

Corporate Governance of the Group

The management system and mechanism of the Group are constantly improved and optimized. Based on the regulated authorization, responsibility supervision and interest check-balance as well as the flattened management integrating group vertical leadership and project company operation, the managements, operators and supervisors of the Group are featured by definite rights and responsibilities, independence from each other, mutual support and growth.

The Group has set up such four professional committees as investment decision-making committee, external cooperation committee, quality, safety and cost management committee and audit and financial committee as well as such teams as big equipment and building materials group procurement managing team: all of them are defined with definite responsibilities and functions. The Group practices such performance system as project company breakdown performance index and timely assessment and evaluation, the unified system on project company marketing, system on big equipment and building materials procurement and the concrete governance system under the leadership of presidents of joint committee of the Group.

Business Structure

– Large scale residential housing

The First Residential Housing of Shanghai Style: the start of “Oasis Garden” storm – City Oasis Garden with a gross floor area (GFA) of to 200,000 square meters.

Leading city living: demonstration symbol of city Oasis – Redbud Oasis Garden (綠洲紫荊花園) with a GFA of 160,000 square meters.

“Residence of ordinary people in the coming five years”: lead the housing trend – Long Island Oasis Garden and Cedar Oasis Garden (Long Island Oasis Garden Phase III) with a GFA of 500,000 square meters.

New city waterscape and Oasis oxygen health home – Lakefront Oasis Garden with a GFA of 80,000 square meters.

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– *Noblest residential houses*

Aristocrat and Door to Fortune – Rich-Gate Oasis Garden with a GFA of 50,000 square meters.

Italy Sentiment – Skyway Oasis Garden with a GFA of 30,000 square meters.

– *International villas*

March with world popularity – Beverly Oasis Garden with a GFA of 160,000 square meters.

Oasis boasting the most beautiful south China landscape – Jiangnan Oasis Garden with a GFA of 50,000 square meters.

Villa on the ecological island in east Shanghai – Thousand Island Oasis Garden “Nansha villa” with a GFA of 60,000 square meters. (with photos or location chart).

– *Commercial properties*

Meeting and exhibition building – Lake Malaren Conference Center with a GFA amounting to 35,000 square meters. (with photos).

Super high-rise hotel – Skyway Oasis Garden with a GFA of 80,000 square meters. (with photos).

Original sense of Northern Europe – North Europe sense street (shopping Pedestrian street) with a GFA of 73,000 square meters. (with photos).

Landmark at central-ring CBD – Central-Ring Center with a GFA of 280,000 square meters.

International master PGA – Lake Malaren Golf Course with 36 holes.

– *Town development*

A famous small town in China — Luodian New Town in Baoshan, Shanghai with a plot area of 6,800,000 square meters.

Business Analysis

Real estate

2004 is a year when the real estate market and industry in Shanghai and Mainland China moved at large with more volatility, however, it is also a year of rapid growth.

On one hand, the central government and Shanghai municipality adopted policies on industry restriction and financial contraction in order to implement macroeconomic regulation and control. While on the other hand, the supply and demand are both strong. Shanghai reported a 30.4% year-on-year increase in the investment of real estate development for 2004, reaching RMB117,546 billion; total value of the real estate sector in Shanghai increased by RMB62.259 billion for the year, up 20.4% over that of the preceding year; total floor area of commodity housing under construction was 94.8161 million square meters.; Shanghai recorded a 38.2% increase in the completed commodity housing to reach 34.4302 million square meters in 2004; the sale of commodity housing recorded a 38.9% increase over last year to reach 34.8878 million square meters in 2004; the sales amount of commodity housing recorded a 58.9% increase over last year to reach RMB226.384 billion. All of these data indicate that the aims of macroeconomic control are to maintain a basic balance of the supply and demand of real estate market and a basic reasonable structure, thus to coordinate the development of real estate sector with the development of social economy, and solid results were achieved to this end.

Apartments

In 2004, many buildings in Shanghai were sold out as soon as completed. According to the authoritative statistics of Shanghai Statistic Bureau, this reflects the strong demand in the market. In 2004, the total area of commodity housing (including completed units or forward delivery units) sold in Shanghai recorded a 38.5% increase over that of the preceding year to reach 32.3374 million square meters; the sales amount of commodity housing sold reached RMB206.474 billion, up 58.8% over that of last year; the area of housing in stock sold also recorded a 18.2% increase to reach 27.267 million square meters; the area of housing leaving unused decreased by 51% than that of last year and reduced to 12.646 million square meters only, of which the housing leaving unused for over one year was only 7.584 million square meters, down 21.9% than that of the preceding year. The proportion between supply and demand of the entire commodity housing is 1:1.07 which indicates the demand was a little stronger than supply.

