

The board of directors of the Company presents its report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

### **Principal activities**

The Group is principally engaged in property development. There were no significant changes in the nature of the Group's principal activities during the year.

### **Results and dividends**

The Group's profit for the year ended 31 December 2006 and the financial position of the Company and the Group at that date are set out in the financial statements recording up till 31 December 2006.

An interim dividend of RMB0.05 per ordinary share was paid on 18 October 2006.

The directors recommend a final dividend of RMB0.04 per ordinary share for the shareholders whose names appear on the register of members of the Company as at 28 June 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

According to the Articles of Association, all 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 five working days preceding the date of declaration of dividend as announced by the People's Bank of China.

### **Closure of register of members**

The Company's register of members will be closed between Tuesday, 29 May 2007 to Thursday, 28 June 2007 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for (i) the declared final dividend which is to be approved at the annual general meeting; and (ii) attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged at the Company's H Share register in Hong Kong, Computershare Hong Kong Investor Services Limited at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00pm, on Monday, 28 May 2007.

## Summary financial information

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out in the section entitled “Financial Highlights” in the annual report. This summary does not form part of the audited financial statements.

## Property, equipment and investment property

Details of changes in property, equipment and investment property of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements.

## Principal properties under development

Details of the principal properties under development of the Group for the year are set out in the section entitled “Management Discussion and Analysis” in the annual report.

## Share capital

Details of changes in the Company’s share capital during the year are set out in note 31 to the financial statements.

## 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 arising from the Placing amounted to approximately HK\$684,400,000, after deducting the commission and related expenses of the Placing. These proceeds were fully used to fund the Group’s property development.

## Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2006, so far as the directors are aware, the following persons (who are not Directors,

Supervisors or senior management) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (the "SFO").

Name of substantial shareholders	Class of shares	Number of shares	Approximate percentage in the relevant class of share capital (%)	Approximate percentage in the total share capital (%)
Fosun High Technology	Domestic shares	1,458,963,765(L) (Note 1)	99.00	57.68
Fosun International Limited	Domestic shares	1,458,963,765(L) (Note 2)	99.00	57.68
Fosun Holdings Limited	Domestic shares	1,458,963,765(L) (Note 3)	99.00	57.68
Fosun International Holdings Ltd.	Domestic shares	1,458,963,765(L) (Note 4)	99.00	57.68
Shanghai Fosun Pharmaceutical Development Co., Ltd.	Domestic shares	267,217,615(L)	18.13	10.56
Fosun Pharmaceutical	Domestic shares	267,217,615(L) (Note 5)	18.13	10.56
Capital Research and Management Company	H shares	91,956,000(L)	8.71	3.64
Platinum Asset Management Limited	H shares	86,256,000(L)	8.17	3.41
JPMorgan Chase & Co.	H shares	82,607,700(L)	7.83	3.27
		75,139,700(P)	7.12	2.97
TIAA-CREF Investment Management, LLC	H shares	76,485,884(L)	7.25	3.02
T. Rowe Price International, Inc. on behalf of our advisory clients	H shares	73,214,000(L)	6.94	2.89
UBS AG	H shares	61,973,900(L)	5.87	2.45
	H shares	1,600,000(S)	0.15	0.06
Wellington Management Company, LLP	H shares	53,512,000(L)	5.07	2.12

### Notes:

- Of these 1,458,963,765 shares, 1,191,746,150 shares are directly held by Fosun High Technology and 267,217,615 shares are deemed corporate interests indirectly held through the wholly owned subsidiary of Fosun Pharmaceutical.
- Fosun High Technology is a wholly-owned subsidiary of Fosun International Limited. Fosun International Limited is deemed to be interested in the 1,191,746,150 shares directly held by Fosun High Technology and 267,217,615 shares held by Shanghai Fosun Pharmaceutical Development Co., Ltd.

3. Fosun International Limited is wholly owned by Fosun Holdings Limited.
4. Fosun Holdings Limited is wholly owned by Fosun International Holdings Limited.
5. Fosun Pharmaceutical owns approximately 100% equity interest in Shanghai Fosun Pharmaceutical Development Co., Ltd. It is deemed to be interested in the 267,217,615 shares held by Shanghai Fosun Pharmaceutical Development Co., Ltd.
6. The letter (“L”), (“P”) and (“S”) denote a long position, lending pool and short position, respectively.

### Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

### Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries or its jointly-controlled entities purchased, redeemed or sold any of the Company’s listed securities during the year.

### Reserves

Details of changes in the reserves of the Company and the Group during the year are set out in the financial statements in the annual report.

### Distributable reserves

As at 31 December 2006, the Company’s reserves available for distribution, calculated in accordance with relevant rules and regulations and the Articles of Association, amounted to RMB2,927,105,000 (including the reserves which may be distributed by way of bonus shares), of which RMB101,172,000 has been proposed as a final dividend for the year.

In accordance with the Articles of Association, the Company is required to distribute dividends based on the lower of the Company’s distributable reserves determined under PRC GAAP and International Financial Reporting Standards (“IFRS”).

The Company’s distributable reserves as at 31 December 2006 were determined under IFRS, which were lower than those determined under PRC GAAP. According to the Company’s financial statements prepared in accordance with IFRS, retained earnings were RMB302,595,000 as at 31 December 2006. In addition, the Company’s capital reserve amount, in the amount of RMB2,624,510,000, may be distributed in the form of fully paid bonus shares.

## Charitable contributions

During the year, the Group made charitable contributions totalling RMB1,779,000.

## Major customers and suppliers

The five largest customers and the five largest construction contractors contributed less than 30% of the total operating revenue and total construction costs, respectively, of the Group during the year. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

None of the Directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers and five largest contractors.

## Directors

The directors of the Company during the year were:

### Executive Directors:

Mr. Guo Guangchang, Chairman

Mr. Fan Wei, President

Mr. Ding Guoqi

### Non-executive Director:

Mr. Feng Xiekun

### Independent non-executive Directors:

Mr. Charles Nicholas Brooke

Mr. Chen Yingjie

Mr. Zhang Hongming

Ms. Wang Meijuan

Pursuant to article 95 of the Articles of Association, the term of each Director is 3 years.

The Company has received annual confirmations of independence from Charles Nicholas Brooke, Chen Yingjie, Zhang Hongming and Wang Meijuan, and as at the date of this report still considers them to be independent.

## Director's, Supervisors' and senior management's biographies

Biographical details of the Directors and Supervisors of the Company and senior management of the Group are set out under the section entitled "Profile of Directors, Supervisors and Senior Management" in the annual report.

## Directors' and Supervisors' service contracts

Each of the Directors and Supervisors of the Company has entered into a service contract with the Company for a term of three years.

None of the Directors and Supervisors has entered into any service contract with the Company which cannot be terminated by the Company within one year without payment of compensation, other than statutory compensation.

### **Directors' remuneration**

Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of Directors with reference to Directors' duties and responsibilities.

### **Directors' and Supervisors' interests in contracts**

No Director or Supervisor had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

### **Directors' and Supervisors' rights to acquire shares**

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, Supervisors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

### **Directors' and Supervisors' interests in a competing business**

During the year, none of the Directors and Supervisors had any interest in a business which competes or may compete with the businesses of the Group.

### **Directors' and Supervisors' interests and short positions in shares and underlying shares**

As at 31 December 2006, the interests and short positions of the Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director has taken or deemed to have taken under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

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

<b>Name of director</b>	<b>Type of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of the total number of shares in issue</b>
Guo Guangchang	Corporate	1,458,963,765	57.68%

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

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Nature of interest</b>	<b>Number of shares directly and indirectly held</b>	<b>Approximate percentage of shares in issue of the associated corporation</b>
Guo Guangchang	Fosun International Holdings Limited	Individual	29,000	58%
Fan Wei	Fosun International Holdings Limited	Individual	5,000	10%

### Connected transactions

For the year ended 31 December 2006, the Company had the following connected transactions and had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

#### Connected transaction during the year

For the year ended 31 December 2006, the Company has not entered into any new connected transaction.

