

2006

Interim Report 2006
(Stock Code: 2337)



The Board of Directors (the "Board") of Shanghai Forte Land Co., Ltd. (the "Company" or "Forte") is pleased to announce its unaudited consolidated interim results of the Company, its subsidiaries and its jointly controlled entities (the "Group") for the six months ended 30 June 2006 (the "Period") prepared in conformity with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board (the "Interim Results"). The Interim Results have been reviewed and confirmed by the Audit Committee of the Company.

Results and Dividends

During the Period, the Group recorded a revenue of approximately RMB973,590,000. Gross profit margin of the Group reached approximately 39.58%. Net profit attributable to shareholders of the Company was approximately RMB281,718,000. Basic earnings per share attributable to ordinary shareholders of the Company amounted to RMB0.116 for the Period. The Board has resolved to declare an interim dividend of RMB0.05 per share for the Period.

Market Review

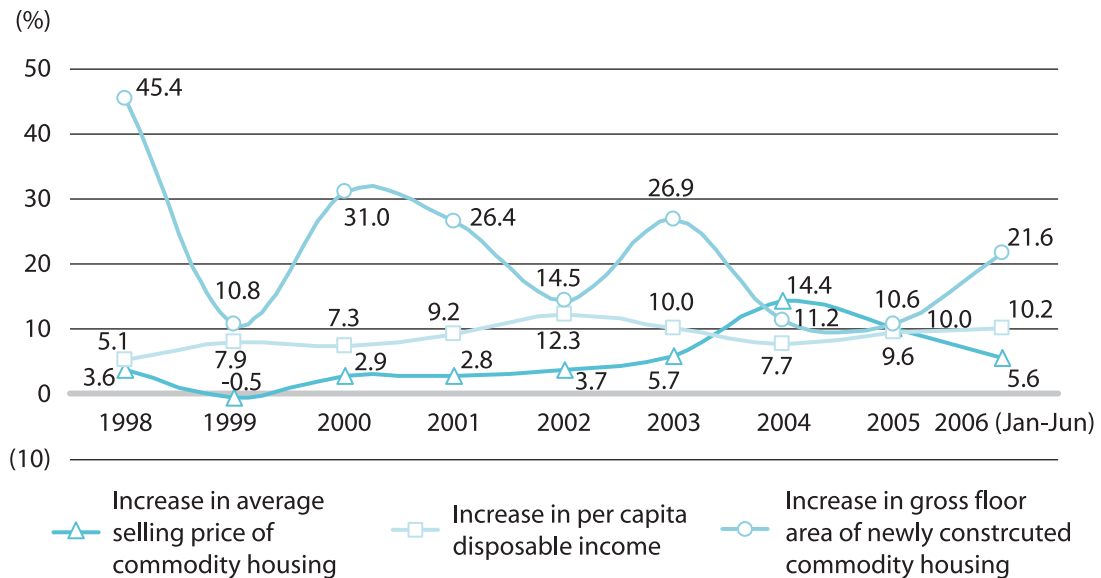
During the first half of 2006, the PRC property market was gradually adjusting to the effects brought by the macro-economic austerity measures introduced by the PRC Central Government last year. There was still an overheating of the property market in some of the PRC cities, resulting in the Central Government launching a new series of macro-economic austerity measures in May. The measures are primarily aimed at suppressing the rocketing housing prices and to facilitate a healthy development in the property industry.

During the Period, the average selling price of commodity housing in 70 of the large and medium-sized PRC cities increased by 5.6% when compares with last year, the increase in property prices was under control.

In the first half of 2006, the rise in the floor area of newly constructed commodity housing was substantial. After the macro-economic austerity measures implemented in 2004 and 2005, the property developers were generally optimistic to the future market development and have again increased capital investment into property development.

The PRC's overall economic growth was faster than expected during the Period, the disposable income per capita in the first half of 2006 increased by 10.2%, which was higher than the growth in property prices in the same period.

Changes in average selling prices of commodity housing, gross floor area of newly constructed commodity housing and per capita disposable income for the PRC between 1998 and the first half of 2006



Note 1: The increase in average selling price of commodity housing price between January and June 2006 represented the increase of the average selling price of commodity housing in 70 of the large and medium-sized cities in the PRC

Note 2: The increases in per capita disposable income and floor area of newly constructed commodity housing between January and June 2006 were based on a comparison to those in the same period of 2005

Note 3: The source of this information is from the National Statistics Bureau

Shanghai

The increasing transaction volume in the Shanghai property market contrasted with the contraction in the property development during the first half of 2006, preparing for a smooth transition under the macro-economic austerity measures.

During the Period, the total gross floor area of residential housing sold was 10.44 million sq.m., representing an increase of 11.8% in comparison with the same period last year. The total gross floor area of newly constructed commodity housing in Shanghai for the first half of 2006 was 8.86 million sq.m., which was lower than the total gross floor areas sold, representing a decrease of 11.9% in comparison with the same period last year.

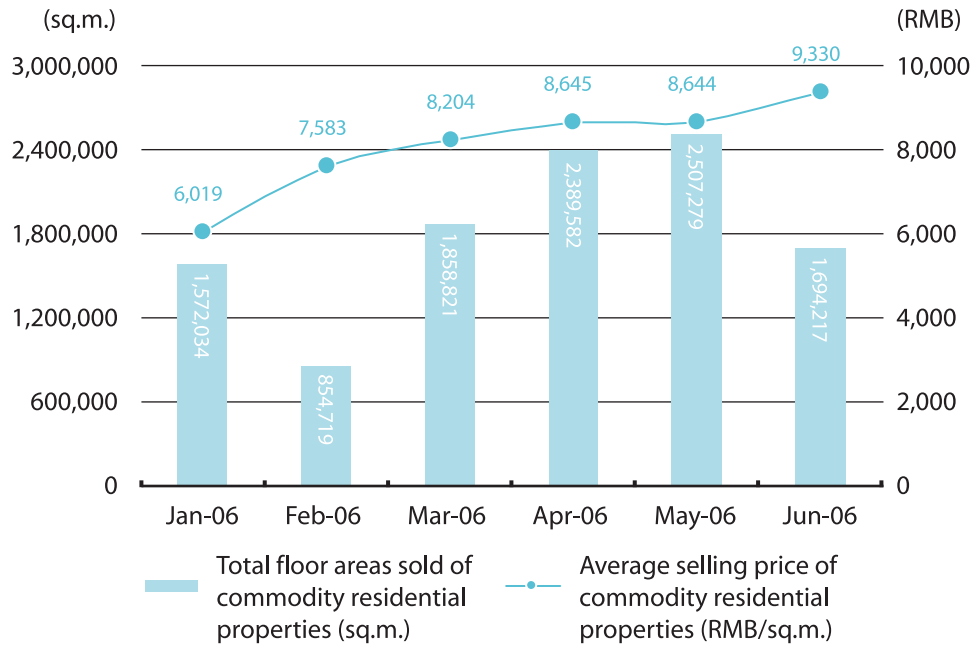
The under-supply situation has steadily driven up the property prices in Shanghai. During the first half of 2006, the average selling price of Shanghai commodity residential properties was RMB8,213 per sq.m..

