1. CORPORATE INFORMATION

The Company was established in the People's Republic of China (the "PRC") on 13 August 1998 as a limited company. Pursuant to an approval document numbered "Hu Fu Ti Gai Shen [2001] No. 026" dated 12 September 2001 issued by the Shanghai Municipal Government, the Company was reorganised as a joint stock limited company on 27 September 2001. The principal activities of the Company are property development, property agency, property investment, property management and all consultancy services relating to such businesses.

The Company and its subsidiaries and a jointly controlled entity (the "Group") is principally engaged in property development. The Group's property development projects are located in Shanghai, Wuhan, Nanjing, Beijing, Wuxi, Chongqing, Haikou, and Tianjin. The registered office of the Company is located at 9th Floor, 510 Caoyang Road, Shanghai, the PRC. The principal place of business of the Company is located at 5th-7th Floor, Fuxing Business Building, 2 Fuxing Road East, Shanghai 200010, the PRC.

In the opinion of the directors, the holding company of the Group is Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun High Technology"), which is incorporated in the PRC; the ultimate holding company of the Group is Fosun International Holdings Ltd., which is incorporated in British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention except for equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements include the accounts of the Company, its subsidiaries and a jointly controlled entity as at 31 December each year. The financial statements of the subsidiaries and the jointly controlled entity are prepared for the same reporting year as the parent, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases. All significant inter company transactions and balances which the Group are eliminated on consolidation.

2.1 BASIS OF PREPARATION (CONTINUED)

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2.2 CHANGES IN ACCOUNTING POLICIES

2.2.1 The following new and revised IFRSs affect the Group and are adopted for the first time for the current year's financial statements:

IFRS 3	Business Combinations
IAS 1 (revised)	Presentation of Financial Statements
IAS 2 (revised)	Inventories
IAS 8 (revised)	Accounting policies, Changes in Accounting Estimate and Errors
IAS 10 (revised)	Events after the Balance Sheet Date
IAS 16 (revised)	Property, Plant and Equipment
IAS 17 (revised)	Leases
IAS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised)	Related Party Disclosures
IAS 27 (revised)	Consolidated and Separate Financial Statements
IAS 28 (revised)	Investment in Associates
IAS 31 (revised)	Interests in Joint Ventures
IAS 32 (revised)	Financial Instruments: Disclosures and Presentation
IAS 33 (revised)	Earnings Per Share
IAS 36 (revised)	Impairment of assets
IAS 38 (revised)	Intangible Assets
IAS 39 (revised)	Financial Instruments: Recognition and Measurement

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2.1 The following new and revised IFRSs affect the Group and are adopted for the first time for the current year's financial statements: (Continued)

The adoption of IASs 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 32, 33, 38, 39 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

IFRS 3 has been applied for business combinations for which the agreement date is on or after 31 March 2004. The adoption IFRS 3 and IAS 36 (revised) has resulted in Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005. Negative goodwill arising from a business combination, after assessment, is recognised in the income statement immediately.

The transitional provisions of IFRS 3 have required the Group to eliminate on 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1 January 2005 the carrying amounts of negative goodwill against retained earnings.

IAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of IAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

2.2.2 As set out in the Company's announcement dated 5 July 2005, the board of directors resolved to approve the change in the Group's accounting policy in respect of recognition of revenue arising from the pre-completion contracts for the sale of development properties, making reference to HK-Int3 "Revenue-Pre-completion contracts for the Sale of Development Properties" (initially issued as SSAP-Int 24 in March 2005 and reissued as HK-Int 3 in May 2005 by the Hong Kong Institute of Certified Public Accountants), so that the financial statements could provide more relevant information of the Group. As the Company is an H-share company listed on the Stock Exchange of Hong Kong Limited, by following the industry standards in Hong Kong, it would be of great assistance to the shareholders, investors and readers of the Company's financial statements in their understanding of the Company's financial information, and further it would enhance the comparability of the financial information between the Company and other property developers. As a result, the Group no longer applies the stage of completion method to recognise revenue from pre-completion sales of development properties and has decided to recognise sale of properties when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer. The change in the revenue recognition policy has been applied retrospectively in accordance with IAS 8.

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2.3 The effect of the above changes to comparative amounts is summarised below:

(a) Effect on the consolidated balance sheet as at 31 December 2004

	As previously reported RMB'000	Effect of change in accounting policy on revenue recognition RMB'000	Restated RMB'000
Interests in associates	485,736	(30,967)	454,769
Prepayment, deposits and other receivables	689,168	118,285	807,453
Property under development	1,854,381	791,916	2,646,297
Advance from customers, accrued liabilities and other payables	618,444	1,555,422	2,173,866
Deferred tax liabilities	(164,703)	164,703	—
Minority interests	260,008	(85,122)	174,886
Retained earnings	769,714	(426,363)	343,351

(b) Effect on the consolidated income statement for the year ended 31 December 2004

	As previously reported RMB'000	adopting IAS 1 RMB'000	Effects of change in accounting policy on revenue recognition RMB'000	Restated RMB'000
Revenue	2,383,720	—	(557,838)	1,825,882
Cost of properties sold	(1,326,861)	—	205,363	(1,121,498)
Selling expenses	(95,290)	—	23,100	(72,190)
Shares of profits less Losses of associates	119,886	(33,038)	52,510	139,358
Tax	(304,187)	33,038	102,379	(168,770)
Minority interests	(140,511)	—	49,867	(90,644)
Earnings per share (RMB)	0.269	—	(0.059)	0.210

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2.3 The effect of the above changes to comparative amounts is summarised below: (Continued)

(c) Effect on the balances of equity has been presented in the consolidated statement of changes in equity.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs relevant for the Group's financial statements that have been issued but are not yet effect, in these financial statements. Unless otherwise stated, these IFRSs are effective for annual periods beginning on or after 1 January 2007.

