



**Fan Wei**  
Executive Director and President

## **Market Overview**

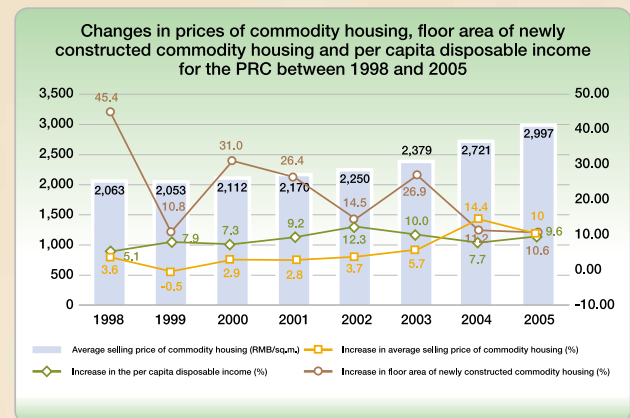
In 2005, the Central Government continued to implement a strong control policy of fighting excessive speculation in commodity housing through restricting accelerating prices of commodity housing in some regions. Meanwhile, to prevent the negative impact of the control policy and provide improvement in public living conditions, the Central Government has repeatedly emphasized “encouraging appropriate spending by residents at the appropriate time”<sup>1</sup>, and has adopted measures such as increasing the supply of medium and low priced residential units to improve the market structure.

In line with the original intention of the policy of the Central Government, according to the latest statistics, the trend of soft landing of China’s property market in 2005 was obvious. On one hand, the nationwide average commodity housing price in 2005 was RMB 2,997, representing an increase of 10% and 4 percentage points lower than that in 2004. The stable trend of the commodity housing prices was apparent. On the other hand, increase in both supply and demand

was still characteristic of the commodity housing market in 2005. The property development investment for the whole year amounted to RMB1,575.9 billion, up by 19.8% from the previous year. The area for commodity housing sold was 558 million sq.m., up by 15.3%. This exceeded the increase of 10.6% in the floor space of newly constructed commodity housing.

One of the effects of the control policy was the inconsistent performance of regional markets. Some regions which were once speculative began to be subject to moderate reconditioning with a reduction in the trading volume. As a result, consumers took a wait-and-see attitude. Most of the other regions maintained the positive trend of being driven by the strong demand for self-occupation. Another factor was the inconsistent market performance of property enterprises. Marked by aggressive nationwide expansion,

project acquisitions, mergers and increasingly diversified financing channels, dominant enterprises acquired more funds, land and human resources to achieve a considerable increase in market share. As a result, enterprises in an inferior position have withdrawn from the market at a faster pace.



Source: National Statistics Bureau of China

Note:

1. National Development and Reform Commission: "Key Points for Real Estate Control in 2006"



\* Forte Allen Poem

# Shanghai

During the statistical period, in line with the Central Government's control policy, Shanghai implemented a series of measures comprising taxation, financial and

