



“The year of 2005 is the first year the Board of the Group proposed to diversify its strategies from purely property development to become an integrated property developer involving in the development, rental and sale of residential properties, shops, hotels and office buildings, and a year of achieving substantial development of the Group.”

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## Performance Review

The Group recorded a net turnover of HK\$1,379,472,793 for the year 2005, which is 129.37% higher than that of 2004. Profit attributable to shareholders was HK\$301,172,964, a 233.71% increase compared with 2004. Earnings per share was HK20.56 cents on a weighted average basis, or HK17.91 cents on a diluted basis.



## Dividends

The Board of Directors proposed a final dividend of HK\$0.043 per share.

## Review

Under the new market environment brought about by the macro-economic controls implemented by the State and local government of Shanghai in property industry and property market, the Group assessed its position under the existing environment and responded to it actively. The Group made use of overall planning and market positioning and focused on the timing and sustainable growth, resulting in stable growth of all businesses and achieved remarkable results of operation. The Company achieved an operating profit of HK\$376,132,091 for the year 2005 which is 475.14% higher than the last year.

## Property Sales

In 2005, the Group has seven large size developments under sale, namely, "Rich-Gate Oasis Garden", "Cedar Oasis Garden", "Lakefront Oasis Garden", "Thousand Island Oasis Garden", "Skyway Oasis Garden", "Beverly Oasis Garden", and "Jiangnan Oasis Garden". In response to the new situation emerging in the real estate market under the macro-economic controls, the Group and its subsidiaries pooled the wisdom and efforts of the masses, and actively adjusted its sales targets and strategies. It focused on "Serviced sales" and "Customer-Oriented sales", strengthened sales effort, coordinated sales force, developed domestic and overseas distribution channel and accelerated cash return. A total floor area under sale contract of 79,400 square meters was sold involving 367 units and a contracted amount of HK\$1,705,490,000. In which:

"Rich-Gate Oasis Garden": In the year of 2005, a total floor area under sale contract of 26,200 square meters was sold involving 66 units and a contracted amount of HK\$1,144,550,000.

"Cedar Oasis Garden": In the year of 2005, a total floor area under sale contract of 17,200 square meters was sold involving 111 units and a contracted amount of HK\$143,740,000.

"Lakefront Oasis Garden": In the year of 2005, a total floor area under sale contract of 17,700 square meters was sold involving 150 units and a contracted amount of HK\$179,000,000.

"Thousand Island Oasis Garden": In the year of 2005, a total floor area under sale contract of 15,700 square meters was sold involving 31 units and a contracted amount of HK\$178,240,000.

### Land Development

Luodian North Europe Town is a large size real estate development project of the Group. During 2005, due to the impact of the macro-control policies imposed in the P.R.C., the Group did not obtain the land tender quota (for transfer). Nevertheless, Luodian's various development and construction works proceeded steadily on schedule. On 28 September 2005, another round of landmark projects such as "Lake Meilan Golf Hotel", "18-hole Golf Course" and "Lake Meilan Tennis Court", known as the "New Five Golden Flower", were completed on schedule and put into operation.

### The Relocation Work

The relocation and resettlement work is critical to the success of certain project development. Under the exerted efforts of group companies and the strong support from the local government, the Group actively coordinated various sector and practically arrange the source of house to ensure a stable local community, and made an active progress on it. Among such: Albany Oasis Garden which completed the location of 781 residence families and 48 enterprises for the location work of Phase I development land site. The percentage of contracted relocation is close to 70%.

### The Construction of Project

In 2005, under the exerted efforts of all staff in group companies and active execution of the general construction contractor, the construction work of each project went smoothly as scheduled.

Skyway Oasis Garden: the residential building was delivered for occupancy on schedule on 31st March 2005. For the Skyway Hotel, the core tube concrete structure topping-out was completed on 8th May; the fold of steel structure of steel structured roof and the installation of boiler and air condition had completed as of 31st December; and the construction of glass curtain proceeded as planned. It is anticipated that the hotel will enter into trial operation phase during 2006.

Oasis Central-Ring Centre: No. 10 of the high-rise residential building had reached the pre-sale standard. The delivery and occupancy permits for No. 11 and No. 12 of the high-rise residential buildings were obtained in advance for 4 months. The foundation work represented the largest diameter supported by circular concrete adopted in the construction of commercial and office buildings in Shanghai to date, the "ultra-large Circular foundation" for the office buildings at Central-Ring Centre completed structure topping-out on 15th December.

Rich-Gate Oasis Garden: The construction of external surface decoration for 5 residential high rises was completed on 16th December, and the interior detailed decoration works for the residential high rises were fully launched.

Cedar Oasis Garden: No. 1-8 small sized high-rise apartments of Long Island Oasis Garden Phase III "Cedar Oasis Garden" Lot A, including 110 units of fully-decorated apartments were completed smoothly and delivered for occupancy.