IAS 1 Amendment	Capital Disclosure
IFRS 7	Financial Instruments: Disclosures

The Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. In the Company's balance sheet, interests in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly controlled entities

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The Group recognises its interest in the jointly controlled entity using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with similar items, line by line, in its consolidated financial statements. The financial statements of the jointly controlled entity are prepared for the same reporting year as the Company, using consistent accounting policies.

The results of jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in the jointly controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill acquired in a business combination is initially measured at cost. It represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Difference arising on the acquisition of minority interests of subsidiaries represents the excess of the cost of the acquisition over the Group's interest in the acquiree's net assets acquired as at the date of acquisition, and reflected as goodwill.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

The Group assesses at each reporting date whether there is an indication that any asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount, however not to an amount higher than the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement in the period in which it arises, unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Investment and other financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried ay amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

Fair value

The fair vale of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arms' length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing model.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the assets and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities (Continued)

Financial assets (Continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

(i) income from sale of properties, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(ii) property agency fee, property sales planning and advertising fee, construction supervisory fee and property management fee are recognised when relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably;

(iii) rental income, on a time proportion basis over the lease terms;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(v) dividend income, when the shareholders' right to receive payment has been established.

Property and equipment and depreciation

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on the straight-line basis over the estimated useful life of the assets, after taking into account any estimated residual value. The estimated useful lives of property and equipment are as follows:

Properties	20 years
Leasehold improvements	The lesser of the lease terms or their useful lives
Office equipment	5 years
Motor vehicles	5 years

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the asset) is included in the income statement in the year the asset is derecognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties under development

Properties under development are stated at cost which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within one year from the balance sheet date are classified as current assets.

Completed properties for sale

Completed properties for sale are recognised in the balance sheet at the lower of cost and the net realisable value. Net realisable value is estimated by the directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on the straight-line basis over the lease term.

Retirement benefits

Obligatory retirement benefits in the form of contributions under a defined contribution retirement schedule administered by local government agencies are charged to the income statement as incurred.

Accommodation benefits

Contributions to an accommodation fund administrated by the Public Accumulation Funds Administration Centre are charged to the income statement as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when liabilities are derecognised or impaired, as well as through the amortisation process.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies transaction

The Group's financial records are maintained and the financial statements are presented in RMB, which is the Group's functional and presentation currency.

Foreign currency transactions are recorded at the applicable exchange rates quoted by the People's Bank of China which are deemed to represent the market rates ruling at that date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the market rates ruling at that date. All resulting exchange differences arising on settlement or re-statement are recognised in the income statement for the period.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculating the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was RMB32,401,000 (2004: RMB26,848,000).

3. SEGMENT INFORMATION

The Group's turnover and profit for the two years ended 31 December 2005 were mainly derived from property development in the PRC. The principal assets employed by the Group are located in the PRC. Accordingly, no segmental analysis by business or geographical segments is provided.

4. REVENUE, OTHER INCOME AND GAINS

	2005 RMB'000	2004 RMB'000
Revenue		
Sale of properties	**2,105,841**	1,855,002
Property agency income	**58,575**	86,246
Property sales planning and advertising income	**13,240**	5,699
Property management income	**1,883**	—
Construction supervisory income	**973**	221
	2,180,512	1,947,168
Less: Business tax, land appreciation tax and government surcharges	**(154,109)**	(121,286)
	2,026,403	1,825,882
Other income and gains		
Excess over the cost of business combinations realised as income	**216,252**	14,424
Government grants	**51,575**	23,638
Gain on disposal of interests in subsidiaries	**32,560**	—
Interest income	**1,771**	4,560
Rental income	**3,763**	1,636
Registration income	**53**	72
Others	**846**	962
	306,820	45,292
Total revenue, other income and gains	**2,333,223**	1,871,174

Business tax is calculated at 5% of the revenue from the sale and pre-sale of properties and the provision of property agency services, property sales planning and advertising services, property management services and construction supervisory services. Government surcharges, comprising City Maintenance and Construction Tax, Education Surtax, Dike Maintenance, Selective Service Surcharge and Riverway Management Fee, are calculated at certain percentages of business tax.

According to the relevant tax notices issued by local tax authorities, the local tax bureaus started to collect land appreciation tax ("LAT") at rates ranging from 1% to 3% of the proceeds of sale and pre-sale of the Group's properties from 2004. Except for the amount paid to the local tax bureaus, no further provision for LAT had been made as the Group has not been required by the relevant tax authorities. Refer to note 7 to the financial statements for further details.

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Government grants represent government subsidies concerning the encouragement of enterprises' development received by ten subsidiaries of the Company, from the relevant government agencies during the year ended 31 December 2005. There are no conditions attached to the government subsidies received.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2005	2004
	RMB'000	RMB'000
Interest on bank and other loans	**82,337**	49,087
Less: Interest capitalised	**(82,092)**	(47,569)
	245	1,518
Exchange losses	**133**	4,369
Bank charges and others	**108**	123
Finance costs	**486**	6,010
Average interest rate of interest capitalised	**6.09%**	5.54%
Depreciation	**6,120**	4,561
Goodwill amortisation	**—**	621
Goodwill impairment	**18,609**	—
Loss on disposal of property and equipment	**114**	216
Loss on disposal of an available-for-sale investment	**—**	429
Auditors' remuneration	**3,033**	2,102
Staff costs (including directors', supervisors' and senior executives' emoluments as set out in note (6)):		
Wages and salaries	**71,575**	64,007
Retirement costs:		
- Defined contribution fund	**5,178**	4,263
Accommodation benefits:		
- Defined contribution fund	**2,693**	2,076

6. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	2005 RMB'000	2004 RMB'000
Fees	**696**	647
Other emoluments for executive directors, independent non-executive directors and supervisors:		
Basic salaries and other benefits	**2,727**	2,615
Pension contributions	**77**	71
Accommodation contributions	**24**	33
	3,524	3,366

Three executive directors and four independent non-executive directors received remuneration from the Company for the year ended 31 December 2005.