The increase in the gross floor area of newly constructed commodity residential properties in Shanghai between 2000 and the first half of 2006

	2000	2001	2002	2003	2004	2005 (Jan to Jun)	2006
Increase in gross floor area of newly constructed commodity residential properties	54%	21%	7%	13%	2%	-7%	-11.9%

Note: The source of this information is from the National Statistics Bureau

The gross floor area sold and average selling prices of commodity residential properties in Shanghai from January to June 2006



Note: The source of this information is from Shanghai Property Exchange Center

Beijing, Wuhan, Nanjing, Wuxi and Chongqing

During the first half of 2006, the property development and transaction volume of each of the cities generally rebounded, resulting in the Central Government launching a new series of macro-economic austerity measures in May.

	Beijing		Wuhan		Nanjing		Wuxi		Chongqing	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Area of commodity residential properties sold ('000 sq. m)	10,413	-34.8%	4,000	-5.5%	4,330	18.4%	1,440	-15.8%	7,340	54.2%
Area of newly constructed commodity residential properties ('000 sq. m)	8,029	36.1%	5,200	-6.1%	4,350	23.6%	2,840	6.8%	9,910	18.6%
Average selling price of commodity residential properties (RMB/ sq. m)	7,005	—	—	—	4,398	-1.7%	4,450	13.1%	2,676	-1.8%

Note: Information is provided or calculated according to the relevant statistics from local Statistics Bureaus and local property administration departments

Business Review

During the first half of 2006, the PRC government continued to apply an intervention policy. It implemented measures such as land supply, bank financing and other relevant measures to buffer the over-investment in real property in some cities, buffer the real property prices which have been rising too fast, encourage development of medium to low-end real property in order to promote a healthy development of the real property industry. Under the current government policy, the Group adheres to the concept of "For Better Living" and has been committed to providing quality products and services for the increasing middle class in the city in order to create value for the shareholders. In the first half of this year, the Group has achieved good results, which are reflected in the following aspects:

Property Development

During the Period, there were 30 projects (including joint venture projects in which the Group had an interest) under development, the total Gross Floor Area (the "GFA") of which amounted to approximately 2,062,659 sq.m., and approximately 47.55% of this GFA was outside Shanghai.

During the Period, there were seven newly commenced projects with a GFA of approximately 367,394 sq.m., of which projects located outside Shanghai accounted for approximately 44.81%.

There were six other projects completed for occupation, with a GFA of approximately 434,973 sq.m..

The projects under development in the first half of 2006 are as follows:

No.	Region	Name of Project	Location	Approximate Total GFA (sq.m.)	Interest Attributable to the Group (%)	Remarks
1	Shanghai	Forte Elegant Garden (Phase 1)	No.29 Fuxing East Road, Huangpu District, Shanghai	16,026	87.99	Construction in process
2		Forte Elegant Garden (Phase 2)	No.29 Fuxing East Road, Huangpu District, Shanghai	25,313	87.99	Construction in process
3		Forte Fucheng	No.910 Quyang Road, Hongkou District, Shanghai	151,818	75.00	Construction in process
4		Forte Sunny City (Phase 2B)	No.8 Gulang Road, Putuo District, Shanghai	17,783	98.00	Construction in process
5		Forte Silver Spring Garden (Phase 1)	Lane 399 Dushi Road, Minhang District, Shanghai	110,757	99.67	Construction in process
6		Villa Espana Estilo De Vida (Phase 1) Shanghai	Lane 6666, Waiqingsong Road, Qingpu District, Shanghai	119,569	55.00	Construction in process
7		Yi He Hua Cheng (Phase 3A)	No.479 Wuwei East Road, Putuo District, Shanghai	25,408	50.00	Construction in process
8		Yi He Hua Cheng (Phase 3B 1)	No.479 Wuwei East Road, Putuo District, Shanghai	46,935	50.00	Newly commenced
9		Yi He Hua Cheng (Phase 4)	No.478 Wuwei East Road, Putuo District, Shanghai	75,584	50.00	Construction in process
10		Graceful Oasis (Phase 4 and 5)	Lane 3336 Jinxiu Road, Pudong New District, Shanghai	117,965	40.00	Completed
11		Graceful Oasis (Phase 7)	Lane 3336 Jinxiu Road, Pudong New District, Shanghai	55,611	40.00	Completed
12		Forte Allen Poem (Phase 2A)	Lane 599 Lai Ting South Road, Songjiang District, Shanghai	58,609	99.67	Completed
13		Forte Emerald Riverside	Lane 3688 Wenxiang Road, Songjiang District, Shanghai	44,126	99.89	Completed
14		Gubei New City (East Wing Phase 2)	Lane 511 Wuzhong Road, Minhang District, Shanghai	60,612	50.00	Construction in process
15		Shanghai Baoshan Steel Logistics Service Base (Phase 1)	No.1578 Youyi Road, Baoshan District, Shanghai	151,941	50.00	Newly commenced
16		Forte Domo City (Phase 1 No.5 Building)	Lane 1355 Dahua Road, Baoshan District, Shanghai	3,905	60.00	Newly commenced

