 Alley, Ming Hua Road, Xin Qiao Town, Song Jiang District, Shanghai, the PRC

Phase 2: Qing Zheng Village, Xin Qiao Town, Song Jiang District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential Phasel	115,187	1998/8	2002
PhaselII	68,595	2001/12	2004
PhaselIII	16,045	2004/9	2006

Project/Type: **Jiang Nan Oasis Garden**/Residential

Location/Direction: Qing Pu District/West

Site area: 477Mu (316,000m²)

Address: No.6 & 18-1, Nan Gang Chuen, Zhu Jia Jiao Zheng, Qing Pu District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential Phase I	35,954	2002/9	2004
Phase II	23,577	2005/4	2006

Project/Type: **Qinhai**/Residential and commercial

Location/Direction: Huang Pu District/Down Town Area

Site area: 56Mu (37,129m²)

Address: 717-719 Jie Lane, Huang Pu District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential Phase I	92,823	2006	2009
Facilities	16,160	2006	2009
Retails/Commercial	25,990	2006	2009

Project/Type: **Albany Oasis Garden**/Mixed

Location/Direction: Zhabei District/Northeast of the Down Town Area

Site area: 309Mu (206,010m²)

Address: No.699 Zhong Xing Road, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential Phase I	75,000	2005/3	2007
Phase II	50,000	2006	2008
Phase III	205,000	2007	2009
Facilities	10,000	2007	2008
Retails	40,000	2007	2007
Office	50,000	2007	2009
Hotel	50,000	2007	2009

Project/Type: **Thousand Island Oasis Garden**/Residential

Direction/Direction: Nan Hui District/South-East of the Down Town Area

Site area: 600Mu (398,000m²)

Address: Hangou Center in Nan Hui District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential Phase I	10,648	2003/5	2004
Phase II	38,267	2004/5	2005
Phase III	53,200	2006/3	2007

Project/Type: **Long Island Oasis Garden**/Cedar Island Oasis Island/Residential

Location/Direction: Song Jiang District/South-West of the Down Town Area

Site area: 750Mu (497,000m²)

Address: 1288 Alley, Hua Song Road, Jiu Ting Town, Song Jiang District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential Phase I	96,587	2000/5	2002
Phase II	45,730	2002/6	2003
Phase III (1)	29,320	2003/12	2005
Phase III (2-A)	25,390	2003/12	2005
Phase III (2-B)	51,823	2004/8	2006
Phase III (2-C)	130,767	2005/6	2007
Phase III (2-D)	162,700	2006/10	2009

Project/Type: **Skyway Oasis Garden**/Mixed

Location/Direction: Lu Wan District/Down Town Area

Site area: 40Mu (26,282m²)

Address: Lot B & C, 53 Alley, Da Pu Road, Lu Wan District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential	30,056	2003/5	2005
Hotel	100,761	2003/6	2006

Project/Type: **Central-Ring Center (Oasis Trade Port)/Mixed**

Location/Direction: Putuo District/Down Town

Site area: 112Mu (74,268m²)

Address: No.801, Jun Bei Road, Putuo District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Residential Phase I	47,822	2002/7	2005
Phase II	18,155	2002/7	2006
Service Apartment	28,582	2006	2006
Facilities	77,000	2004	2007
Retail	30,466	2004	2007
Office	91,030	2006	2008
Hotel	28,582	2006	2008

Project/Type: **Luodian New Town/Land Development, North European Style Street, Convention Center and Golf Course**

Location/Direction: Baoshan District/North of the Down Town

Site area: 10,000Mu

Address: 6655 Hutai Road, Baoshan District, Shanghai, the PRC

Area Use:	GFA (sqm)	Date of	
		Commencement	Completion Date
Land	2,303,262	2002	2007
Golf Course	1,700,000	2002	2005
Commercial Street	72,683	2002	2005
Hotel	49,022	2002	2004
Convention Center	33,537	2002	2004

Corporate Information

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 Killearn**
 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

Woo, Kwan, Lee & Lo

Auditors

Pricewaterhousecoopers

Principal Bankers

Hong Kong: Bank of China (HK) Ltd.
 CITIC Ka Wah Bank
 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
 26/F, Tesbury Centre,
 28 Queen's Road East,
 Wanchai, Hong Kong

Stock Code

1207

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