The remuneration for the executive directors, independent non-executive directors and supervisors fell within the range of nil to HK$1 million.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005 RMB'000	2004 RMB'000
Mr. Charles Nicholas Brooke	**424**	424
Mr. Cheng Yingjie	**56**	50
Mr. Zhang Hongmin	**56**	50
Ms. Wang Meijuan	**56**	18
	592	542

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

6. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)

(b) Executive directors, non-executive directors and supervisors

	2005	2004
	RMB'000	RMB'000
Executive directors:		
Mr. Guo Guangchang	**871**	858
Mr. Fan Wei	**871**	858
Mr. Ding Guoqi	**631**	618
Non-executive director:		
Mr. Feng Xiekun	**100**	100
Supervisors:		
Mr. Ma Suxiang	**256**	189
Mr. Zhang Guozheng	**35**	35
Mr. Sun Wenqiu	**35**	35
Mr. Liu Zhangxi	**35**	35
Mr. Shen Guoliang	**98**	96
	2,932	2,824

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The five highest paid employees of the Group include three directors for the year ended 31 December 2005 and three directors for the year ended 31 December 2004. Information relating to their emoluments has been disclosed above. The details of the emoluments of the remaining two highest paid, non-director employees are as follows:

	2005	2004
	RMB'000	RMB'000
Basic salaries and other benefits	**1,225**	825
Pension contributions	**16**	29
Accommodation contributions	**5**	8
	1,246	862

The remuneration of all highest paid, non-director individuals fell within the range of nil to HK$1 million.

6. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)

(b) Executive directors, non-executive directors and supervisors (Continued)

There were no emoluments paid by the Group to the directors, supervisors or the other highest paid, non-director employees as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

7. TAX

Provision for PRC income tax has been provided at the applicable income tax rate of 33% on the assessable profits of the Company.

Three subsidiaries and an associate established and located in Shanghai Pudong New Area are subject to income tax at a preferential rate of 15%.

Two subsidiaries established and located in Hainan Special Economic Zone are subject to income tax at a preferential rate of 15%.

Pursuant to a document "(94) Cai Shui Zi No.001" dated 29 March 1994 jointly issued by the Ministry of Finance and the State Tax Bureau and approval documents issued by the Shanghai Putuo District Tax Bureau and Beijing Huairou District State Tax Bureau in November 2004 and January 2005, respectively, Shanghai Resource Advertisement Co., Ltd. and Bejing Eastern Resource Property Brokage Co., Ltd., two subsidiaries of the Group principally engaged in the advertising and promotion of property units, were exempted from income tax for two years ended 31 December 2005.

All other subsidiaries, associates and a jointly controlled entity of the Group are subject to income tax at the rate of 33%.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2005.

7. TAX (CONTINUED)

Major components of income tax expense for the years ended 31 December 2005 and 2004 are as follows:

	2005 RMB'000	2004 RMB'000
Group:		
- Current	211,630	168,770
- Deferred (note 23)	(21,359)	—
Income tax expense	190,271	168,770

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	2005 RMB'000	2004 RMB'000
Profit before tax excluding share of profits and losses of associates:	855,922	569,945
Non-taxable profit of subsidiaries	(33,953)	(36,061)
Profit subject to income tax	821,969	533,884
Tax at applicable tax rate of:		
33%	249,648	134,084
15%	9,819	19,135
Sub-total	259,467	153,219
Tax effect of:		
Income not subject to tax	(71,363)	(4,760)
Expenses not deductible for tax	2,167	20,311
Income tax expense	190,271	168,770

Deferred taxes relate to temporary differences in fair value adjustments arising from acquisition of subsidiaries and losses available for offset against future taxable profit.

7. TAX (CONTINUED)

According to tax notices of LAT issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 1% to 3% of proceeds of the sale and pre-sale of properties from 2004. Except for this amount paid to the local tax authorities, no further provision for LAT has been made. The directors consider that the relevant tax authorities are unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties up to the year ended 31 December 2005, which would otherwise have accumulated to approximately RMB108,635,000 (2004: RMB118,574,000) attributable to the Group after netting off potential income tax savings.

In 2004, upon the reorganisation and the listing of the Company, the Company and Fosun High Technology, the holding company of the Company entered into a deed of tax indemnity whereby Fosun High Technology will undertake to indemnify the Group in respect of LAT payable attributable to the Group after netting off potential income tax savings in consequence of the disposal of the Group's properties at capital value as at 30 November 2003.

8. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit from ordinary activities attributable to shareholders of the Company for the year ended 31 December 2005 dealt with in the financial statement of the Company, was RMB338,452,000 (2004: RMB384,557,000).