### Continuing connected transactions

As discussed in the prospectus of the Company, set out below is a summary of the ongoing connected transactions of the Group for which either the Stock Exchange has granted a waiver or they are exempted from the independent shareholders' approval requirements but subject to disclosure requirements under the Listing Rules:

**(A) Property sales underwriting agreement**

In August 2002, Shanghai Resources Property Consultancy Co., Ltd. (“Resource Consultancy”), a subsidiary of the Company, entered into a property sales underwriting agreement (the “Property Sales Underwriting Agreement”) with Shanghai Fuxin Property Development Co., Ltd. (“Fuxin”), pursuant to which Resource Consultancy agreed to underwrite the sales of all residential units of Gubei New City (East Wing) at the agreed underwriting prices as set out in the agreement. Details of Gubei New City (East Wing) and the terms of the Property Sales Underwriting Agreement were disclosed in the prospectus.

According to the Property Sales Underwriting Agreement, the underwriting period for Resource Consultancy to underwrite Phase 2 of Gubei New City (East Wing) started in 2006. By the last stage of this report, 49,589 sq.m. of the residential units of Phase 2 has been sold out. Resource Consultancy has received RMB45,000,000 from Fuxin as sales agent fee pursuant to the Property Sales Underwriting Agreement.

Fuxin is equally owned by the Company and Shanghai Xinchangning, a promoter of the Company. Accordingly, Fuxin is regarded as a connected person of the Company under the Listing Rules.

**(B) Office tenancy agreement**

On 18 November 2004, the Company and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“Fosun Pharmaceutical”) entered into an office tenancy agreement (the “Office Tenancy Agreement”). Under the Office Tenancy Agreement, Fosun Pharmaceutical agreed to let office premises located at Levels 5-7 of Fuxing Business Building with total floor area of 5,125 sq.m. (the “Office Premises”) to the Company for a term of three years commencing from 1 November 2004. The rent payable by the Company under the Office Tenancy Agreement is RMB 2.24 per sq.m. per day plus an additional RMB 2.12 per sq.m. per day as management fees and other utility expenses.

The total amount paid by the Company to Fosun Pharmaceutical under the Office Tenancy Agreement during the year amounted to approximately RMB8,101,914.24.

Fosun Pharmaceutical is a subsidiary of Fosun High Technology which is a substantial shareholder of the Company as to 47.12% equity interest as at 31 December 2006. Accordingly, Fosun Pharmaceutical is regarded as a connected person of the Company under the Listing Rules.



**(C) Shareholder’s loan to Nanjing Dahua Investment Development Co., Ltd. (“Nanjing Dahua”)**

During the year, the Company provided financial assistance to Nanjing Dahua by way of shareholder’s loan which is interest-free and payable on demand (the “Shareholder’s Loan”). The Shareholder’s Loan was provided in proportion to the ratio of equity interest held by the Company in Nanjing Dahua. The purpose of the Shareholder’s Loan was for the funding of property development undertaken by Nanjing Dahua. As on 31 December 2006, the Shareholder’s Loan made by the Company to Nanjing Dahua amounted to RMB76,033,169.

Nanjing Dahua is a subsidiary of Dahua, a promoter and a shareholder of the Company. Accordingly, Nanjing Dahua is regarded as a connected person of the Company under the Listing Rules.

In respect of the connected transaction as described in paragraph (A) above, the Stock Exchange has granted a waiver to the Company from compliance with the requirements of independent shareholders’ approval under the Listing Rules but subject to disclosure in the Company’s annual report.

The continuing connected transactions described on paragraphs (B) and (C) are exempt from independent shareholders’ approval under Rule 14A.34 of the Listing Rules but subject to disclosure in the Company’s annual report.

The independent non-executive Directors have reviewed the continuing connected transactions as described in (A), (B) and (C) above and confirmed that such connected transactions have been conducted:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable to the Group than terms available to or from (as appropriate) independent third parties;
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(iv) in such a way that the annual aggregate amounts of the continuing connected transactions as described in paragraph (A) above have not exceeded their proposed annual limits as set out in the waiver granted by the Stock Exchange.