Interim Report 2006

No.	Region	Name of Project	Location	Approximate Total GFA (sq.m.)	Interest Attributable to the Group (%)	Remarks
17	Beijing	Peking House	No.21 Xidawang Road, Chaoyang District, Beijing	156,027	98.27	Construction in process
18		Spring Town (Phase 1A)	Yuquan Road, Shijingshan District, Beijing	72,868	30.00	Completed
19		Spring Town (Phase 1B)	Yuquan Road, Shijingshan District, Beijing	40,989	30.00	Construction in process
20		Value Stream (Phase 1)	Changxing Chuang, Xiaotangshan Town, Changping District, Beijing	49,909	99.51	Newly commenced
21		Forte Innateness (Phase 1)	F2 Area, South East Area, Xicheng District, Beijing	45,065	96.00	Newly commenced
22	Wuhan	Forte Cui Wei New City (Phase 1C)	No.16 Cuiwei Heng Road, Hanyang District, Wuhan	85,794	60.00	Completed
23		Forte Cui Wei New City (Phase 2)	No.18 Cuiwei Heng Road, Hanyang District, Wuhan	118,775	60.00	Construction in process
24	Nanjing	Nanjing Graceful Oasis (Phase 1A)	No.59 Puzhu North Road, Pukou District, Nanjing	32,214	38.00	Construction in process
25		Nanjing Graceful Oasis (Phase 1B)	No.59 Puzhu North Road, Pukou District, Nanjing	41,402	38.00	Construction in process
26		Nanjing Graceful Oasis (Phase 1C)	No.59 Puzhu North Road, Pukou District, Nanjing	15,686	38.00	Newly commenced
27		Nanjing Graceful Oasis Riverside Garden	No.59 Puzhu North Road, Pukou District, Nanjing	53,953	38.00	Newly commenced
28		Forte Ronchamp Villa (Phase 3A)	No.88 Fucheng West Road, Nanjing	29,486	99.67	Construction in process
29	Wuxi	Forte Park Town (Phase 1)	No.99 Zhenghe Main Road, Huishan District, Wuxi	94,685	50.00	Construction in process
30	Chongqing	Jinyuntiancheng (Wing A Phase 1)	No.81 Jinyu Main Road, Jingkai District, Chongqing	143,844	99.95	Construction in process
Total				2,062,659		

Note: Including joint venture projects in which the Group had an interest

Sales of Property

During the Period, the Group had contracted to sell an aggregate of GFA of 271,328 sq.m. (including joint venture projects in which the Group had an interest), representing an increase of approximately 47.68% over the same period of last year.

Total GFA sold under contract in the first half of 2006 are as follows:

No.	Region	Name of project	Location	Approximate Total GFA sold (sq.m.)	Interest Attributable to the Group (%)
1	Shanghai	Forte Allen Poem (Phase 2A)	Lane 599 Lai Ting South Road, Songjiang District, Shanghai	7,045	99.67
2		Forte Silver Spring Garden (Phase 1)	Lane 399 Dushi Road, Minhang District, Shanghai	42,802	99.67
3		Forte Emerald Riverside	Lane 3688 Wenxiang Road, Songjiang District, Shanghai	5,719	99.89
4		Graceful Oasis (Phase 4, 5 and 7)	Lane 3336 Jinxiu Road, Pudong New District, Shanghai	23,960	40.00
5		Yi He Hua Cheng (Phase 4)	Lane 577 Zhenjin Road, Putuo District, Shanghai	28,882	50.00
6		Forte Elegant Garden (Phase 2)	No.29 Fuxing East Road, Huangpu District, Shanghai	5,982	87.99
7		Villa Espana Estilo De Vida (Phase 1A)	Lane 6666 Qingsong Highway, Outer Qingpu District, Shanghai	13,902	55.00
8		Villa Espana Estilo De Vida (Phase 1B)	Lane 6666 Qingsong Highway, Outer Qingpu District, Shanghai	22,915	55.00
9		Forte Sunny City (Phase 2B)	No. 8 Gulang Road, Putuo District, Shanghai	2,023	98.00
10		Other projects		4,408	
Sub-total				157,638	

No.	Region	Name of project	Location	Approximate Total GFA sold (sq.m.)	Interest Attributable to the Group (%)
11	Beijing	Peking House	No.21 Xidawang Road, Chaoyang District, Beijing	13,707	98.27
12		Spring Town (Phase 1B)	Yuquan Road, Shijingshan District, Beijing	6,514	30.00
13	Nanjing	Nanjing Graceful Oasis (Phase 1)	No.59 Puzhu North Road, Pukou District, Nanjing	33,782	38.00
14		Forte Ronchamp Villa (Phase 2)	No.88 Fucheng West Road, Nanjing	6,506	99.67
15	Wuhan	Cui Wei New City (Phase 1A, 1B, and 1C)	No.16 Cuiwei Heng Road, Hanyang District, Wuhan	5,140	60.00
16		Cui Wei New City (Phase 2)	No. 16 Cuiwei Heng Road, Hanyang District, Wuhan	41,467	60.00
17	Chongqing	Jinyuntiancheng (Phase 1)	No.81 Jinyu Main Road, Jingkai District, Chongqing	3,707	99.95
18	Wuxi	Forte New City (Phase 1A)	No. 99 Zhenghe Main Road, Huishan District, Wuxi	1,834	50.00
19		Forte New City (Phase 1B)	No. 99 Zhenghe Main Road, Huishan District, Wuxi	377	50.00
20		Forte New City (Phase 1C)	No. 99 Zhenghe Main Road, Huishan District, Wuxi	656	50.00
Total				271,328	

Note: Including joint venture projects in which the Group had an interest

Land Bank

During the Period, the Group increased its land bank by means of acquiring the interest of project company. The newly added land bank during the Period was the Shanghai Baoshan Steel Logistics Service Base project. The site is located in Baoshan District, Shanghai. The total GFA which can be developed on it amounts to approximately 262,800 sq.m.. The legal procedures for changing the registration of business license and shares of that project company is still in process as at 30 June 2006.