9. DIVIDENDS

	2005 RMB'000	2004 RMB'000
Declared and paid in year:		
Final dividend for 2004:		
RMB0.06 (2003: Nil) per share	**141,203**	—
Interim dividend for 2005:		
RMB0.07 (2004: RMB0.06) per share	**164,737**	132,407
Proposed subject to approval at the forthcoming annual general meeting:		
Proposed final dividend for 2005:		
RMB0.04 (2004: RMB0.06) per share	**94,135**	141,203

The proposed final dividend for the year ended 31 December 2005 is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on net profit for the year attributable to ordinary shareholders of the Company of approximately RMB560,553,000 (2004: RMB449,889,000) and the weighted average number of 2,328,884,225 (2004: 2,138,688,751) ordinary shares in issue during the year.

Diluted earnings per share amounts for the two years ended 31 December 2005 and 2004 have not been disclosed as no diluting events existed during those years.

11. RETIREMENT BENEFITS AND ACCOMMODATION BENEFITS

Retirement benefits

As stipulated by the PRC State regulations, the Company, its subsidiaries and its jointly controlled entity participate in a defined contribution retirement plan. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Company, its subsidiaries and its jointly controlled entity are required to make contributions to the local social security bureau at rates ranging from 19% to 25% of the employees' average salaries and wages of the year, limited to a ceiling amount of three times of the average basic salaries within the geographical area where the employees are under employment with the Company, its subsidiaries and its jointly controlled entity. The Company, its subsidiaries and its jointly controlled entity have no obligations for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

Accommodation benefits

According to the relevant PRC rules and regulations, the Company, its subsidiaries and its jointly controlled entity and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the Public Accumulation Funds Administration Centre. There are no further obligations on the part of the Company, its subsidiaries and its jointly controlled entity except for such contributions to the accommodation fund.

12. PROPERTY AND EQUIPMENT

Group

31 December 2005	Properties	Leasehold improvements	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
As at 1 January 2005	14,643	618	10,188	15,510	40,959
Additions	—	466	5,873	3,810	10,149
Acquisition of subsidiaries (note 28)	—	—	2,285	1,465	3,750
Disposals	—	—	(374)	(359)	(733)
As at 31 December 2005	14,643	1,084	17,972	20,426	54,125
Accumulated depreciation:					
As at 1 January 2005	1,372	436	3,424	4,952	10,184
Provided for the year	659	92	2,212	3,157	6,120
Acquisition of subsidiaries (note 28)	—	—	670	225	895
Disposals	—	—	(177)	(312)	(489)
As at 31 December 2005	2,031	528	6,129	8,022	16,710
Net book value:					
As at 31 December 2005	12,612	556	11,843	12,404	37,415
As at 31 December 2004	13,271	182	6,764	10,558	30,775

12. PROPERTY AND EQUIPMENT (CONTINUED)

Group

31 December 2004	Properties	Leasehold improvements	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
As at 1 January 2004	11,912	531	7,079	9,812	29,334
Additions	2,731	87	3,480	5,822	12,120
Acquisition of subsidiaries	—	—	291	360	651
Disposals	—	—	(662)	(484)	(1,146)
As at 31 December 2004	14,643	618	10,188	15,510	40,959
Accumulated depreciation:					
As at 1 January 2004	715	270	2,098	2,783	5,866
Provided for the year	657	166	1,556	2,182	4,561
Acquisition of Subsidiaries	—	—	65	43	108
Disposals	—	—	(295)	(56)	(351)
As at 31 December 2004	1,372	436	3,424	4,952	10,184
Net book value:					
As at 31 December 2004	13,271	182	6,764	10,558	30,775
As at 31 December 2003	11,197	261	4,981	7,029	23,468

12. PROPERTY AND EQUIPMENT (CONTINUED)

Company

31 December 2005	**Office equipment** RMB'000	**Motor vehicles** RMB'000	**Total** RMB'000
Cost:			
As at 1 January 2005	5,166	3,726	8,892
Additions	1,170	637	1,807
Disposal	—	(191)	(191)
As at 31 December 2005	6,336	4,172	10,508
Accumulated depreciation:			
As at 1 January 2005	1,041	1,548	2,589
Provided for the year	612	659	1,271
Disposal	—	(161)	(161)
As at 31 December 2005	1,653	2,046	3,699
Net book value:			
As at 31 December 2005	4,683	2,126	6,809
As at 31 December 2004	4,125	2,178	6,303

12. PROPERTY AND EQUIPMENT (CONTINUED)

Company

31 December 2004	**Office equipment** RMB'000	**Motor vehicles** RMB'000	**Total** RMB'000
Cost:			
As at 1 January 2004	1,991	3,154	5,145
Additions	3,304	572	3,876
Disposal	(129)	—	(129)
As at 31 December 2004	5,166	3,726	8,892
Accumulated depreciation:			
As at 1 January 2004	635	920	1,555
Provided for the year	513	628	1,141
Disposal	(107)	—	(107)
As at 31 December 2004	1,041	1,548	2,589
Net book value:			
As at 31 December 2004	4,125	2,178	6,303
As at 31 December 2003	1,356	2,234	3,590

13. GOODWILL/NEGATIVE GOODWILL

Group

	Goodwill RMB'000	Negative goodwill RMB'000	Total RMB'000
31 December 2005			
At 1 January 2005:			
Cost as previously reported	27,729	(432)	27,297
Effect of adopting IFRS 3 (note 2.2.3(a))	(881)	432	(449)
Cost as restated	26,848	—	26,848
Accumulated amortisation as previously reported	(881)	215	(666)
Effect of adopting IFRS 3 (note 2.2.3(a))	881	(215)	666
Accumulated amortisation as restated	—	—	—
Net carrying amount	26,848	—	26,848
Cost at 1 January 2005	26,848	—	26,848
Acquisition of a subsidiary (note 27)	2,942	—	2,942
Acquisition of additional interests in subsidiaries	21,321	—	21,321
Disposal	(101)	—	(101)
Impairment during the year	(18,609)	—	(18,609)
Cost and carrying amount at 31 December 2005	32,401	—	32,401
At 31 December 2005:			
Cost	51,010	—	51,010
Accumulated impairment	(18,609)	—	(18,609)
Net carrying amount	32,401	—	32,401