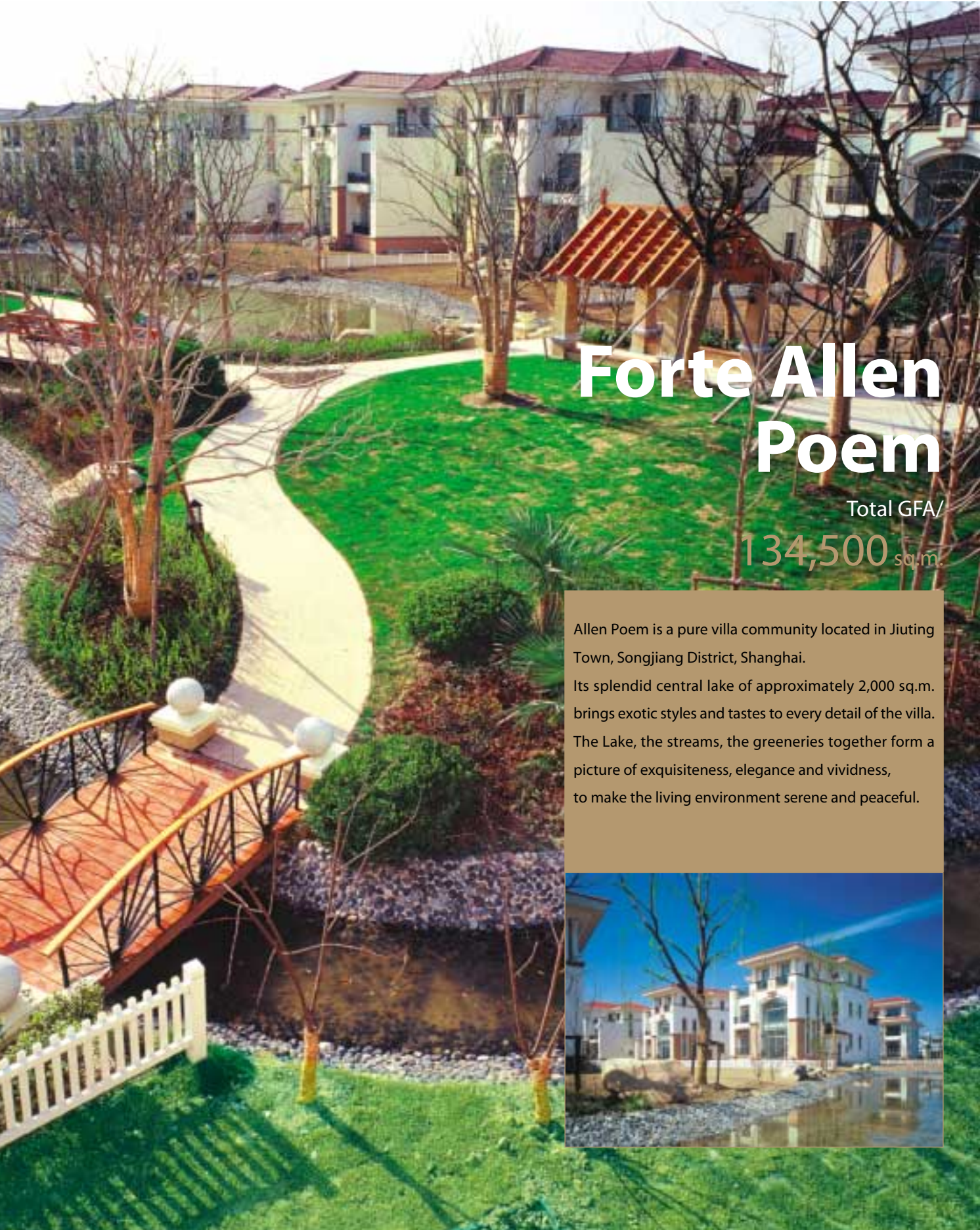
legal means to fight excessive speculation which was believed to restrict healthy market development.

Under strong policy intervention, the Shanghai market started to see moderate, seasonal stagnation in 2005. There was a reduction in corporate investment. The area of land acquired and the area of land in which development had been completed for the year declined by 27.4% and 17% from the same period last year. There was a trend of decreasing new supply. Floor area of newly constructed commodity housing dropped by 4.4%. There was a reduction in the trading volume. The area of commodity housing sold for the year dropped by 9.5% from the same period last year. Prices remained stable. The average selling price of commodity housing for the year was RMB 6,842 per sq.m., up by only 5.4%. This demonstrated that the excessive rising trend of housing prices had been effectively curbed.

A series of indicators showed that the reasons for market contraction was not the loss of market confidence or the withdrawal of funds caused by the policy. Rather, this was attributable to the strong demand waiting for a clear signal that the government would change its strong attitude towards the property market at the present stage. First, the direct reason for a sharp decline in the growth of prices during the period was the launch of a large number of middle- and low-end commodity housing to the market during the year, thus diluting the average price. Prices of middle- and high-end commodity housing did not experience significant







# Forte Allen Poem

Total GFA/  
134,500 sq.m.

Allen Poem is a pure villa community located in Jiuting Town, Songjiang District, Shanghai.

Its splendid central lake of approximately 2,000 sq.m. brings exotic styles and tastes to every detail of the villa. The Lake, the streams, the greeneries together form a picture of exquisiteness, elegance and vividness, to make the living environment serene and peaceful.







volatility. Second, many projects that previously had limited sales saw a rapid rebound in sales after a slight reduction in their prices, reflecting the general expectation that the market has reached the bottom of pricing in this round of consolidation. Also, a lot of overseas and domestic institutions have accelerated the pace of acquiring entire blocks of offices, service apartments and shopping arcades, resulting in persistent high prices of rent-generating projects. This demonstrated the strong confidence of institutions in the medium-to-long-term trend of Shanghai's property market.





