1. CORPORATE INFORMATION

The Company was established in 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 re-organised 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 jointly-controlled entities (the "Group") are principally engaged in property development. The Group's property development projects are located in Shanghai, Wuhan, Nanjing, Beijing, Wuxi, Chongqing, Haikou, Tianjin and Hangzhou. 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, No.2 East Fuxing Road, Shanghai 200010, the PRC.

In the opinion of the directors, the holding company of the Group is 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 the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Companies Ordinance. They have been prepared under the historical cost convention except for investment available-for-sale and investment property 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly-controlled entities for the year ended 31 December 2006. The financial statements of the subsidiaries and the jointly-controlled entities 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 continues to be consolidated until the date that such control ceases. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

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 identifiable 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 not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, 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 Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
IFRIC-Int 8	Scope of IFRS 2 (effective for accounting periods beginning on or after 1 May 2006)
IFRIC-Int 9	Reassessment of Embedded Derivatives (effective for accounting periods beginning on or after 1 June 2006)
IFRIC-Int 10	Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006)
IFRIC-Int 11	IFRS 2-Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007)
IFRIC-Int 12	Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008)
IAS23 (revised)	Borrowing costs (effective for accounting periods beginning on or after 1 January 2009)

The IAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

IFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments, and also incorporates many of the disclosure requirements of IAS 32.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede IAS 14 Segment Reporting.

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

2.3 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. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

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 investments in the jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 investments 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 investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

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 assumed as at the date of acquisition. 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; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 *Segment Reporting*.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

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.

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.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, 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 groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets other than goodwill (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 then the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Investment and other financial assets

Financial assets in the scope of IAS 39 are classified as 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 considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract, which is not measured at fair value through profit or loss, when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell 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 at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale 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 subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

Available-for-sale financial assets (Continued)

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.

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 that is substantially the same; a discounted cash flow analysis and option pricing models.

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 the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

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.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as non-collectable.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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 the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities (Continued)

Financial assets (Continued)

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 at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amounts due to related companies and loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

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;

(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;

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(iv) dividend income, when the shareholders' right to receive payment has been established; and

(v) 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.

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 the 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment 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 year 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 year of the retirement or disposal.

For a transfer from inventories 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 or 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.

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 that have either been pre-sold or are intended for sale 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

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.

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, as well as through the amortisation process.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.3 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:

(i) 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

(ii) 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, carry-forward 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:

(i) 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

(ii) 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.

2.3 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.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

(i) Operating lease arrangements - the Group as lessor

The Group has entered into commercial property leases on its investment property. 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.

(ii) Classification between investment properties and properties held for sale

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

If an item of inventories becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in consolidated income statement under IAS 40.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

(i) 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 calculate the present value of those cash flows. The carrying amount of goodwill on 31 December 2006 was RMB32,664,000 (2005: RMB32,401,000).

(ii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carry-forward 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. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

(iii) Provision for impairment of trade receivables

Provision for impairment of trade receivables is made based on an assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, such differences will impact the carrying value of the receivables, doubtful debt expenses and write-back in the period in which such estimate has been changed.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(iv) Fair value of investment properties

As set out in note 14, investment properties were revalued as at 31 December 2006 on an open market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties on 31 December 2006 was RMB446,000,000 (2005: Nil).

3. SEGMENT INFORMATION

The Group's turnover and profit for the two years ended 31 December 2006 were mainly derived from property development in the PRC. The principal assets employed by the Group are located in the PRC. Accordingly, no analysis by business or geographical segment is provided.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of properties sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2006	2005
	RMB'000	RMB'000
Revenue		
Sale of properties	**2,573,801**	2,105,841
Rental income from investment properties	**3,100**	—
Property agency income	**95,142**	58,575
Property sales planning and advertising income	**7,364**	13,240
Property management income	**5,064**	1,883
Construction supervisory income	**922**	973
	2,685,393	2,180,512
Less: Business tax and government surcharges	**(152,660)**	(123,217)
	2,532,733	2,057,295
Other income		
Government grants	**43,304**	51,575
Interest income	**7,648**	1,771
Miscellaneous rental income	**640**	3,763
Others	**613**	899
	52,205	58,008
Gains		
Negative goodwill recognised as income	**—**	216,252
Gain on fair value adjustment of investment properties	**130,651**	—
Gain on disposal of interests in subsidiaries	**3,289**	32,560
Gain on disposal of an associate	**17,950**	—
	151,890	248,812
Total revenue, other income and gains	**2,736,828**	2,364,115

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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 River Way Management Fee, are calculated at certain percentages of business tax.