13. GOODWILL/NEGATIVE GOODWILL (CONTINUED)

Group

	Goodwill RMB'000	Negative goodwill RMB'000	Total RMB'000
31 December 2004			
At 1 January 2004:			
Cost	2,794	(432)	2,362
Accumulated amortisation	(316)	129	(187)
Net carrying amount	2,478	(303)	2,175
Cost at 1 January 2004, net of accumulated amortisation	2,478	(303)	2,175
Acquisition of additional interests in subsidiaries	24,935	—	24,935
Amortisation provided/(recognised as income) during the year	(565)	86	(479)
At 31 December 2004	26,848	(217)	26,631
At 31 December 2004:			
Cost	27,729	(432)	27,297
Accumulated impairment	(881)	215	(666)
Net carrying amount	26,848	(217)	26,631

As at 31 December 2005, a full provision for impairment was made for goodwill arising on the acquisition of an additional 30% interest in Shanghai Songjiang Forte Co., Ltd., a subsidiary of the Company, during the year ended 31 December 2005 according to the annual impairment testing made by the Group, after taking into account almost all property projects of the subsidiary were sold by the end of 2005.

14. INTERESTS IN SUBSIDIARIES

Company

	2005 RMB'000	2004 RMB'000
Unlisted shares, at cost	**1,049,764**	519,985
Due from subsidiaries	**2,375,187**	1,344,174
Due to subsidiaries	**(1,058,576)**	(472,829)
	2,366,375	1,391,330
Provision for impairment	**(2,400)**	(2,400)
	2,363,975	1,388,930

The balances with subsidiaries are unsecured, interest-free and are repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of principal subsidiaries as at 31 December 2005 are as follows:

Name of company	Place and date of incorporation/ establishment	Registered and paid-up capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Shanghai Fushen Property Development Co., Ltd.	PRC 8 October 2001	10,000	90%	—	Property development
Shanghai Yuanjing Property Development Co., Ltd.	PRC 4 November 1998	50,000	60%	—	Property development
Shanghai Resource Property Consultancy Co., Ltd.	PRC 3 July 2002	5,000	90%	9.89%	Property agency
Shanghai Forte Zhibao Property Development Co., Ltd.	PRC 27 May 2003	205,000	75%	—	Property development

14. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment	Registered and paid-up capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Shanghai Songjiang Forte Property Development Co., Ltd.	PRC 27 May 2003	42,213.72	70%	18%	Property development
Shanghai Yihua Property Development Co., Ltd.	PRC 11 January 2001	5,000	50%	—	Property development
Shanghai Cetong Property Brokage Co., Ltd.	PRC 13 May 2004	500	10%	89.9%	Property agency

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, resulted in particulars of excessive length.

15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investment, at cost	**—**	—	**22,500**	22,500
Due from a jointly controlled entity	**121,787**	86,895	**221,431**	157,990
	121,787	86,895	**243,931**	180,490

The balance with the jointly controlled entity is unsecured, interest-free and is repayable on demand. The carrying amounts of these amounts due from a jointly controlled entity approximate to their fair values.

15. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Particulars of the jointly controlled entity as at 31 December 2005 are set out below:

Name of company	Place and date of incorporation/ establishment	Registered and paid-up capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Shanghai Jufeng Property Development Co., Ltd.	PRC 4 June 2002	50,000	45%	—	Property development

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2005 RMB'000	2004 RMB'000
Share of a jointly controlled entity's assets and liabilities:		
Current assets	**561**	682
Non-current assets	**236,642**	302,320
Current liabilities	**(214,748)**	(280,574)
Net assets	**22,455**	22,428

The jointly controlled entity is still in the process of development of its property project, it has not had any operating results since its inception.

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Share of net assets	**219,269**	264,266	**—**	—
Unlisted investments, at cost	**—**	—	**172,050**	169,250
Goodwill on acquisition	**166**	166	**—**	—
Negative goodwill on acquisition	**—**	(172)		
Due from associates	**100,619**	231,184	**86,434**	79,684
Due to associates	**(50,798)**	(40,675)	**(50,000)**	(40,000)
	269,256	454,769	**208,484**	208,934

The balances with associates are unsecured, interest-free and are repayable on demand. The carrying amounts of these amounts due from/to associates approximate to their fair values.

Particulars of the associates as at 31 December 2005, which were all limited companies established in the PRC, are as follows:

Name of company	**Percentage of equity attributable to the Group**	**Principal activities**
Shanghai Furui Property Management Co., Ltd.	49%	Property management
Shanghai Puhua Property Development Co., Ltd.	40%	Property development
Shanghai Fuxin Property Development Co., Ltd.	50%	Property development
Shanghai Jiefang Property Sales and Marketing Co., Ltd.	29.97%	Property agency
Nanjing Dahua Investment Development Co., Ltd.	38%	Property development
Shanghai Xincheng Property Management Co., Ltd.	20%	Property management
Beijing Yuquanxincheng Property Development Co., Ltd.	30%	Property development
Nanjing Dahua Residential Forest Construction Development Co., Ltd.	34%	Property development
Hubei Guangxia Property Development Co., Ltd.	19.78%	Property development
Shanghai Jiefang Real Estate Marketing Co., Ltd.	29.97%	Property agency
Shanghai Petrochemical Xindi Real Estate Co., Ltd.	40%	Property development

16. INTERESTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of the Group's associates' extracted from their financial statements:

	2005 RMB'000	2004 RMB'000
Assets	**3,033,689**	1,951,884
Liabilities	**(2,474,558)**	(1,205,346)
Revenue	**66,314**	666,727
Profit	**6,069**	203,826

17. AVAILABLE-FOR-SALE LONG TERM INVESTMENTS

	Group		Company	
	2005 RMB'000	2004 RMB'000	**2005 RMB'000**	2004 RMB'000
Unlisted investments, at fair value	**250**	250	**250**	250

18. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2005 RMB'000	2004 RMB'000	**2005 RMB'000**	2004 RMB'000
Land cost	**5,509,813**	3,118,870	**12,978**	12,978
Construction costs	**1,878,208**	1,018,861	**14,104**	14,014
Financial costs	**205,781**	47,984	**1,829**	1,829
	7,593,802	4,185,715	**28,911**	28,821
Portion classified as current assets	**(4,913,684)**	(2,646,297)	**—**	—
	2,680,118	1,539,418	**28,911**	28,821

18. PROPERTIES UNDER DEVELOPMENT (CONTINUED)

The Group's properties under development are situated in Shanghai, Wuhan, Nanjing, Beijing, Chongqing, Haikou, Wuxi and Tianjin, the PRC. The Company's properties under development are situated in Shanghai, the PRC.

As at 31 December 2005, certain of the Group's properties under development with a book value of approximately RMB3,863,558,000 (2004: RMB1,016,109,000) were pledged to secure bank loans amounting to RMB1,873 million (2004: RMB563 million) and approximately RMB203,395,000 (2004: Nil) were pledged to secure other loans amounting to RMB200 million (2004: Nil).

19. TRADE RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Outstanding balances aged:				
Within six months	**75,865**	49,897	**1,226**	3,042
More than six months, but within one year	**18,591**	553	**—**	—
	94,456	50,450	**1,226**	3,042

The carrying amounts of trade receivables approximate to their fair value.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**89,321**	420,583	**15,000**	541,789
Deposits and other receivables	**204,117**	386,870	**15,012**	2,069
	293,438	807,453	**30,012**	543,858

The carrying amounts of prepayments, deposits and other receivables approximate to their fair value.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans:				
Unsecured	**75,000**	260,000	—	—
Secured	**1,872,730**	563,000	—	—
	1,947,730	823,000	—	—
Other loans:				
Unsecured	**213,000**	34,816	—	—
Secured	**200,000**	—	—	—
	413,000	34,816	—	—
	2,360,730	857,816	—	—
Repayable:				
Within one year	**527,500**	717,816	—	—
In the second year	**1,063,230**	140,000	—	—
In the third to fifth years, inclusive	**770,000**	—	—	—
	2,360,730	857,816	—	—
Portion classified as current liabilities	**(527,500)**	(717,816)	—	—
	1,833,230	140,000	—	—

The bank loans bear interest at rates ranging from 5.18% to 6.91% (2004: from 4.94% to 6.14%) per annum. The other loans bear interest at rates ranging from 5.22% to 9.20% (2004: 5%) per annum.

As at 31 December 2005, bank loans amounting to RMB1,872,730,000 (2004: RMB563,000,000) were secured on the Group's properties under development with a book value of approximately RMB3,863,558,000 (2004: RMB1,016,109,000) and other loans amounting to RMB200 million (2004: Nil) were secured on the Group's properties under development with a book value of approximately RMB203,395,000 (2004: Nil).

The carrying amounts of the Group's current borrowings approximate to their fair values. The fair value of the Group's non-current borrowings with a carrying amount of RMB1,833,230,000 (2004: RMB140,000,000) is RMB1,834,086,000 (2004: RMB140,084,000) at the balance sheet date.

22. TRADE PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Outstanding balances aged:				
Within six months	**1,160,103**	605,872	**—**	20,469
More than six months, but within one year	**265,766**	68,463	**8,874**	—
Over one year	**218,159**	77,420	**38,074**	36,945
	1,644,028	751,755	**46,948**	57,414

The carrying amounts of trade payables approximate to their fair value.

23. DEFERRED TAX

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax liabilities on fair value adjustments arising from acquisition of subsidiaries:				
At beginning of year	**—**	—	**—**	—
Increase during the year (note27)	**219,308**	—	**—**	—
At end of year	**219,308**	—	**—**	—
Deferred tax assets on losses available for offset against future taxable profit:				
At beginning of year	**—**	—	**—**	—
Increase during the year	**21,359**	—	**—**	—
At end of year	**21,359**	—	**—**	—

24. SHARE CAPITAL

Group and Company

	2005 Number of shares '000	**2004 Number of shares** '000	**2005 RMB'000**	**2004** RMB'000
Registered	**2,353,384**	2,206,782	**470,677**	441,356
Issued and fully paid:				
Domestic Shares of RMB0.20 each	**1,473,768**	1,473,768	**294,754**	294,754
H Shares of RMB0.20 each	**879,616**	733,014	**175,923**	146,602
	2,353,384	2,206,782	**470,677**	441,356

The Domestic Shares are not currently listed on any stock exchange. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

On 3 March 2005, the Company placed an aggregate of 146,602,687 new H Shares to investors at HK$2.82 per H Share (the "Placing"). The net proceeds raised from the Placing, after deducting the relevant expenses of the Placing, are approximately HK$405,100,000 (equivalent to approximately RMB429,658,000), of which issued share capital amounted to RMB29,321,000 and capital reserve amounted to RMB400,337,000.