# Silver Spring Garden

Total GFA/

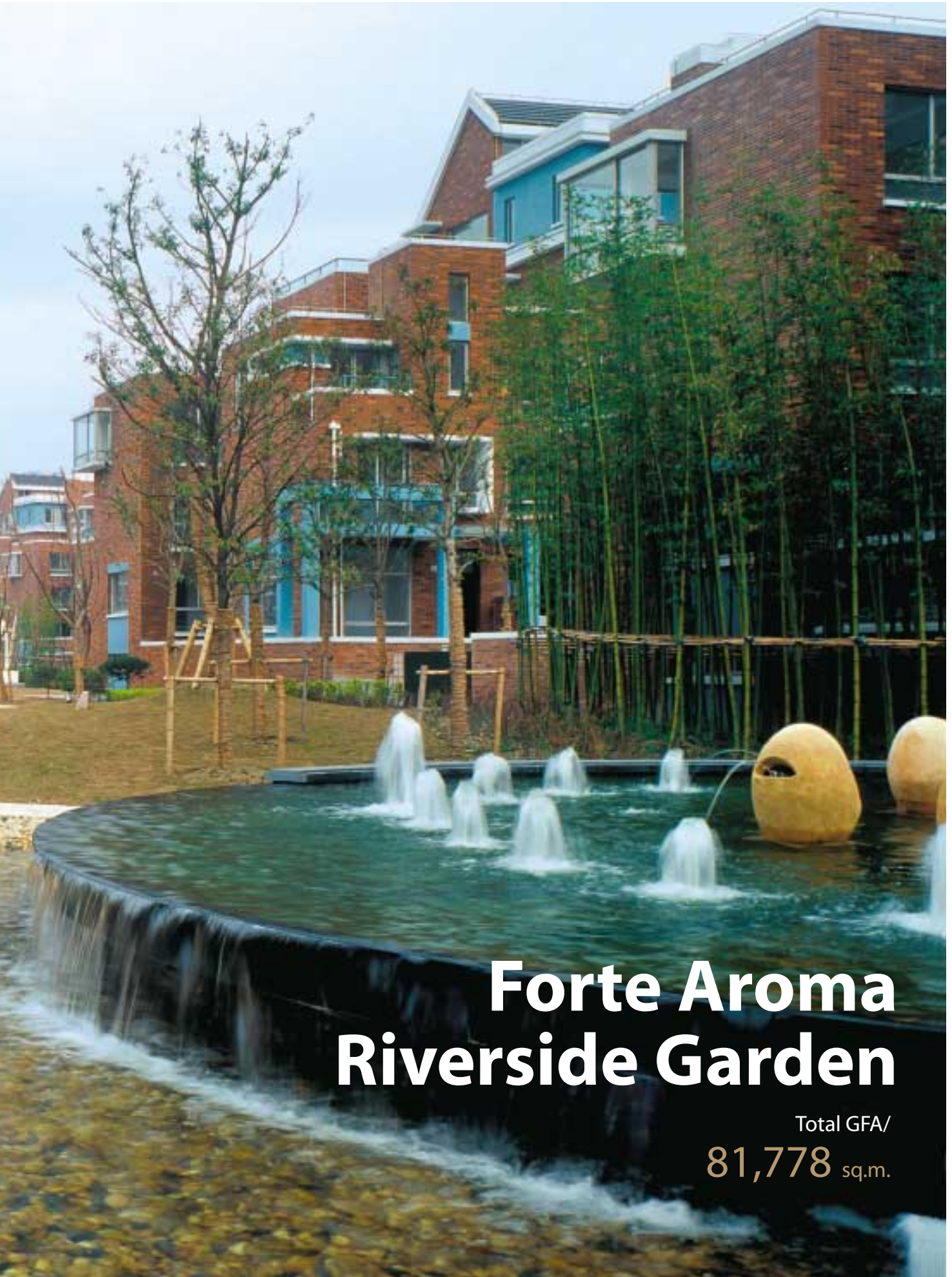
**289,600** sq.m.

The Shanghai Southwest Villa stands on a flagship territory of 420,000 sq.m. and is a modern compound villa with the finest courtyards and gardens. Phase 1 is a pure villa development with a total area of 60,000 sq.m., featuring single blocks and complex rows. The villas, standing orderly along two natural paths, form themselves a part of the scenery. The theme gardens in the artistic Dutch De stijl style create a quiet and beautiful garden community.









# Forte Aroma Riverside Garden

Total GFA/  
**81,778** sq.m.





## Villa Espana Estilo De Vida

Location / Qingpu District, Shanghai

Total GFA / 325,000 sq.m.

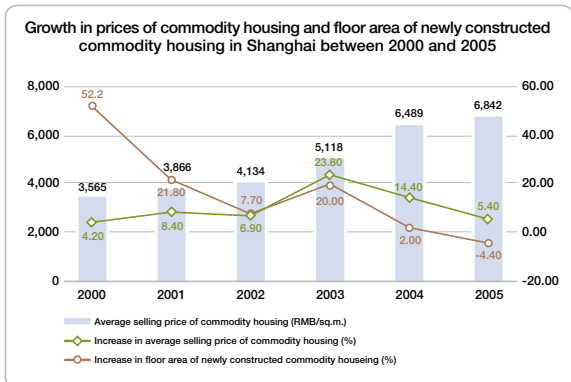




### Domo City

Location / Baoshan District, Shanghai

Total GFA / 222,000 sq.m.