Land Bank (As at 30 June 2006)

Region	Approximate total GFA (sq.m.)		Approximate Total GFA (sq.m.)			
	Before interest attributed	After interest attributed	Under construction		Construction not yet commenced	
			Before interest attributed	After interest attributed	Before interest attributed	After interest attributed
Shanghai	1,886,927	1,294,497	805,651	526,403	1,081,276	768,094
Nanjing	1,542,681	627,735	172,741	83,825	1,369,940	543,910
Wuxi	529,220	264,611	94,685	47,343	434,535	217,268
Wuhan	118,775	71,265	118,775	71,265	—	—
Chongqing	790,000	789,605	143,844	143,772	646,156	645,833
Beijing	379,716	344,492	291,990	258,551	87,726	85,941
Tianjin	151,600	151,266	—	—	151,600	151,266
Haikou	133,437	132,658	—	—	133,437	132,658
Total	5,532,356	3,676,129	1,627,686	1,131,159	3,904,670	2,544,970

Together with the land bank already owned by the Group, as at 30 June 2006, the total GFA of land bank owned by the Group amounted to 5,532,356 sq.m., of which the land bank in Shanghai, Nanjing, Wuxi, Wuhan, Chongqing, Beijing, Tianjin and Haikou amounted to approximately 1,886,927 sq.m., 1,542,681 sq.m., 529,220 sq.m., 118,775 sq.m., 790,000 sq.m. 379,716 sq.m., 151,600 sq.m. and 133,437 sq.m. respectively (including joint venture projects in which the Group is had an interest).

The Group's current land bank is sufficient for the development needs for the next four or five years, and thereby provides a solid foundation for its rapid development in the long run.

Outlook for the Second Half of the Year

- In addition to its existing scale, the Company will further expand to one or two new second tier cities.
- The Company may consider acquiring developers which have quality land resources and sound management teams.
- The Company will continue to enhance its flexibility in response to the macro-economic control policies.
- The Company will continue to enhance its regional management by recruiting potentially quality workforce, who will be trained at our Shanghai headquarters so as to strengthen the management of the multiple projects in that region.
- The Company will cautiously seek for opportunities to invest in non-residential projects.
- While expanding our operating scale, we continue to enhance our liquidity management.

Financial Analysis

1. Interim Operating Results

For the Period, the Group recorded a revenue of approximately RMB973,590,000, representing an increase of 60.13% over the same period of 2005 of RMB607,992,000. Increase in revenue was attributable mainly to the increase of sale of completed developments during the Period. Profit attributable to shareholders amounted to approximately RMB281,718,000, representing a decrease of 16.16% over the same period of 2005 of RMB336,032,000. Decrease in profit attributable to shareholders of the Company was attributable mainly to the recognition of negative goodwill of two of its subsidiaries (Beijing Baihong Property Development Co., Ltd. and Chongqing Runjiang Property Development Co., Ltd.) in the amount of approximately RMB216,252,000 in the same period of last year. Based on the weighted average number of shares of 2,431,139,580 of the Company during the Period, the earnings per share amounted to RMB0.116.

2. Financial Resources, Liquidity and Liabilities

During the Period, the Group's liquidity was maintained at a healthy level, and its financial resources were also reasonably distributed. As at 30 June 2006, the Group's total assets amounted to approximately RMB11,477,397,000, of which current assets accounted for approximately RMB8,149,134,000. The Group's total liabilities amounted to approximately RMB6,848,415,000, of which current liabilities accounted for approximately RMB3,906,422,000, and non-current liabilities accounted for approximately RMB2,941,993,000. The equity attributable to shareholders of the Company amounted to approximately RMB4,318,861,000.

As at 30 June 2006, the Group's cash and bank balances amounted to approximately RMB1,826,422,000. The Group has sufficient working capital for its operations, the liquidity of its assets is good and its solvency is healthy.

3. Pledge of Assets

As at 30 June 2006, the Group's properties in the total book value of RMB5,467,203,000 have been pledged to banks as the security for banking facilities granted to the Group, and the bank loans thereof amounted to RMB2,721,480,000.

4. Contingent Liabilities

As at 30 June 2006, the Group provided guarantees of approximately RMB1,718,730,000 in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when obtaining the "property title certificate" for the mortgagees.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statement for the guarantees.

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 30 June 2006, apart from intra-group liabilities.

5. Commitments

As at 30 June 2006, the Group's lease payments under non-cancellable operating leases were RMB26,501,000, of which RMB12,883,000 should be repaid within a year, RMB10,827,000 should be repaid in the next two to five years, both years inclusive, and RMB2,791,000 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 exposure to foreign exchange fluctuations. The Directors do not expect that 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.

Employees

As at 30 June 2006, the Group employed 1,428 full time staff in total. Staff remunerations were determined with reference to the market conditions, the performance, the educational qualifications and experience of staff. The Company has provided the employees with benefits including the pension insurance, the medical insurance, unemployment insurance, occupational accident insurance and child bearing coverage insurance, and housing reserve fund scheme and supplementary housing reserve fund scheme.

Final Dividend of 2005

The Company approved to distribute a final dividend of RMB0.04 per share for the year ended 31 December 2005 at the 2005 annual general meeting. The cheques for the final dividend were despatched to the shareholders on 19 July 2006.

Interim Dividend of 2006

The Board was authorized by the shareholders to consider and approve the payment of an interim dividend of 2006 at the annual general meeting of the Company held on 15 June 2006. The Board has resolved to distribute an interim dividend of RMB0.05 per share for the Period, to shareholders whose names appear on the register of members of the Company as at 29 September 2006. Cheques for the interim dividend will be despatched to the shareholders on Wednesday, 18 October 2006.

According to the articles of association of the Company (the "Articles of Association"), dividends payable to shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to holders of the Company's H shares shall be paid in Hong Kong dollars. The exchange rate to be adopted shall be the average closing rates of the week preceding the date of declaration of dividend as announced by the People's Bank of China.

Closure of Register of Members

In accordance with the Articles of Association, no transfer of shares shall be registered in the register of members five days before the record date determined by the Company for the distribution of dividends. The Company's register of members of H shareholders will be closed from 25 September 2006 to 29 September 2006 (both days inclusive), during which, no transfer of shares will be registered. In order to qualify for the declared interim dividend, all instruments of transfers of H Shares, accompanied by the relevant H share certificates, must be lodged for registration with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 22 September 2006.