Ernst & Young, the auditors of the Company, have also reviewed the continuing connected transactions described in paragraph (A), (B) and (C) and confirmed in a letter to the directors (a copy of which has been provided to the Listing Division of the Stock Exchange) stating that such continuing connected transactions:

- (i) have received the approval of the board;
- (ii) were entered into in accordance with the terms of the respective agreements governing those transactions, or if there are no such agreements, on terms no less favourable than those available to or from (as appropriate) independent third parties;
- (iii) the annual aggregate amounts of the continuing connected transactions as

described above have not exceeded the proposed annual limits as set out in the waiver granted by the Stock Exchange.

### Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

### Proposed Application to issue A shares in the PRC

On 22 February 2007 and on 13 March 2007, the Board announced that the Company would hold an extraordinary general meeting and class meetings on 27 April 2007, to consider (i) share consolidation; (ii) proposed application for A share issue in the PRC; (iii) proposed amendment to the Articles of Association; (iv) proposed establishment of the independent Directors rules and the procedural rules and (v) proposed appointment of additional Director.

The structure of the Proposed A share issue is proposed as follows:

Type of securities to be issued	:	A shares
Place of Listing	:	Shanghai Stock Exchange
Number of A shares to be issued	:	A maximum of 126,400,000 A shares of RMB 1.00 each (or 632,000,000 A shares of RMB0.20 each, as the case may be). The final number of A shares to be issued and the structure of the issue will be subject to adjustment made by the Board as authorised by the shareholders at the extraordinary general meeting and the class meetings, and approval by the relevant authorities.

Target subscribers	:	The PRC public and institutional investors (i.e. PRC individuals and institutional investors (including qualified foreign institutional investors recognised in the PRC) having A Share accounts with the Shanghai Stock Exchange), except those prohibited under PRC laws and regulations to invest in the A shares
Nominal value	:	RMB1.00 or RMB0.20 per A share (depending on the approval of the relevant authorities)
Basis for determining the issue price	:	The issue price of the proposed A share issue will be determined based on the basis of market conditions and the conditions prevailing in the PRC securities market at the time of the proposed A share issue by way of customary market consultation and such other ways as approved by CSRC. Thus the amount of funds to be raised from the proposed A share issue cannot be confirmed at the date of the annual report, but the offer price will not be lower than 90% of the higher of (i) the average closing price of the Company's consolidated H shares or H shares (as the case may be) on the Stock Exchange for the 20 trading days preceding to the date of the A share prospectus or (ii) the closing price of the Company's consolidated H shares or H shares (as the case may be) on the Stock Exchange on the trading day immediately preceding to the date of the A share prospectus.
Method of issue	:	The issue will be conducted via placement through offline offering to institutional investors as approved by the CSRC, and placement through online subscription, or such other methods as approved by the CSRC.
Use of proceeds	:	<ul style="list-style-type: none"> <li>(i) as to approximately RMB 2,200,000,000 for Hangzhou Jiubao Development Project, which is for developing residential properties;</li> <li>(ii) as to approximately RMB 1,100,000,000 for Tianjin Beiyang Building Development Project, which is for developing commercial properties;</li> <li>(iii) as to approximately RMB 600,000,000 for Wuxi Forte New City Development Project, which is for developing residential properties;</li> <li>(iv) as to approximately RMB 330,000,000 for Forte Beiqiao City Development Project, which is for developing residential properties.</li> </ul>

The directors shall apply the proceeds to the above projects first and the remaining proceeds shall be used to replenish the working capital of the Company.

The board is authorised by the shareholders in the extraordinary general meeting and the class meetings to adjust the use of proceeds as stated above by taking into account the actual funds raised, the circumstances of each of the above project, the approval progress and the relevant government opinion in relation to other land reserve projects and the opinion of the relevant authorities.

### **Compliance with the code provision in the Code on Corporate Governance Practices**

The directors confirm that for the year ended 31 December 2006, the Company had been in compliance with the code provision in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

### **Auditors**

The Company's financial statements prepared in accordance with IFRS were audited by Ernst & Young and the Company's financial statements prepared in accordance with PRC GAAP were audited by Ernst &

Young Hua Ming. A resolution will be proposed at the forthcoming AGM of the Company for the reappointment of Ernst & Young as the international auditors and Ernst & Young Hua Ming as the domestic auditors of the Company for year 2007.

ON BEHALF OF THE BOARD

**Guo Guangchang**

*Chairman*

Shanghai, the PRC

10 April 2007