Source: Shanghai Statistics Bureau



# Beijing

In 2005, Beijing's property development market presented a steady consolidation trend while the demand remained strong.

Under the effect of the control measures, the upstream index affecting the property market continued in the downward trend from the previous year.

Land acquisition costs, land development areas and floor areas newly constructed of commodity housing dropped by 13.1%, 50.4% and 10.1% respectively, indicating that the new supply in the market would remain tight in the medium term.

In contrast to Shanghai, Beijing's market has not been restrained by the control measures. As the 2008 Beijing Olympic Games approaches, the investment demand in the central urban area and the planned venue area has rapidly increased. In addition, being optimistic about the medium and short term trend of Beijing's market, a large number of individual investors have started to transfer their funds from Shanghai and Eastern China to Beijing.

Dominated by the above factors, together with a very tight market supply, housing prices in Beijing rose substantially in 2005. The average price of commodity housing pre-sold for the year was RMB 6,725 per sq.m., up by RMB 1,083 per sq.m. from the previous year, representing an increase of 19.2%. In contrast to the moderate rise in previous years, the price represented a strong increase.

*Source: Beijing Statistics Bureau*



# Peking House

Total GFA/  
156,027 sq.m.



\*Perspective

\*Perspective





## Beijing Spring Town (Phase 1)

Location / Shijingshan District, Beijing

GFA / 109,241 sq.m.



\* Night scene perspective



\*Master floorplan of Beijing Spring Town



# Tianjin, Chongqing, Wuhan, Nanjing, Wuxi

In 2005, Tianjin's property market, which continued to follow a steady upward trend, was not adversely affected by the control policy. The overall market saw an increase in investment, balance between demand and supply, and persistent high prices. This demonstrated that Tianjin was rapidly restoring its position as one of the four municipalities directly under the Central Government. Investment in property development for the year grew by 24.1%. The area completed grew by more than 20%. The average sales price was RMB4,048 per sq.m., representing a considerable increase of 23%.

The Chongqing property market has maintained a sound development trend. The area of commodity housing sold was 15.5976 million sq.m., up by 17.3%. The sales amount reached RMB 31.273 billion, up by 34.3%. Residential sales grew by 23.8%. The average price of commodity housing was RMB2,005 per sq.m., up by 14.5%<sup>1</sup>.

Investment in property development in Wuhan continued to grow. The property industry has been developing steadily. In 2005, investment in property development for the city grew by 27.7%. Newly constructed floor area grew by 13.3%. The area sold and average selling price of residential properties experienced sharp increases. The area sold of residential properties was 6,937,000 sq.m., up by 13%<sup>2</sup>. The average selling price was RMB3,416 per sq.m., up by 18%<sup>3</sup>.

## Forte Cui Wei New City

Location / Hanyang District Wuhan  
Total GFA / 304,000 sq.m.



\*Perspective

## Jinyuntiancheng

(Registered name: Forte Uptown)  
Location / Economic Development Chongqing District  
Total GFA / 790,000 sq.m.



# Tianjin Beiyang Centre

Total GFA/

151,600 sq.m.

\*Perspective







## Forte Ronchamp Villa

Location / Focheng Xi Road, Nanjing

Total GFA / 123,000 sq.m.



### Notes:

1. Calculated based on data published by the Chongqing Statistics Bureau
2. Source: Wuhan Municipal Development Office
3. Source: Wuhan Property Development Administrative Bureau
4. Calculated based on data published by the Nanjing Statistics Bureau
5. Source: "Wuxi Property Index Report" issued by the Wuxi Municipal Property Management Bureau
6. Figures without any mark are from the National Bureau of Statistics and local statistics bureaus

The property Market in Nanjing continued to follow a rapid development trend. Property investment for the year grew by 65.0%. The area sold of residential properties was 5,706,600 sq.m., up by 5.20% and sales grew by 29.2%. The average price of commodity housing was RMB 3,805 per sq.m., up by 22.8%<sup>4</sup>.

Property development in Wuxi has been growing steadily. Investment in property development for the year grew by 16.0%. The newly constructed area of residential properties increased by 27.49%. The area sold of residential properties decreased slightly to 3,007,800 sq.m., down by 3.20%. The average price increased substantially to RMB 4,038 per sq.m., up by 22.55%<sup>5</sup>.



### **Forte Park Town**

Location / Huishan District, Wuxi  
Total GFA / 529,000 sq.m.





A woman with long brown hair, wearing a light blue V-neck sweater and a striped skirt with a blue sash, is holding a small white pot containing a green succulent plant. The background is a bright, slightly blurred outdoor setting.