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In 2005, real estate sector in Shanghai emphasizes the growth of residential housing, townsman consumption and civic commodity housing. But as a niche market, the real estate market should not only meet the requirements of medium and low-income families and families under governmental immigration plans for improving living condition, but also meet the requirements of high-income families for high-end apartments and villas. With decreasing assignment of rights to use land at civic center and the slowing down of transformation of old district, the demand for high-class apartments will exceed supply continuously for a certain period. The Shanghai "Job Hunting Map" of the first release shows that the number of jobs offered during the year of 2004 at the civic center (composed of Huangpu, Luwan, Jing'an, Changning and Xuhui) accounted for 10% of job number of the whole city and most of them are offered by service industry with higher annual salary and related to the city development plan and the function positioning at this district offered by service industry. This may indicate in some aspect the civic center of Shanghai will further absorb those with stronger purchasing power who may drew up the price of commodity housing the center.

Rich-Gate Oasis Garden, Skyway Oasis Garden, and Yabinli Oasis Garden (綠洲雅賓利花園) in Luwan, Zhabei District, Shanghai are luxury residential buildings, which aim at foreigners, returned overseas Chinese and owners of private businesses. Cedar Oasis Garden (綠洲香島花園) and Lakefront Oasis Garden (綠洲湖畔花園) are top-end or medium apartments with the increasing middle class as their target customers. The sales status shows that such a positioning is basically right and supported by a strong market.

Villas

According to the data from Shanghai Statistical Bureau, the GDP per capita of Shanghai reached USD6, 600 in 2004 on the base of population of registered residents. As the history of the developed countries shows, customized and comfortable villas will be in a strong demand fuelled by the active residential consumption.

In 2004, 93 villa projects were launched in Shanghai with a total site area of 9,600,000 square meters, a decrease of 9.2 percent compared with the previous year. At the same time, the gross floor area came to 4,130,000 square meters, an annual increase of 15%. 92.5% of the projects are located in the outskirts of downtown areas like Songjiang District, Qingpu District, Pudong District, Nanhui District and Minhang District. By the end of 2004, the average price for villa houses in Shanghai rose to RMB13,159 per square meter with a jump of 16.55%, two percent higher than that of apartments. The increase in supply and sales price shows that supply and demand in Shanghai villa market is brisk and promising.

Due to the increasing demand for villas and decreasing land supply for villa development, more and more developers take a new view on the value of villa lands. They spare no effort in their planning, concept development, product design, gardening, materials application and integration of natural landscape and man-made landscape, in a bid to building high-quality developments. Beverly Oasis Garden, Jiangnan Oasis Garden and Thousand Island Oasis Garden under construction are good sellers and leave just little area available now. Except the additional plot area of 280,000 square meters and 48,000 square meters available for floor area construction for Thousand Island Oasis Garden, at this stage, the Group will endeavor to fully demonstrate the value of the villas built and reaps investment returns with no major expansion plan being worked out.

Commercial Real Estate

In 2004, the sales volume of luxury office buildings stayed at 500,000 square meters, an approximate increase of 100%. Thanks to the high sales volume, only a small portion of Grade A office buildings are left unsold. The average vacancy rate for Grade A office buildings dropped from 8.15% to 6.51% in December, hitting a 10-year low in Shanghai market. Lujiazui area in Pudong District, which accommodates the largest number of Grade A office buildings, witnessed a 2-year low in vacancy rate, down from 10% to 8.6%. Hongqiao, one of the earliest CBD in Shanghai, saw a surge of rental from USD0.2 per square meter per day to USD0.6-0.7 per square meter per day.

With the retail sector in Shanghai further concentrating in the downtown areas in an effort to build it into a shopping paradise, its feelers are being extended to suburbs to serve the local people in the new residential areas. Such a trend gives momentums to the development of shops. As a result, Chinese enterprises save no penny in shopping mall development, and overseas funds just followed the step. In February 2005, a Chinese company won the bid for 26,788 square meters Lot No. 108 land which is located in Sichuang North Road, Hongkou District to the north east of downtown area of Shanghai for commercial and office use with RMB1,140 million. The price hit a record high in the last traded price for a single lot. Shops of the “Shanghai Sea (海上海)” project in Yangpu District are the possible acquisition targets for overseas investors including Goldman Sach, Merrill Lynch and Lehman Brothers.