Beverly Oasis Garden: The decoration works for 7 villas in the sample room zone (Phase II Lot No. 14) were all completed, and were displayed and sold to customer.

Thousand Island Oasis Garden: The construction of 74 individual villas of Phase II was completed smoothly, ensuring the delivery of the pre-sold villas on 31st December 2005.

Albany Oasis Garden: For the construction progress of Phase I Lot D, the structure work for No. 2 high-rise apartment residential building had basically reached the pre-sale standard, and the construction and interior and external decoration work for the sale and display center were completed.

Jiang Nan Oasis Garden: The construction of Phase II started formally on April 18. Among 33 individual villas (exclude villas in the rent area), structural topping-up of 23 villas was completed, foundation construction for another 5 villas had started and pre-sale certificates for 14 villas were obtained.

### Property Management

Property management is an important aspect in real estate development and operation, also a critical to the quality of property. The Group has its Shanghai Good Property Gain Property Management Company Limited, while engaged renowned international property management companies to participate in the management of the projects developed by the Group, striving to provide more individual and customer-oriented service, so as to maintain the good image of "Oasis Garden".

The affiliated Good Property Gain Property Management Company Limited passed the annual audits of ISO9000 and ISO14001 certification during the year. According to the objective requirements of "to improve controls, to strengthen management, to fulfill responsibility, to achieve target and to win initial success of the brand" set by the Group, and through the efforts of the staffs of Good Property Gain Property Management Company Limited, the economic objectives and service objectives of residential Community managed by it achieved the anticipated results.

In July 2005, the Shanghai Meilan Lake Property Management Co. Ltd was established by Shanghai Gold Luodian Real Estate Co., an associated company of the Group, and obtained Class 3 certificate. It is responsible for the integrated property management for various type of properties in the whole Luodian North Europe Town with a area of 6.8 square kilometer, including participating the tender for integrated property management for the residential community developed by real estate developers.

### Municipal Construction and Residential housing Technologies

The main provider for residential housing technology product and service of the Group is the subsidiary Shanghai Wingo Infrastructure Co., Ltd. At present, it mainly serves for the residential community and commercial real estate project developed by the group companies of the Group. At the same time, it progressively conducts market expansion to provide services for other real estate developers.

As at the end of 2005, totally more than 20 intelligent system integrated projects have been completed or under construction. The broadband project involved in approximately 400 residential communities, and the network covered 0.37 million users.

### Land Bank and Project Expansion

During 2005, the Group continued its progressive yet steady growth strategy, focused on seeking for good investment opportunity, and increased its land bank and projects, to further support the sustainable growth. Among which:

The Group made two acquisitions and further increased its equity interest in Shanghai Shuo Cheng Real Estate Co. Ltd, with its percentage of shareholding amounted to 45%, and achieved relative control on the company, so as to develop Albany Oasis Garden and Albany Oasis Plaza located on the land with a total area of 309 mu (being 206,010 square meters) at Zhong Xing Road, Xizhang North Road, Tian Tong An Road and Bao Tong Road of the Zha Bei District in central Shanghai.

The Group signed a share transfer agreement which the vendor to acquire 40% equity interest in 上海琴海置業有限公司 (Shanghai Qinhai Real Estate Co., Ltd.), and obtained the development right of the land with an area of 56 mu (being 37,129 square meters) located at Da Xing Jie (大興街), Lu Jia Bang Lu (陸家濱路), Huang Jia Que Lu (黃家闕路) and Ying Xun Lu (迎勳路) of Huangpu District (黃浦區) in the central Shanghai, to develop Qinhai Oasis Garden (a temporary name) project.

As at the end of 2005, the total floor area of the land bank for 9 real estate projects developed by the Group at present amount to approximately 1.4 million square meters, which is available for continuous development of the Group for 5 years.

## Social Participation and Honours

Gathered 13 years' successful experience and remarkable performance, the Group and its subsidiaries continue to build its strengths. The Group while maintaining its pragmatic attitude and stable growth, has strived to win for those important awards. During 2005, the Group and its subsidiaries obtained various important awards, their social public awareness and market authority recognition were improved further, and achieved great advancement in brand building. Among which:

Shanghai Real Estate Limited: was awarded the "Top Ten Real Estate Enterprises" for Shanghai real estate industry in 18 years.

Shanghai Skyway Oasis Garden Hotel & Condominium Co., Ltd.: was awarded the "Outstanding Contribution Award" for Shanghai real estate industry in 18 years. "Skyway Oasis Garden" won the "Integrated Silver Award" in the fourth Shanghai outstanding residential community appraisal. "Skyway Oasis Hotel" was awarded the "Top Ten Landmark Building" for Shanghai real estate industry in 18 years, and passed the "LEED" Certification conducted by USGBC. It is the first hotel in China attested by the association.