**A Perfect Day**



A dream house with:  
Spacious living  
environment  
Magnificent views  
That brings comfort and  
style to your life





## Business Review

2005 was a year of market consolidation and adjustment for the property industry in the PRC. The Group adopted a nationwide expansion strategy during the Year and selectively explored new markets in cities like Beijing, Wuhan, Nanjing, Wuxi, Chongqing, Tianjin and Haikou. The Group was able to sustain stable growth and minimize adverse effects brought on by market consolidation. The major accomplishments of 2005 are as follows.

## Turnover

For the year ended 31 December 2005, the turnover of the Group was RMB2,026,403,000, representing an increase of approximately 11.0% as compared to 2004. The sales amount of corresponding properties was RMB2,105,841,000, representing an increase of approximately 13.5% as compared to 2004.

The Group's sales breakdown by cities for the year 2005 is as follows:

Region	Total GFA booked (sq.m.)	Amount (RMB'000)
Shanghai	243,690	1,779,768
Nanjing	28,111	158,497
Wuhan	51,506	167,576
<b>Total</b>	<b>323,307</b>	<b>2,105,841</b>

## Progress in Project Development

During the period under review, there were 29 projects under development (including joint ventures where the Group owns equity interests). Total gross floor area ("GFA") amounted to approximately 2,063,391 sq.m., (in which cities other than Shanghai accounted for approximately 43.8%), representing an increase of approximately 88.4% as compared to year 2004.

During the Year, 15 projects with a total GFA of approximately 1,156,491 sq.m., had commenced construction, in which cities other than Shanghai accounted for approximately 49.3%, representing an increase of approximately 259.1% as compared to year 2004.

Another 6 projects, with a total GFA of approximately 367,688 sq.m., were completed, representing an increase of approximately 12.8% as compared to year 2004.

## Projects Completed in 2005

No.	Name of Project	Location	Approximate Total GFA (sq.m.)	Interests attributable to the Group
1	Chun Shen Forte City (Phase 2)	Lane 4580 Dushi Road, Minhang District, Shanghai	84,201	90.00%
2	Forte Aroma Riverside Garden	Lane 1755 Sanxin Road North, Songjiang District, Shanghai	81,778	88.00%
3	Yi He Hua Cheng (Phase 2A)	Lane 577 Zhenjin Road, Putuo District, Shanghai	63,258	50.00%
4	Domo City (Phase 3)	Lane 1355 Dahua Road, Baoshan District, Shanghai	45,622	60.00%
5	Forte Cui Wei New City (Phase 1B)	No. 16 Cuiwei Heng Road, Hanyang District, Wuhan	52,749	60.00%
6	Forte Ronchamp Villa (Phase 2)	No. 138-158 Fucheng Xi Road, Nanjing	40,080	99.67%
<b>Total</b>			<b>367,688</b>	

## Sales Performance

During the Year, the Group achieved an aggregate GFA sales of approximately 425,536 sq.m. (including joint venture projects in which the Group has equity interests).

The Group pro-actively expanded its property development business in 7 cities other than Shanghai in the PRC. During the Year, the Group successfully commenced sales of properties in 4 cities, including Beijing, Wuhan in the Hubei Province, Nanjing and Wuxi in the Jiangsu Province. The total GFA sold amounted to approximately 98,007 sq.m., 78,330 sq.m., 71,306 sq.m. and 18,304 sq.m. respectively.



**Total GFA Sold by Contract in 2005**

No.	Region	Name of Project	Location	Total GFA sold in total (sq.m.)	Interests attributable to the Group
1	Shanghai	Domo City (Phase 3)	Lane 1355 Dahua Road, Baoshan District, Shanghai	18,760	60.00%
2		Forte Allen Poem (Phase 2A)	Lane 599 Lai Ting South Road, Jiuting Town, Songjiang District, Shanghai	21,652	99.67%
3		Forte Allen Poem (Phase 1A)	Lane 599 Lai Ting South Road, Jiuting Town, Songjiang District, Shanghai	311	99.67%
4		Forte Allen Poem (Phase 1B)	Lane 599 Lai Ting South Road, Jiuting Town, Songjiang District, Shanghai	262	99.67%
5		Chun Shen Forte City (Phase 1)	Lane 4580 Dushi Road, Minhang District, Shanghai	166	90.00%
6		Forte Emerald Riverside (Phase 1)	Lane 3688 Wenxiang Road, Songjiang District, Shanghai	19,809	99.89%
7		Pudong Experience (Phase 1)	Lane 699, Boshan East Road, Pudong New District, Shanghai	249	98.90%
8		Villa Espana Estile De Vida (Phase 1)	Lane 6666, Waiqingsong Road, Qingpu District, Shanghai	7,974	55.00%
9		Gu Bei New Garden (East Wing Phase 1)	Lane 511 Wuzhong Road, Minhang District Shanghai	546	50.00%
10		Graceful Oasis (Phase 3)	Lane 3336 Jinxiu Road, Pudong New District, Shanghai	1,240	40.00%
11		Graceful Oasis (Phase 4)	Lane 3336 Jinxiu Road, Pudong New District, Shanghai	37,346	40.00%
12		Graceful Oasis (Phase 5)	Lane 3336 Jinxiu Road, Pudong New District, Shanghai	27,564	40.00%