25. RESERVE

Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company, its subsidiaries and its jointly controlled entity are required to allocate 10% of their profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Company, its subsidiaries and its jointly controlled entity, respectively. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Statutory public welfare fund

According to the Company Law of the PRC, the Company, its subsidiaries and its jointly controlled entity are required to transfer 5% to 10% of their profit after tax to the statutory public welfare fund (the "PWF") which is a non-distributable reserve other than in the event of liquidation of the Company, its subsidiaries and its jointly controlled entity. The fund must be used for capital expenditure on staff welfare facilities. Although such facilities are for staff use, they are owned by the Company, its subsidiaries and its jointly controlled entity.

When the PWF is utilised, an amount equal to the lower of the cost of the assets and the balance of the PWF is transferred from the PWF to the general surplus reserve (the "GSR"). The GSR is non-distributable other than in liquidation. On disposal of the relevant assets, the original transfers from the PWF are reversed.

Distributable reserves

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfers to the SSR and the PWF as set out above.

In accordance with the articles of association of the Company, the Company is required to distribute dividends based on the lower of the Company's profits determined under PRC GAAP and IFRS.

Financial risk management objectives and policies

The Group's exposure to market risk includes primary changes in interest rates. The Group does not hold or issue derivative financial instruments for trading purposes.

26. FINANCIAL INSTRUMENTS

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank loans and borrowings. The Group does not hedge its interest rate fluctuations.

Foreign currency risk

The Group operates in the PRC and its principal activities are transacted in RMB. Therefore, the Group's exposure to market risk relating to changes in foreign currency exchange rate is not significant.

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. The Group does not have any significant credit risk as credit given to any individual or corporate entity is not significant.

Fair values

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Credit risk exposures

The Group's maximum exposure to credit risk in the event that the counterparts fail to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the consolidated balance sheets.

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industrial or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group sells its properties to a diversity of consumers, thereby mitigating any significant concentrations of credit risk.

27. BUSINESS COMBINATION

The fair value of the identifiable assets and liabilities of the subsidiaries acquired during the year as at the respective dates of acquisition and the corresponding carrying amounts immediately before the acquisitions are as follows:

For the year ended 31 December 2005	Baihong		Dingfen		Runjiang		HNWD		HHAH		Total	
	Note 27.1		Note 27.2		Note 27.3		Note 27.4		Note 27.5			
	Recognised on acquisition	Carrying value	Recognised on acquisition	Carrying value	Recognised on acquisition	Carrying value	Recognised on acquisition	Carrying value	Recognised on acquisition	Carrying value	Recognised on acquisition	Carrying value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets												
Property and equipment	1,598	1,598	8	8	1,249	1,249	—	—	—	—	2,855	2,855
Property under development	1,020,543	589,302	323,377	323,377	287,983	170,511	59,105	59,105	21,015	21,015	1,712,023	1,163,310
Including interest capitalised	83,785	83,785	11,230	11,230	—	—	3,880	3,880	—	—	98,895	98,895
Completed properties for sale	304,156	304,156	—	—	—	—	—	—	—	—	304,156	304,156
Cash and bank balances	14,798	14,798	567	567	1,470	1,470	—	—	43	43	16,878	16,878
Prepayments, deposits and other receivables	4,548	4,548	(33)	(33)	147	147	—	—	—	—	4,662	4,662
	1,345,643	914,402	323,919	323,919	290,849	173,377	59,105	59,105	21,058	21,058	2,040,574	1,491,861
Liabilities												
Interest-bearing loans and borrowings	(170,000)	(170,000)	—	—	—	—	—	—	—	—	(170,000)	(170,000)
Trade and notes payables	(33,475)	(33,475)	—	—	—	—	—	—	—	—	(33,475)	(33,475)
Advance from customers	(1,423)	(1,423)	—	—	—	—	—	—	—	—	(1,423)	(1,423)
Accrued liabilities and other payables	(719,327)	(719,327)	(263,919)	(263,919)	(157,832)	(157,832)	895	895	(11,058)	(11,058)	(1,151,241)	(1,151,241)
Deferred tax liabilities	(180,542)	—	—	—	(38,766)	—	—	—	—	—	(219,308)	—
	(1,104,767)	(924,225)	(263,919)	(263,919)	(196,598)	(157,832)	895	895	(11,058)	(11,058)	(1,575,447)	(1,356,139)
Minority interests	—	—	(24,000)	(24,000)	—	—	—	—	—	—	(24,000)	(24,000)
Fair value of net assets	240,876	(9,823)	36,000	36,000	94,251	15,545	60,000	60,000	10,000	10,000	441,127	111,722
Goodwill/(excess over the cost of business combinations) arising on acquisition	(210,876)		—		(5,376)		—		2,942		(213,310)	
Total consideration	30,000		36,000		88,875		60,000		12,942		227,817	

27. BUSINESS COMBINATION (CONTINUED)

An analysis of the net outflow of cash equivalents in respect of the acquisition of subsidiaries is as follows:

Name of subsidiaries	Baihong	Dingfen	Runjiang	HNWD	HHAH	Total
Cash consideration paid	30,000	36,000	78,875	60,000	12,942	217,817
Cash and bank balances	(14,798)	(567)	(1,470)	–	(43)	(16,878)
	15,202	35,433	87,405	60,000	12,899	200,939

27.1 Acquisition of Beijing Baihong Property Development Co., Ltd. ("Baihong")

On 30 April 2005, the Group acquired 100% interests in Baihong, an unlisted company based in Beijing specialising in property development. In connection with the business combination, the Group paid a cash consideration of RMB30,000,000.