Shanghai Jinwu Real Estate Co., Ltd: "Lakefront Oasis Garden" developed by it won the award of 2005 "Shanghai White Yulan High Quality Engineering", and two major single awards such as "Planned Building Award" and "Full Decoration Award" in the fourth Shanghai outstanding residential property appraisal.

Shanghai Oasis Garden Real Estate Co., Ltd: "Cedar Oasis Garden" developed by it was awarded four major single awards such as "Planned Building Award", "Full Decoration Award", "Technology Application Award" and "Green Environment Award" in the fourth Shanghai outstanding residential property appraisal.

Shanghai Hangtong Govern Real Estate Co: Thousand Island Oasis Garden developed by it was awarded two major single awards such as "Planned Building Award" and "Green Environment Award" in the fourth Shanghai outstanding residential property appraisal.

Shanghai Gold Luodian Real Estate Co.: Luodian North Europe Town developed and constructed by it was named "Chinese Green and Ecological Culture Demonstration Town" by the Construction Culture Center of Ministry of Construction PRC; and "Shanghai New City View Ecological Town" by Shanghai Construction Institute.

Shanghai Wingo Infrastructure Co., Ltd: obtained Class 2 Qualification Certificate for Technology and Safe and the Project Subcontractor Qualification Certificate.



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The Group not only introduced high quality development property and management service to the market to satisfy the demand of property purchasers and property owners, but also returned to the society by various means. During 2005, the Group and its subsidiaries organized various activities such as "major activity of assisting for Indian Ocean tsunami" and "donating clothings to builders" respectively.

## Business Outlook

During the year of 2005, the State and the local government of Shanghai City intensified their macro-economic controls on property industry and property market. The control measures implemented by the government involved certain aspects, including the pace and structure of land supply, control of loan relating to property, approval procedures of mortgages, restrictions on period of re-selling of housing, tax base and tax ratio, which were aimed to suppress speculative demands by controlling on demand and supply.

The macro-economic controls implemented in the most recent year led to change in environment of property industry and property market in Shanghai. These were reflected by slowing down of the rising speed on housing price in general and in price drop of medium to low end commodity housing; decrease in total sales (excluding ancillary commodity housing); and pressure for survival for small and medium sized property enterprises. It is good to see that property industry and property market in Shanghai have paved a healthy, orderly, stable development trend ultimately.

During the period, economic development in the Mainland China and Shanghai has also demonstrated a sustained growth trend.

As shown from the Work Report of Chinese National Economic and Social Development of 2005 (二零零五年國民經濟和社會發展統計公報) issued by the National Bureau of Statistics of China on 28th February 2006, based on initial statistics and on comparable price basis, GDP of the PRC in 2005 recorded an increase of 9.9% to RMB18,232.1 billion, and it was the third consecutive year the PRC has achieved a growth of about 10%.

According to the Work Report of Shanghai's Chinese National Economic and Social Development of 2005 (二零零五年上海市國民經濟和社會發展統計公報) issued by the Bureau of Statistics of Shanghai on 8th February 2006, it was noted that Chinese national economic development in Shanghai continued to grow steadily at a relatively faster pace. Shanghai's GDP of the year was RMB914.395 billion, which represented an increase of 11.1% compared to 2004 based on comparable price basis, the 14th year to sustain a double-digit growth rate. Of which value of the secondary industry increased by 12.1% from last year to achieve RMB447.592 billion; value of tertiary industry increased by 10.5% to RMB458.838 billion. The increase in value of the tertiary industry represented 50.2% of the GDP of the city. Urban per capita disposable income increased by 11.8% over the previous year to RMB18,645.

In 2005, investment in fixed assets in Shanghai maintained a moderate growth rate. Total investment in fixed assets for the whole year was RMB354.255 billion, an increase of 14.8% but a decrease of 11% in growth rate compared with the previous year. Structure of investment saw new development trend. Of the increase in total investment in fixed assets of the whole economy, investment in urban infrastructure was RMB88.574 billion, an increase of 31.7% compared with the previous year, which exceeded the rate of increase for total investment in fixed assets in general which recorded an increased of 16.9%. Investment in property was RMB124.686 billion, an increase of 6.1%.

The year of 2006 is the first year of the Eleventh-Five Year Social and National Economic Plan of the PRC. During the Eleventh-Five Year Plan period (from 2006 to 2010), Shanghai is determined to establish a basic framework of being an international economic, financial, trade and shipping center, and to be successful in presenting an exciting and impressive World Expo, achieving a harmony economic and social environment for sustained growth development.