No.	Region	Name of Project	Location	Total GFA sold in total (sq.m.)	Interests attributable to the Group
13		Graceful Oasis (Phase 1)	Lane 3336 Jinxiu Road, Pudong New District, Shanghai	166	40.00%
14		Forte Sunny City (Phase 2)	No. 8 Gulang Road, Putuo District, Shanghai	2,394	98.00%
15		Forte Sunny City (Phase 3)	No. 8 Gulang Road, Putuo District, Shanghai	378	98.00%
16		Forte Sunny City (Phase 1)	No. 8 Gulang Road, Putuo District, Shanghai	173	98.00%
17		All New Shanghai (Phase 2)	Lane 1028 Changshou Road, Putuo District, Shanghai	614	100.00%
18		All New Shanghai (Phase 1)	Lane 1028 Changshou Road, Putuo District, Shanghai	257	100.00%
19		Yi He Hua Cheng (Phase 2)	No. 577 Zhenjin Road, Putuo District, Shanghai	9,511	50.00%
20		Yi He Hua Cheng (Phase 4)	No. 577 Zhenjin Road, Putuo District, Shanghai	2,514	50.00%
21		Yi He Hua Cheng (Phase 1)	No. 577 Zhenjin Road, Putuo District, Shanghai	5,126	50.00%
22		Other projects		2,576	65.99%
23	Wuxi	Forte New City (Phase 1A)	No. 99 Zhenghe Main Road, Huishan District, Wuxi	15,098	99.95%
24		Forte New City (Phase 1B)	No. 99 Zhenghe Main Road, Huishan District, Wuxi	3,096	99.95%
25		Forte New City (Phase 1C)	No. 99 Zhenghe Main Road, Huishan District, Wuxi	110	99.95%
26	Nanjing	Nanjing Graceful Oasis (Phase 1)	No. 59 Puzhu North Road Pukou District, Nanjing	47,953	38.00%



No.	Region	Name of Project	Location	Total GFA sold in total (sq.m.)	Interests attributable to the Group
27		Forte Ronchamp Villa (Phase 2)	Nos. 138 -158 Focheng Xi Road, Nanjing	23,353	99.67%
28	Wuhan	Forte Cui Wei New City (Phase 1B)	No. 16 Cuiwei Heng Road, Hanyang District, Wuhan	8,066	60.00%
29		Forte Cui Wei New City (Phase 1C)	No. 16 Cuiwei Heng Road, Hanyang District, Wuhan	65,409	60.00%
30		Forte Cui Wei New City (Phase 2A)	No. 16 Cuiwei Heng Road, Hanyang District, Wuhan	4,856	60.00%
31	Beijing	Peking House	No. 21 Xidawang Road, Chaoyang District, Beijing	8,988	86.40%
32		Spring Town (Phase 1)	Yuquan Road, Shijingshan District, Beijing	89,019	30.00%
		<b>Total</b>		<b>425,536</b>	

### Property Agency Services and Properties Sales Planning Services

Shanghai Resources Property Consultancy Co., Ltd. ("Resource Consultancy"), a subsidiary of the Group, was ranked fourth among the "Top 10 Brands of Property Agencies in the PRC" by CIHAF and was awarded "Top 100 Property Agencies in the PRC of the Year 2005". During the Year, the total GFA sold by Resource Consultancy, which were developed by third parties, amounted to approximately 183,900 sq.m..

### Land Bank

During the Year, the Group increased its land bank by actively participating in government tenders and auctions and acquisitions of equity interests in other project companies. The total GFA of the Group's land bank increased by approximately 1.52 million sq.m. representing an increase of approximately 189.1% compared to year 2004 (approximately 1.46 million sq.m. is attributable to the Group according to its proportion of equity interests representing an increase of approximately 194.8% compared to year 2004). During the Year, other than land of residential uses, the Group also increased its land bank reserves of office, and commercial uses. This accrual is pivotal to the strategy of the Group's nationwide expansion and sustainable development strategy.