Placing of New H Shares

On 3 April 2006, the Company entered into a share placing agreement with Morgan Stanley Dean Witter Asia Limited ("Morgan Stanley"), pursuant to which, Morgan Stanley, being the sole placing agent, agreed to place an aggregate of 175,922,000 new H Shares (the "Placing Shares") to investors at HK\$3.95 per H Share (the "Placing"). The Placing Shares represented approximately 20% and 7.48%, respectively, of the H Shares in issue and the share capital of the Company prior to the Placing and approximately 16.67% and 6.96% respectively of the H Shares in issue and the share capital of the Company as enlarged by the issue of the Placing Shares. The Placing was completed on 12 April 2006. The net proceeds raised from the Placing amounted to approximately HK\$684,400,000, after deducting the commission and related expenses of the Placing.

Shareholdings breakdown before and after the placing of the capital of the Company:

Name of shareholder	Immediately before completion of the Placing		Immediately after completion of the Placing	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Holders of domestic shares				
Shanghai Fosun High Technology (Group) Company Limited ("Fosun High Technology")	1,191,746,150	50.64%	1,191,746,150	47.12%
Shanghai Fosun Pharmaceutical Development Company Limited ("Fosun Pharmaceutical")	267,217,615	11.36%	267,217,615	10.56%
Dahua (Group) Company Limited ("Dahua")	7,402,150	0.31%	7,402,150	0.29%
Dazhong Transportation (Group) Company Limited ("Dazhong")	7,402,150	0.31%	7,402,150	0.29%
Holders of H shares	879,616,122	37.38%	1,055,538,122	41.73%
Total	2,353,384,187	100.00%	2,529,306,187	100.00%

Note: Sum of numbers in table may differ from total due to rounding

Share Capital

Shareholding structure of the Company as at 30 June 2006:

Class of shares	Number of shares	Percentage(%)
Domestic shares	1,473,768,065	58.27
Of which:		
Fosun High Technology	1,191,746,150	47.12
Fosun Pharmaceutical	267,217,615	10.56
Dahua	7,402,150	0.29
Dazhong	7,402,150	0.29
H shares	1,055,538,122	41.73
Total	2,529,306,187	100.00

Note: Sum of numbers in table may differ from total due to rounding

Substantial Shareholders

As at 30 June 2006, the following shareholders (who are not Directors nor chief executives of the Company) had 5% or more beneficial interests or short positions in the issued shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance ("SFO"):

Name of shareholders	Class of shares	Number of shares	Percentage in the relevant class of share capital	Percentage in total share capital
Fosun High Technology	Domestic Shares	1,458,963,765 (Long position) (Note 1)	99.00%	57.68%
Fosun International Limited	Domestic Shares	1,458,963,765 (Long position) (Note 2)	99.00%	57.68%
Fosun Holdings Limited	Domestic Shares	1,458,963,765 (Long position) (Note 3)	99.00%	57.68%
Fosun International Holdings Ltd.	Domestic Shares	1,458,963,765 (Long position) (Note 4)	99.00%	57.68%

Name of shareholders	Class of shares	Number of shares	Percentage in the relevant class of share capital	Percentage in total share capital
Fosun Pharmaceutical	Domestic Shares	267,217,615 (Long position)	18.13%	10.56%
Shanghai Fosun Pharmaceutical (Group) Company Limited ("Fosun Pharmaceutical (Group)")	Domestic Shares	267,217,615 (Long position) (Note 5)	18.13%	10.56%
Capital Research and Management Company	H Shares	91,956,000 (Long position)	8.71%	3.64%
UBS AG	H Shares	85,445,000 (Long position)	8.09%	3.38%
		6,071,000 (Short position)	0.58%	0.24%
Commonwealth Bank of Australia	H Shares	84,400,000 (Long position)	8.00%	3.34%
The Capital Group Companies, Inc.	H Shares	61,652,000 (Long position)	5.84%	2.44%
JPMorgan Chase & Co.	H Shares	61,463,700 (Long position)	5.82%	2.43%
		35,533,700 (Lending pool)	3.37%	1.40%
Platinum Asset Management Limited	H Shares	56,476,000 (Long position)	5.35%	2.23%
TIAA-CREF Investment Management, LLC	H Shares	55,743,884 (Long position)	5.28%	2.20%
Fidelity International Limited	H Shares	53,370,000 (Long position)	5.06%	2.11%

Notes:

1. Out of these 1,458,963,765 shares, 1,191,746,150 shares are directly held by Fosun High Technology and the remaining 267,217,615 shares are deemed indirectly held through Fosun Pharmaceutical (Group) which is a non-wholly owned subsidiary of Fosun High Technology
2. Fosun High Technology is wholly owned by Fosun International Limited. Fosun International Limited is deemed to be interested in 1,191,746,150 shares held by Fosun High Technology and 267,217,615 shares held by Fosun Pharmaceutical
3. Fosun International Limited is wholly owned by Fosun Holdings Limited
4. Fosun Holdings Limited is wholly owned by Fosun International Holdings Ltd.
5. Approximately 90.3% share interest of Fosun Pharmaceutical are held by Fosun Pharmaceutical (Group) who is deemed to be interested in 267,217,615 shares held by Fosun Pharmaceutical

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2006, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which any such Director is taken or deemed to have under such provisions of the SFO) or which was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company:

Name of Director	Nature of Interest	Number of shares	Approximate percentage of shares in issue
Guo Guangchang	Corporate	1,458,963,765	57.68%

- (b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

Name of director	Name of associated corporation	Nature of interest	Number of shares directly and indirectly held	Approximate percentage of shares in issue of the associated corporation
Guo Guangchang	Shanghai Fosun Hongqiao Property Development Co., Ltd.	Corporate	N/A	20%
Guo Guangchang	Shanghai Fujin Property Development Co., Ltd.	Corporate	N/A	10%
Guo Guangchang	Fosun International Holdings Ltd.	Individual	29,000	58%
Fan Wei	Fosun International Holdings Ltd.	Individual	5,000	10%

Purchase, Redemption or Sale of the Listed Securities of the Company

During the Period, neither the Company, nor any of its subsidiaries, nor a jointly controlled entity purchased, redeemed or sold any of the Company's listed securities.