From the date of acquisition, Baihong's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2005.

27.2 Acquisition of Shanghai Dingfen Property Development Co., Ltd. ("Dingfen")

On 30 April 2005, the Group acquired 60% interests in Dingfen, an unlisted company based in Shanghai specialising in property development. In connection with the business combination, the Group paid a cash consideration of RMB36,000,000.

From the date of acquisitions, Dingfen's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2005.

27.3 Acquisition of Chongqing Runjiang Real Estate Co., Ltd. ("Runjiang")

On 31 May 2005, the Group acquired 100% interests in Runjiang, an unlisted company based in Chongqing specialising in property development. In connection with the business combination, the Group should pay a cash consideration of RMB88,875,000 of which RMB78,875,000 was paid on the acquisition date. The remaining RMB10,000,000 had not been paid up to 31 December 2005.

From the date of acquisition, Runjiang's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2005.

27. BUSINESS COMBINATION (CONTINUED)

27.4 Acquisition of Hainan New World Development Co., Ltd. ("HNWD")

On 30 April 2005, the Group acquired 100% interests in HNWD, an unlisted company based in Haikou specialising in property development. In connection with the business combination, the Group paid a cash consideration of RMB60,000,000.

From the date of acquisitions, results of HNWD have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2005.

27.5 Acquisition of Hainan Huaqiao Assembly Hall Co., Ltd. ("HHAH")

On 30 April 2005, the Group acquired 100% interests in HHAH, an unlisted company based in Haikou specialising in property development. In connection with the business combination, the Group paid a cash consideration of approximately RMB12,942,000.

From the date of acquisition, HHAH's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2005.

28. COMMITMENTS

` **Operating lease commitments**

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Future minimum lease payments under non-cancellable operating leases for each of the following periods:				
Within one year	**12,995**	12,204	**7,295**	2,139
In the second to fifth years, inclusive	**15,587**	18,737	**6,080**	—
Over five years	**2,850**	3,741	**—**	—
	31,432	34,682	**13,375**	2,139

29. CONTINGENT LIABILITIES

As at 31 December 2005, the Group and the Company provided guarantees of approximately RMB1,228,382,000 (2004: RMB1,468,945,000) and RMB43,132,000 (2004: RMB58,273,000), respectively, in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks on a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group and the Company will be released when the customers pledge their real estate certificates as securities to the banks for the mortgage loans granted by the banks.

As at 31 December 2005, the Company guaranteed banking facilities of its subsidiaries of RMB300,000,000 (2004: RMB450,000,000).

30. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

Name of related parties	Nature of transactions	**2005** **RMB'000**	2004 RMB'000
Recurring transactions			
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (notes a, b & c)	Operating lease in respect of office buildings let by the Company from the related company	**7,230**	4,781
Shanghai Zhong Hang Bie Ye Technology Development Co., Ltd. (notes a & b)	Operating lease in respect of office buildings let by a subsidiary from the related company	**1,702**	1,397
Shanghai Furui Property Management Co., Ltd. (notes a & b)	Property management services provided by the related company	**3,904**	4,420
Beijing Yuquanxincheng Property Development Co., Ltd. (notes a & d)	Sales agency services provided to the related company	**1,921**	—
Shanghai Xingye Investment Development Co., Ltd. (notes a & d)	Sales agency services provided to the related company	**—**	21,446
Non-recurring transactions			
Shanghai Yitong Advertising Co., Ltd. (notes a & d)	Advertising services provided by the related company	**—**	648

Notes:

(a) Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (formerly Shanghai Fosun Industrial Co., Ltd., "SFPG"), Shanghai Zhong Hang Bie Ye Technology Development Co., Ltd., Shanghai Yitong Advertising Co., Ltd. ("SYAC") and Shanghai Xingye Investment Development Co., Ltd. are subsidiaries of Fosun High Technology, the parent company. Beijing Yuquanxincheng Property Development Co., Ltd. and Shanghai Furui Property Management Co., Ltd. ("Furui") are associates of the Group.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The directors consider that the fees for property management services and rentals for office buildings paid to related companies were determined based on prices available to third party customers of the related companies.

(c) On 18 November 2004, the Company and SFPG terminated the original office tenancy agreement and entered into a new office tenancy agreement to lease the property located at levels 5th-7th, Fuxing Business Building, 2 Fuxing Road East, Shanghai 200010, the PRC with a total floor area of 5,125.05 sq.m. Under the new office tenancy agreement, SFIC agreed to let the office premises, which is the current principal place of business of the Company in Shanghai, to the Company for a term of three years commencing from 1 November 2004.

(d) The directors consider that the fees for sales agency services provided to the related companies were determined based on prices available to third party clients.

31. POST BALANCE SHEET EVENTS

On 23 Jan 2006, the board of directors passed a resolution in respect of a proposed offering of short-term notes to inter-bank bond market institutional investors in the PRC (the "Notes Offering"). It is proposed that the amount of the Notes Offering will not exceed RMB1 billion and the interest rate shall be fixed in accordance with market conditions at the time of the Notes Offering. On 16 March 2006, an extraordinary general meeting of the shareholders of the Company was convened to approve the proposal of the Notes Offering according to the above terms.

32. COMPARATIVE AMOUNTS

As further explained in note 2.2, due to the adoption of new and revised IFRSs and the change in accounting policy in respect of revenue recognition during the current year, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and the accounting treatment.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2006.