## Land Bank Acquired During the Year

No.	Projects	Estimated Total GFA (sq.m.)	Interests attributable to the Group	Total GFA attributable to the Group (sq.m.)
1	Wuxi Forte New City (Continued project)	104,000	99.95%	103,948
2	Shanghai Gaofu	99,165	60.00%	59,499
3	Shanghai Sliver Spring Garden	86,880	99.67%	86,593
4	Chongqing Jinyuntiancheng	790,000	99.95%	789,605
5	Beijing Peking House	156,027	86.40%	134,807
6	Hainan Xinshijie	73,257	99.80%	73,110
7	Hainan Huaqiao Club	60,179	98.95%	59,547
8	Tianjin Beiyang Centre	151,600	99.78%	151,266
	<b>Total</b>	<b>1,521,108</b>		<b>1,458,375</b>

In addition to the existing land bank of the Group, as at 31 December 2005, the total GFA of the Group's land bank amounted to 5.71 million sq.m., in which the total GFA in Shanghai, Nanjing, Wuxi, Wuhan, Chongqing, Beijing, Tianjin and Haikou were 1,949,827 sq.m., 1,542,681 sq.m., 529,220 sq.m., 204,569 sq.m., 790,000 sq.m., 408,681 sq.m., 151,600 sq.m. and 133,437 sq.m. respectively (including joint venture projects in which the Group has equity interests).

## Land Bank as at 31 December 2005

Region	Estimated Total GFA (sq.m.)		Estimated Total GFA (sq.m.)		Estimated Total GFA (sq.m.)	
	In total	Attributable to the Group	Under Construction In total	Under Construction Attributable to the Group	Planning In total	Planning Attributable to the Group
Shanghai	1,949,827	1,357,659	884,235	599,373	1,065,592	758,286
Nanjing	1,542,681	627,736	103,102	57,363	1,439,579	570,373
Wuxi	529,220	528,956	94,685	94,638	434,535	434,318
Wuhan	204,569	122,741	204,569	122,741	—	—
Chongqing	790,000	789,605	143,844	143,772	646,156	645,833
Beijing	408,681	308,562	265,268	167,580	143,413	140,982
Tianjin	151,600	151,266	—	—	151,600	151,266
Haikou	133,437	132,658	—	—	133,437	132,658
<b>Total</b>	<b>5,710,015</b>	<b>4,019,183</b>	<b>1,695,703</b>	<b>1,185,467</b>	<b>4,014,312</b>	<b>2,833,716</b>



The current land bank of the Group is sufficient for the coming four to five years, to provide a solid foundation for long-term fast development.

### **Cooperation with International Partners**

During the Year, the Group actively engaged in cooperation with foreign investors and three projects were jointly developed with these partners. The cooperation not only enhanced the Company's brand image, but also explored new sources of financing. The Group also benefited in the area of international project management, development and corporate governance.

During the Year, the Group successfully cooperated with ING, one of the world's top three largest real estate investment management companies, to jointly develop Fucheng International project in Shanghai which is expected to complete in 2008. The Group also entered into an agreement with Cadim, a real estate investment group under Caisse de dépôt et placement du Québec ("CDP"), a renowned Canadian retirement fund to develop Forte Park Town in Wuxi, which is expected to complete in 2010.

### **Future Prospects**

The continuous steady growth of the PRC economy, persistent urbanization and increasing consumption power of Chinese citizens have produced strong demand for residential housing. Renminbi appreciation and upward market growth are likely to reinforce the property market as the key sector of consumption in the coming years.

The austerity measures implemented in 2005 have regulated the consumption pattern in the property market. The diversified development among cities creates enormous room for property developers. Market changes qualify segmentation within the industry. Competition within the industry effectively filters out weak players while at the same time provides good development opportunities for regulated, seasoned and competitive players.

With existing edges, Forte will capture any future industry opportunities, implement the nationwide expansion strategy, pursue merger and acquisition and consolidate resources in order to achieve better development.

- The Group will implement a nationwide expansion strategy to increase its land bank portfolio. By maintaining and enhancing its capability of obtaining land bank resources, the Group will tap into new markets in the interest of diversifying development between major cities and second-tier cities, improving efficiency and further enjoying economies of scale, and maintaining its position as a leading player in a leading market.

- The Group will establish a multi-channel financing platform. It will fully utilize the domestic and overseas capital markets to minimize cost, maximize value and establish a wider source of financing for investment and operating capital. The Group will also improve its risk management system in order to safeguard a healthy steady development.
- The Group will improve its corporate management structure in order to enhance efficiency and diversify risk. Strategic nationwide planning and establishment of subsidiaries in additional cities will be accelerated. Transformation from a centrally managed system to a regional authorization system will allow for a more efficient and rapid expansion.
- The Group will enhance its multi-project management capability and explore opportunities for organic growth. The Group will enhance its cost control, innovative development and marketing strength to position itself with sufficient capital and management capabilities for any future mergers and acquisitions opportunities.
- With “Forte, for better living” as its brand concept, the Group will capture market opportunities and cultivate its ability to create value. It strives to maintain continuous improvement in capital, brand, management, technology and cultural integration, etc. in order to obtain a competitive position among the top tier enterprises in the PRC.