Compliance with the Code Provisions of the Code on Corporate Governance Practices

In the opinion of the Directors, for the Period, the Company had complied with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, who have confirmed that they had complied with the required standard set out in the Model Code for the Period.

Audit Committee

During the Period, there were four members in the audit committee and they were all independent non-executive directors of the Company.

The duties of the audit committee include reviewing and supervising the Group's financial reporting procedures and the internal controls systems as well as providing advice to the Board. The audit committee has reviewed the Company's 2006 interim financial report for the Period.

Disclosure of Information on the Stock Exchange's Website

The Company will submit to the Stock Exchange and publish on the website of the Stock Exchange (website: <http://www.hkex.com.hk>) all the information as required under paragraphs 46(1) and 46(6) of Appendix 16 of the Listing Rules in due course.

Others

As at the date of this announcement, the executive directors of the Company are Mr. Guo Guangchang, Mr. Fan Wei and Mr. Ding Guoqi, the non-executive director is Mr. Feng Xiekun and the independent non-executive directors are Mr. Charles Nicholas Brooke, Mr. Chen Yingjie, Mr. Zhang Hongming and Ms. Wang Meijuan.

By Order of the Board

Guo Guangchang

Chairman

Shanghai, the PRC, 8 August 2006

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Revenue	4	973,590	607,992
Cost of properties sold		(588,215)	(332,378)
Gross profit		385,375	275,614
Other income and gains	4	74,494	224,237
Selling expenses		(77,489)	(34,140)
Administrative expenses		(75,809)	(46,379)
Other expenses		(1,852)	(356)
Finance costs	5	(585)	(325)
Share of profits and losses of associates		101,092	3,005
Profit before tax	5	405,226	421,656
Tax	6	(109,986)	(74,698)
Profit for the period		295,240	346,958
Attributable to:			
Shareholders of the Company		281,718	336,032
Minority interests		13,522	10,926
		295,240	346,958
Dividends			
Proposed interim	7	126,465	164,737
Earnings per share attributable to ordinary shareholders of the Company – basic (RMB)	8	0.116	0.146

Condensed Consolidated Statement of Changes in Equity

	For the six months ended 30 June	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Issued and fully paid share capital		
At beginning of period	470,677	441,356
Issue of shares	35,184	29,321
At end of period	505,861	470,677
Capital reserve		
At beginning of period	1,952,881	1,552,544
Issue of shares	682,121	409,214
Share issue expenses	(10,493)	(8,877)
At end of period	2,624,509	1,952,881
Statutory surplus reserve		
At beginning and end of period	195,770	158,348
Statutory public welfare fund		
At beginning and end of period	147,160	110,041
Retained earnings		
At beginning of period as previously reported	570,880	769,714
Effect of change in accounting policy on revenue recognition	—	(426,363)
Effect of adopting IFRS3	—	389
At beginning of period as restated	570,880	343,740
Net profit for the period attributable to shareholders of the Company	281,718	336,032
Adjustment on 2005 proposed final dividend resulting from shares issued in April 2006	(7,037)	—
Proposed interim dividend	(126,465)	(164,737)
At end of period	719,096	515,035
Reserves	3,686,535	2,736,305

	For the six months ended 30 June	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Proposed dividends		
At beginning of period	94,135	141,203
Adjustment on 2005 proposed final dividend resulting from shares issued in April 2006	7,037	—
Payment of final dividend	(101,172)	(141,203)
Proposed interim dividend	126,465	164,737
At end of period	126,465	164,737
Minority interests		
At beginning of period as previously reported	322,515	260,008
Effect of change in accounting policy on revenue recognition	—	(85,122)
At beginning of period as restated	322,515	174,886
Net profit for the period attributable to minority shareholders	13,522	10,926
Capital contribution from minority shareholders	—	6,486
Arising from acquisition of a subsidiary	—	24,000
Acquisition of minority interests from minority shareholders	263	(2,114)
Arising from disposal of a subsidiary	5	—
Dividends paid to minority shareholders	(26,184)	(54,455)
At end of period	310,121	159,729
Total equity	4,628,982	3,531,448

Condensed Consolidated Balance Sheet

		30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
	Notes		
Non-current assets			
Property and equipment		40,001	37,415
Goodwill		32,664	32,401
Deferred tax assets		26,377	21,359
Interests in jointly controlled entities		86,160	121,787
Interests in associates		234,037	269,256
Payments in advance		63,685	—
Available-for-sale investments		250	250
Properties under development	9	2,522,089	2,680,118
Investment properties	10	323,000	—
Total non-current assets		3,328,263	3,162,586
Current assets			
Cash and cash equivalents		1,826,422	923,035
Short term investment		150,000	—
Trade receivables	11	83,639	94,456
Prepayments, deposits and other receivables		295,473	293,438
Completed properties for sale		297,604	536,211
Properties under development	9	5,470,265	4,913,684
Tax recoverable		25,731	53,638
Total current assets		8,149,134	6,814,462
Current liabilities			
Interest-bearing loans and other borrowings	12	822,680	527,500
Trade payables	13	947,593	1,644,028
Advances from customers		1,475,922	1,306,028
Accrued liabilities and other payables		603,179	626,877
Tax payable		57,048	66,059
Total current liabilities		3,906,422	4,170,492
Net current assets		4,242,712	2,643,970
Total assets less current liabilities		7,570,975	5,806,556

	Notes	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
Non-current liabilities			
Interest-bearing loans and other borrowings	12	2,717,306	1,833,230
Deferred tax liabilities		224,687	219,308
Total non-current liabilities		2,941,993	2,052,538
Net assets		4,628,982	3,754,018
Equity			
Equity attributable to shareholders of the Company:			
Issued capital	14	505,861	470,677
Reserves		3,686,535	2,866,691
Proposed interim dividend	7	126,465	94,135
		4,318,861	3,431,503
Minority interests		310,121	322,515
Total Equity		4,628,982	3,754,018

Guo Guangchang

Director

Fan Wei

Director

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Net cash outflow from operating activities	(937,319)	(773,466)
Net cash inflow/(outflow) from investing activities	172,243	(123,642)
Net cash outflow before financing activities	(765,076)	(897,108)
Net cash inflow from financing activities	1,668,463	625,049
Net increase/(decrease) in cash and cash equivalents	903,387	(272,059)
Cash and cash equivalents at beginning of period	923,035	1,037,815
Cash and cash equivalents at end of period	1,826,422	765,756
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,826,422	765,756

Notes to Condensed Financial Statements

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited condensed interim consolidated accounts should be read in conjunction with the 2005 annual accounts.