By the end of 2004, Shanghai boated 359 star hotels, among which 25 are five-stars and 37 four-stars. Throughout 2004, Shanghai is a travel destination to 4.9192 million foreign passengers, up 53.8% compared with the previous year. Among them, 3.8545 million stayed over night in Shanghai, a year-on-year increase of 57.5%. The annual occupancy rate of five-star hotels reached 80%. Impelled by the enhanced position of Shanghai, the constant growth of business and travel industry, the hotel sector promises a bright prospect.

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In the coming two to three years, the Group will make more effort in the development of hotels (hotel department), commercial buildings and office buildings. For instance, capitalizing on the steady development of the Huaihai Road and New World Shopping Center, the commercial project of Rich Gate Oasis Garden, a commercial building mixed with top-end residential units, will provide additional functions such as community/district/theme shopping centers. 52-story Skyway Oasis Hotel embracing the concept of EXPO 2010 SHANGHAI, the first hotel project launched by the Group will adopt a rent-and-sale combined business mode. The hotel will engage international reputable hotel management firms for the overall management and establish a strategic partnership with them. In addition, Lake Malarem Golf Club in the Luodian New Town project, Central Ring Oasis Center, Yabinli Oasis Square (綠洲雅賓利廣場) are expected to be completed and put into operation. At that time, the Group will reap its returns from diversified sources and generate higher steady rental incomes.

Town Development

Based on the “Some Suggestions on the Promotion of Development of Small Townships” of the State and the overall requirement for economic and social development of Shanghai, since 2001, Shanghai Municipal Government has decided to implement the urbanization strategy with a focus on new areas and central towns development. Under the guideline of prioritized and systematic development during the “Tenth Five-year Plan”, Shanghai will endeavor to be an international metropolis, speed up the urbanization and particularly focus on the development of “One City and Nine Townships”. In 2003, Shanghai Municipal Government formulated a “Three Concentrations” policy, namely the large-scale land management, urbanization and centralized industrial parks. This policy is aiming to centralized land development, centralized population and centralized industry. This policy is also deemed as the main engine for the growth of GDP per capita from USD8,000 to USD10,000. It is estimated by experts that suburbs will be the home for 1 million downtown citizens, 1 million immigrated people and 1 million migrant peasants by 2010.

Luodian New Town located in Baoshan District, Shanghai, a development project of the Group, stands out for its construction progress & quality across Shanghai. With conference centers, commercial buildings and sports facilities completed and put into use, the transfer of use rights of leveled land and the quick development progress of residential houses, as well as the extension of destination of M7 fast track transportation system to Luodian and the ongoing expansion engineering program of the Taicang Road connected to Jiangsu Province, the Luodian New Town will have a heavier impact on and more appeal to the public. As a result, it will reap strong investment returns.

Housing Technologies

Housing and environment protection technologies achieved a remarkable progress in Shanghai in 2004. By the end of 2004, the Internet access broadband was up to 18.530M, an increase by 140%. Internet users amounted to 6.33 million, 1.79 million more than the previous year. Broadband users reached 1.5882 million, an increase of 66.33 million. Throughout 2004, Shanghai invested RMB22.537 billion on environment protection, accounting for 3.03% of the GDP of Shanghai. Year 2005 is the last year when Shanghai implements the 3-year environment protection program of the second-round. As a critical breakthrough, the further improvement on water environment quality needs a notable progress in integrated treatment on main rivers like Suzhou River, as well as an equal improvement on lake water quality of emerging towns in the suburbs and residential areas. This is part of the effort to make Shanghai become an international metropolis with a pleasant environment, with bluer sky, greener land, clearer water and desirable home.

In 2005, Shanghai Wingo Infrastructure Co., Ltd. (上海永高建設有限公司), Shanghai Housing Industry New Technology Development Co., Ltd. (上海住宅產業新技術發展股份公司), the subsidiary and the associated company of the Group, will launch a weak current intellectualization system engineering project in a joint effort with property development project, and show its advantages in residential science, environmental landscape and water treatment. At the same time, both companies will expand their market and provide services to the public. Besides, the engineering scale, access and subscriber numbers of the telecom broadband service are expected to rise remarkably.