## Financial analysis

### 1. Turnover and Operating Results

The development pace of the property market in Shanghai gradually slowed down due to the austerity measures of the PRC government. Under this circumstances, the Group still managed to achieve satisfactory results through the efforts paid by the management and all the staff. In 2005, the Group recorded turnover of approximately RMB2,026,403,000, representing an increase of 11.0% as compared to approximately RMB1,825,882,000 in 2004. Profits attributable to shareholders amounted to RMB560,553,000, representing an increase of approximately 24.6% as compared to RMB449,889,000 in 2004. The increase in profits attributable to shareholders was mainly due to the negative goodwill of RMB216,252,000 realised from the acquisition of two subsidiaries Beijing Beihong Property Development Company Limited and Changqing Runjiang Property Development Company Limited during the period. On the basis of 2,328,884,225 total weighted average number of shares of the Company at the end of the year, the earnings per share were RMB0.241. The Group’s gross profit margin in 2005 was approximately 40.2%, representing an increase of 1.6 percentage points as compared to 38.6% in 2004.



In addition, Resources Consultancy and its subsidiaries put in great efforts in developing property consulting business in 2005. During the Year, Resources Consultancy generated revenue of RMB71,815,000 from the sales planning and advertising consultation of projects as well as sales agency through the sale of several projects developed by independent third parties.

The turnover breakdown for the principal operations of the Group during the year is as follows:

	2005 RMB'000
Property sales	2,105,841
Property agency and commission fee	58,575
Planning and advertising cost for property sales	13,240
Property management fee	1,883
Supervisory and management fee for construction project	973
Less: business tax, land appreciation tax and government surcharge	(154,109)
<b>Turnover</b>	<b>2,026,403</b>

## 2. Financial resources, liquidity and liabilities

During the year, the Group's liquidity maintained at a healthy level. Its financial resources were allocated in a reasonable manner. As at 31 December 2005, the total assets of the Group amounted to approximately RMB9,977,048,000, in which current assets accounted for RMB6,814,462,000. Total liabilities accounted for approximately RMB6,223,030,000. Current liabilities amounted to RMB4,170,492,000 and non-current liabilities amounted to approximately RMB2,375,053,000. The equity attributable to shareholders of the Company was approximately RMB3,431,503,000.

As at 31 December 2005, the Group's cash and bank deposits amounted to approximately RMB923,035,000. The Group has sufficient working capital for its operations and the liquidity of assets and that solvency is healthy.

## 3. Pledge of assets

As at 31 December 2005, properties under development with a book value of RMB4,066,953,000 were pledged to financial institutions for the guarantee of bank loans of the Group. The corresponding bank loans from the financial institutions were RMB2,072,730,000.

#### **4. Contingent Liabilities**

The Group provides bank guarantees in favour of its customers in respect of the mortgage loans provided by the banks to such customers for their purchases of the Group's properties until submission of the relevant property ownership certificates by the relevant customers to the banks. As at 31 December 2005, the remaining amount of the bank guarantees provided by the Group was approximately RMB1,228,382,000.

During the period, the Board of the Group has passed a resolution, together with Beijing Yangguang Times Real Estate Co., Ltd. and Beijing Urban Construction Group, the two shareholders of Beijing Yuquan, to provide counter-guarantee with unlimited liabilities to Beijing Yuyuan Xincheng Property Development Co., Ltd, an associate of the Company with respect to the guarantee provided for the property development loan of RMB150,000,000 applied from CITIC Industrial Bank. On 15 November 2005, Beijing Yuyuan Xincheng Property Development Co., Ltd. repaid the principal and interest of the loan to CITIC Industrial Bank and the obligation of counter-guarantee of the Group to Beijing Urban Construction Group was discharged.

Save as disclosed above, the Group did not have any outstanding loan capital, bank overdrafts, liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities outstanding as at 31 December 2005, apart from intra-group liabilities.

#### **5. Commitments**

As at 31 December 2005, lease payments under non-cancellable operating leases were approximately RMB31,432,000, of which approximately RMB12,995,000 should be repaid within a year, approximately RMB15,587,000 should be repaid in the second to fifth years, inclusive, and approximately RMB2,850,000 should be repaid after five years.

#### **6. Foreign exchange risks**

The Group conducts its business almost exclusively in the currency of Renminbi and does not have any direct exposures to foreign exchange fluctuations. The Directors do not expect the Group will have material foreign exchange exposure. However, there is no assurance that foreign exchange risks will not affect the results of operations of the Group.