The condensed interim consolidated financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

The basis of preparation and accounting policies used in the preparation of the condensed interim consolidated financial statements are the same as those used in the annual consolidated financial statements for the year ended 31 December 2005, except for the adoption of accounting policy on investment properties as follows:

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group's accounts for such property in accordance with the policy for property and equipment up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy for property and equipment. For transfers from completed properties for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes the construction development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs relevant to the Group's financial statements, that have been issued but not yet effective in the period covered by these interim financial statements which are effective for periods beginning on or after 1 January 2007:

IAS 1 Amendment

Capital disclosures

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.

3. SEGMENT INFORMATION

The Group's turnover and profit for the six months ended 30 June 2005 and 2006 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 and geographical segments is provided.

4. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of properties	1,028,223	639,083
Property agency income	7,587	13,141
Property sales planning and advertising income	5,273	4,186
Construction supervisory income	672	270
	1,041,755	656,680
Less: Business tax, land appreciation tax ("LAT") and government surcharges	(68,165)	(48,688)
Revenue	973,590	607,992
Government grants	31,469	1,650
Fair value gains on investment properties	16,299	—
Gain on disposal of interest in an associate	17,950	—
Gain on disposal of interest in a subsidiary	3,271	70
Interest income	4,356	1,046
Rental income	526	4,910
Excess over the cost of business combinations realised as income	—	216,252
Registration income	—	6
Others	623	303
Other income and gains	74,494	224,237
Total revenue, other income and gains	1,048,084	832,229

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	84,497	22,333
Less: Interest capitalised	(84,497)	(22,246)
	—	87
Exchange losses	569	195
Bank charges and others	16	43
Finance costs	585	325
Average interest rate of interest capitalised	6.05%	5.40%
Depreciation	3,573	2,806
Loss on disposal of property and equipment	236	144
Auditors' remuneration	881	1,184
Staff costs		
Wages and salaries	45,666	32,458
Retirement costs:		
– defined contribution fund	2,812	2,432
Accommodation benefits:		
– defined contribution fund	1,630	753

6. 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%.

All other subsidiaries, associates and jointly controlled entities 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 has no assessable profits arising in Hong Kong for the six months ended 30 June 2006.

Major components of income tax expense for the six months ended 30 June 2006 are as follows:

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Group:		
– Current	109,625	74,698
– Deferred	361	—
Income tax expense	109,986	74,698

6. TAX (Continued)

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

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax excluding share of profits and losses of associates:	304,134	418,651
Non-taxable profit of subsidiaries	—	(2,437)
Profit subject to income tax	304,134	416,214
Tax at applicable tax rate of		
33%	97,947	128,815
15%	1,099	3,880
Sub-total	99,046	132,695
Tax effect of:		
Income not subject to tax	(1,458)	(71,363)
Expenses not deductible for tax	12,398	13,366
Income tax expense	109,986	74,698

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

According to tax notices of LAT issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 0.5% 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 30 June 2006, which would otherwise have accumulated to approximately RMB155,497,000 (31 December 2005: RMB108,635,000) attributable to the Group after netting off potential income tax savings.

6. TAX (Continued)

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.

7. DIVIDENDS

(a) Dividend attributable to the interim period

The board of directors was authorised by the shareholders to consider and approve the payment of an interim dividend of 2006 at the annual general meeting of the Company held on 15 June 2006. The board of directors has resolved to declare an interim dividend of RMB0.05 (for the six months ended 30 June 2005: RMB0.07) per share for the six months ended 30 June 2006 to shareholders (including holders of domestic shares and holders of H Shares) whose names appeared on the register of members of the Company as at 29 September 2006.

(b) Dividend declared and paid during the period

	For the six months ended 30 June	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Final dividend for 2005 of RMB0.04 per share (2004: RMB0.06 per share)		
Declared and paid during the period	101,172	141,203

8. 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 six months ended 30 June 2006 attributable to ordinary shareholders of the Company of approximately RMB281,718,000 (2005: RMB336,032,000) and the weighted average number of 2,431,139,580 (2005: 2,308,836,409) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2005 and 2006 have not been disclosed as no diluting events existed during those periods.

9. PROPERTIES UNDER DEVELOPMENT

	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
Land costs	5,736,576	5,509,813
Construction costs	1,994,354	1,878,208
Financial cost capitalised	261,424	205,781
Total costs	7,992,354	7,593,802
Portion classified as current assets	(5,470,265)	(4,913,684)
	2,522,089	2,680,118

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

As at 30 June 2006, certain of the Group's properties under development with a book value of approximately RMB4,502,486,000 (31 December 2005: RMB3,863,558,000) were pledged to secure bank loans amounting to RMB2,137,480,000 (31 December 2005: RMB1,873,000,000) and approximately RMB641,717,000 (31 December 2005: RMB203,395,000) were pledged to secure other loans amounting to RMB450,000,000 (31 December 2005: RMB200,000,000).

10. INVESTMENT PROPERTIES

	RMB'000 (Unaudited)
Carrying amount at 1 January 2006	—
Additions	306,701
Gain arising from fair value adjustment	16,299
Carrying amount at 30 June 2006	323,000

The Group's investment properties are situated in Beijing, the PRC, and are held under medium lease terms.

The Group's investment properties were revalued on 30 June 2006 by Sallmanns (Far East) Limited, an independent professionally qualified valuer, at RMB323,000,000, on an open market, existing use basis. The investment properties are planned to be leased to third parties under operating leases.