According to the major economic benchmarks under the "Eleventh-Five Year Plan" of Shanghai, it was aimed to maintain the economic growth rate at 9% or above and the continuous and steady upward trend of urban per capita disposable income; carry out urban re-development for old zones that classified as Class II or below at a target of 4 million square meters; achieve total length of the urban railway network reaches 400km; permanent residency of 19 million people (registered domicile at the end of 2005 was 13.6026 million people and permanent residency was 17.78 million people); and a green rate of 38% (green rate was 37% at the end of 2005).

In view of the prosperous economic development trend of the Mainland China and Shanghai, most of the property analysts shared a view that as the government aimed to adopt a "soft landing" on real estate market in Shanghai, it is unlikely that significant changes in the market will be seen in the short to medium term. As slump in property market would seriously impede investment, therefore, policy-makers might relax market supply.

Under the environment of continuous rapid economic growth, with good reputation market branding and positioning, and the fact that over 90% of housing development was bought by real buyers for own use, the Group is of the view that the property industry in Shanghai will continue to grow steadily after necessary adjustments. The Group is confident that its business will grow in a steady and sustained manner.

## Positioning and Strategies

Based on our view on the condition and trend of economic development in the Mainland China and Shanghai, coupled with our target of achieving steady and sustained growth, the Group has no intention to change its broad development strategies, but will re-adjust our strategies according to specific change in the market.

The Group is committed to achieve its broad strategic goal of diversifying its role from a purely residential developer to a integrated property player that involved in development, sale and rental of residential properties, shops, hotels, offices. The Group planned to retain the ownerships of the hotels, shops, offices under development in the coming three to five years. It also aimed to establish a basic investment, construction and profit centre of its six major projects, namely Luodian North Europe Town, Rich-Gate Oasis Garden, Skyway, Central Ring Center, Albany and Qin Hai, and to pursue profit from its businesses of hotels operation and rental of shops and offices to further improve the Group's total return.

The Group will continue to focus on development of medium to high end properties in Shanghai. GDP per capita in Shanghai has been growing at a faster pace and its living standard has been rising for recent years. Awareness in branding and quality has become a need for lifestyle. Shanghai as an international metropolis, the number of foreign investment to mid to high end corporations and talents is on uprising trend. The strength to resist in a slumping market demonstrated and luxury residential sectors during the period of implementation of the macro-economic controls means these sectors exposed to lower risk. The higher entry barriers for entering into the mid to high end property market that led to fewer numbers of existing and potential competitors in the market. And the Group has a team of management that possessed the most enriched local knowledge

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and experience. All these has been the favorable conditions and support for the Group to insist in developing mid to high end commodity properties.

Under the backdrop of implementation of macro-economic controls in the property industry and property market by the State and the local government of Shanghai, the operating environment for the property enterprises has changed dramatically. Many small sized and those property developers with weaker financial strength have already or started to leave the market, thus eliminating competition from underperforming developers. This has created opportunities for property developers with relatively sufficient cash flows to replenish land banks at lower costs.

The Group will, under the principle of prudence development, carefully while actively identify development projects that have potential for development, and put much effort on identifying new development projects opportunities and high quality land banks. The Group will also choose to develop projects that match with urban development plans of the government, including those situated at the prime locations near new underground railway networks, highways, other infrastructure, new towns and schools, etc. Besides, the Group will acquire equity stake in those companies that have high quality land banks so as to increase land banks at low cost.

In 2006, our focus of development of properties as well as operation and management will be placed on speeding up the resettlement works of the sites of Albany Oasis Garden and Qin Hai Oasis Garden (temporary names); completion of Skyway Hotel according to the schedule and carry out trial operation; commencement of the surface level construction works of the office building of Central Ring Center in full scale while ensuring stability being the most concerned issue; completion of delivery of residential units of Rich Gate and to secure tenants for shops of the project; strengthening of operation and management of the existing investment properties in Luodian North Europe Town

and achievement of profit for this project; ensuring progress of sales and inflow of funds from realization of project.

In a bid to adhere to and work for our strategic objective of diversifying its role from a purely residential developer to a integrated property developer that involved in the development, rental and sale of residential properties, shops, hotels and office buildings, the Group will continue to optimize its management system and mechanism, improve its various operation and management systems, as well as introduce innovations and reforms to its operation and management system. By doing these, the Group aimed to take advantage from economic of scale, and realize share of resources and bring about synergies through rational resources allocation. The Group placed special emphasis on management of human resources. It put much effort on recruitment, training, assessment and award, with a view to establish and improve its general and long-term human resources management system and mechanism, so as to build and maintain a management team and staff pool that possess strong professional knowledge, diversify business involvement, optimize age structure and aggressive attitudes.

## Appreciation

Lastly, I would like to thank our strategic investors and shareholders for their constant trust and support and offer my heartfelt gratitude to all directors, executives of our group companies and staff members for their continuous hard work and loyalty over the year.

**Shi Jian**

*Chairman of the Board*

Hong Kong, China

23rd March 2006