As at 30 June 2006, the Group's investment properties with a value of approximately RMB323,000,000 (31 December 2005: Nil) were pledged to secure bank loans amounting to RMB134,000,000 (31 December 2005: Nil).

11. TRADE RECEIVABLES

	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
Outstanding balances aged:		
Within six months	40,300	75,865
More than six months, but within one year	27,667	18,591
More than one year, but within two years	15,672	—
	83,639	94,456

12. INTEREST-BEARING LOANS AND OTHER BORROWINGS

	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
Bank loans:		
Unsecured	566,500	75,000
Secured	2,271,480	1,872,730
	2,837,980	1,947,730
Other borrowings:		
Unsecured	252,006	213,000
Secured	450,000	200,000
	702,006	413,000
	3,539,986	2,360,730
Repayable:		
Within one year	822,680	527,500
In the second year	2,410,500	1,063,230
In the third to fifth years, inclusive	306,806	770,000
	3,539,986	2,360,730
Portion classified as current liabilities	(822,680)	(527,500)
	2,717,306	1,833,230

The bank loans bear interest at rates ranging from 5.12% to 6.43% (31 December 2005: from 5.18% to 6.91%) per annum. The other borrowings bear interest at rates from nil to 9.20% (31 December 2005: from 5.22% to 9.20%).

As at 30 June 2006, bank loans amounting to RMB2,271,480,000 (31 December 2005: RMB1,872,730,000) were secured on the Group's properties under development with book value of approximately RMB4,502,486,000 (31 December 2005: RMB3,863,558,000) and one of the Group's investment properties with book value of approximately RMB323,000,000 (31 December 2005: Nil). Other borrowings amounting to RMB450,000,000 (31 December 2005: RMB200,000,000) were secured on the Group's properties under development with book value of approximately RMB641,717,000 (31 December 2005: RMB203,395,000).

13. TRADE PAYABLES

	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
Outstanding balances aged:		
Within six months	714,570	1,160,103
More than six months, but within one year	131,511	265,766
Over one year	101,512	218,159
	947,593	1,644,028

14. SHARE CAPITAL

	30 June 2006 Number of shares '000	31 December 2005 Number of shares '000	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
Registered	2,529,306	2,353,384	505,861	470,677
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	1,055,538	879,616	211,107	175,923
Total	2,529,306	2,353,384	505,861	470,677

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 12 April 2006, the Company placed an aggregate of 175,922,000 new H Shares to investors at HK\$3.95 per H Share (the "Placing"). The net proceeds raised from the Placing, after deducting the commission and related expenses of the Placing, are approximately HK\$684,400,000 (equivalent to approximately RMB706,813,000), of which issued share capital amounted to RMB35,184,000 and capital reserve amounted to RMB671,629,000.

15. COMMITMENTS

Operating lease commitments

	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
Future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Within one year	12,883	12,995
In the second to fifth years, inclusive	10,827	15,587
Over five years	2,791	2,850
	26,501	31,432

16. CONTINGENT LIABILITIES

As at 30 June 2006, the Group provided guarantees of approximately RMB1,718,730,000 in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when those purchasers obtained their respective "property title certificate".

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statement for the guarantees.

17. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

Name of related parties	Nature of transactions	For the six months ended 30 June	
		2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Recurring transactions			
Fosun Pharmaceutical (Group) (notes a, b & c)	Operating lease in respect of office buildings rented by the Company from the related company	4,051	3,598
Shanghai Furui Property Management Co., Ltd. (notes a & b)	Property management services provided by the related company	3,450	1,204
Shanghai Zhong Hang Bie Ye Technology Development Co., Ltd. (notes a & b)	Operating lease in respect of office buildings rented by a subsidiary from the related company	1,125	851
Beijing Yuquanxincheng Property Development Co., Ltd. (notes a & d)	Sales agency services provided to the related company	534	—
Shanghai Petrochemical Xindi Real Estate Co., Ltd. (notes a & b)	Trust loan provided by the related company	3,200	—

17. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) Fosun Pharmaceutical (Group) (formerly Shanghai Fosun Industrial Co., Ltd., "SFIC") and Shanghai Zhong Hang Bie Ye Technology Development Co., Ltd. are subsidiaries of Fosun High Technology, the parent company. Beijing Yuquanxincheng Property Development Co., Ltd., Shanghai Furui Property Management Co., Ltd. and Shanghai Petrochemical Xindi Real Estate Co., Ltd. are associates of the Group.
- (b) The directors consider that the fees for property management services, rentals for office buildings and interest of trust loan 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 SFIC 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 5,161.77 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.

18. POST BALANCE SHEET EVENTS

No significant events have taken place subsequent to 30 June 2006.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The interim financial report was approved by the board of directors on 8 August 2006.

Corporate Information

Executive Directors

Guo Guangchang

Fan Wei

Ding Guoqi

Non-Executive Director

Feng Xiekun

Independent Non-Executive Directors

Charles Nicholas Brooke

Chen Yingjie

Zhang Hongming

Wang Meijuan

Authorized Representatives

Fan Wei

Ding Guoqi

Company Secretary

Lo Yee Har Susan

Registered Office in the PRC

9th Floor

510 Caoyang Road

Shanghai

PRC

Principal Place of Business in the PRC

5th-7th Floor

Fuxing Business Building

No. 2 East Fuxing Road

Shanghai 200010

PRC

Tel: (8621) 6332 0055/6332 2337

Fax: (8621) 6332 5018

Email: contact@forte.com.cn

Website:

www.forte.com.cn

Place of Business in Hong Kong

Level 28

Three Pacific Place

1 Queen's Road East

Hong Kong

Auditors

Ernst & Young

Legal Advisor as to Hong Kong Law

Herbert Smith

Legal Advisor as to PRC Law

Chen & Co. Law Firm

Hong Kong H Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Principal Bankers

Agricultural Bank of China

Shanghai Pudong Development Bank

China Construction Bank

China Merchants Bank

Bank of Communications

Industrial and Commercial Bank of China

Stock Code

2337