Government grants represent government subsidies for enterprises' development received by the Group, from the relevant government agencies during the year ended 31 December 2006. 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:

	2006 **RMB'000**	2005 RMB'000
Staff costs (including directors', supervisors' and senior executives' emoluments as set out in note (7)):		
- Basic salaries and benefits in kind	**88,217**	74,268
Pension scheme contributions:		
- defined contribution scheme	**6,500**	5,178
Total staff costs	**94,717**	79,446
Minimum lease payments under operating leases	**10,215**	12,995
Auditors' remuneration	**3,009**	3,033
Depreciation	**7,997**	6,120
Goodwill impairment	**—**	18,609
Loss on disposal of items of property and equipment	**192**	114
Finance costs	**9,981**	486

6. FINANCE COSTS

	Notes	2006 RMB'000	2005 RMB'000
Interest on bank and other borrowings wholly repayable within five years		**197,133**	82,337
Notional interests	37 (f, g, h)	**4,323**	—
Total interests		**201,456**	82,337
Less: Interest capitalised, in respect of:			
- bank and other borrowings		**(190,054)**	(82,092)
- notional interests	37 (g, h)	**(2,812)**	—
Total interest capitalised		**(192,866)**	(82,092)
		8,590	245
Other finance costs:			
- exchange losses		**1,312**	133
- bank charges and others		**79**	108
Total finance costs		**9,981**	486

7. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION

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

	2006	2005
	RMB'000	RMB'000
Fees	**791**	696
Other emoluments for executive directors, independent non-executive directors and supervisors:		
- basic salaries and benefits in kind	**2,832**	2,846
- pension scheme contributions	**85**	82
	3,708	3,624

Three executive directors and four independent non-executive directors received remuneration from the Company for the year ended 31 December 2006.

The remuneration for the executive directors, independent non-executive directors and supervisors fell within the range of Nil to RMB1,000,000.

(a) Independent non-executive directors

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

	2006	2005
	RMB'000	RMB'000
Mr. Charles Nicholas Brooke	**578**	528
Mr. Chen Yingjie	**71**	56
Mr. Zhang Hongming	**71**	56
Ms. Wang Meijuan	**71**	56
	791	696

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

7. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUMERATION(CONTINUED)

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

	Fees	Salaries and benefits in kind	Pension scheme contributions	Total emolument
	RMB'000	RMB'000	RMB'000	RMB'000
2006				
Executive directors:				
Mr. Guo Guangchang	—	**857**	**18**	**875**
Mr. Fan Wei	—	**857**	**18**	**875**
Mr. Ding Guoqi	—	**617**	**18**	**635**
	—	**2,331**	**54**	**2,385**
Non-executive director:				
Mr. Feng Xiekun	—	—	—	—
Supervisors:				
Mr. Ma Suxiang	—	**307**	**16**	**323**
Mr. Zhang Guozheng	—	**16**	**15**	**31**
Mr. Sun Wenqiu	—	**31**	—	**31**
Mr. Liu Zhangxi	—	**31**	—	**31**
Mr. Shen Guoliang	—	**116**	—	**116**
	—	**501**	**31**	**532**
	—	**2,832**	**85**	**2,917**

7. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION(CONTINUED)

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

	Fees RMB'000	Salaries and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total emolument RMB'000
2005				
Executive directors:				
Mr. Guo Guangchang	—	854	17	871
Mr. Fan Wei	—	854	17	871
Mr. Ding Guoqi	—	614	17	631
	—	2,322	51	2,373
Non-executive director:				
Mr. Feng Xiekun	—	100	—	100
Supervisors:				
Mr. Ma Suxiang	—	242	14	256
Mr. Zhang Guozheng	—	18	17	35
Mr. Sun Wenqiu	—	31	—	31
Mr. Liu Zhangxi	—	35	—	35
Mr. Shen Guoliang	—	98	—	98
	—	424	31	455
	—	2,846	82	2,928

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

7. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION (CONTINUED)

(c) Five highest paid employees

The five highest paid employees of the Group include two directors for the year ended 31 December 2006 and three directors for the year ended 31 December 2005. Information relating to their emoluments has been disclosed above.

The details of the emoluments of the remaining three (2005: two) highest paid, non-director employees are as follows:

	2006 **RMB'000**	2005 RMB'000
Basic salaries and benefits in kind	**2,237**	1,230
Pension scheme contributions	**52**	16
	2,289	1,246

The remuneration of all highest paid, non-director individuals fell within the range of Nil to RMB1,000,000.

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.

8. 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 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 two 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 had no assessable profits arising in Hong Kong during the year ended 31 December 2006.

8. TAX (CONTINUED)

Major components of income tax expense for the years ended 31 December 2006 and 2005 are as follows:

	Notes	**2006 RMB'000**	2005 RMB'000
Current taxation			
- Income tax in the PRC for the year		**261,689**	211,630
- LAT in the PRC for the year		**248,681**	30,892
Deferred tax	22	**(47,755)**	(21,359)
Income tax expense for the year		**462,615**	221,163

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

	2006 RMB'000	2005 RMB'000
Profit before tax excluding share of profits and losses of associates:	**848,117**	886,814
Non-taxable profit of subsidiaries	**—**	(33,953)
Profit subject to income tax	**848,117**	852,861
Tax at applicable tax rate of:		
33%	**258,979**	259,842
15%	**9,500**	9,819
Sub-total	**268,479**	269,661
Tax effect of:		
Income not subject to tax	**—**	(71,363)
Expenses not deductible for tax	**22,869**	2,167
Sub-total	**291,348**	200,465
LAT for the year	**248,681**	30,892
Tax effect of LAT	**(77,414)**	(10,194)
Income tax expense	**462,615**	221,163

8. TAX (CONTINUED)

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

Pursuant to tax notice issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 1% to 3% on proceeds of the sale and pre-sale of properties from 2004. In prior years, except for this amount paid to the local tax authorities, no further provision for LAT had been made. The directors considered that the relevant tax authorities would be 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.

For the year ended 31 December 2006, based on the latest understanding of LAT regulations from tax authorities, the Group made additional LAT provision in the amount of RMB234,588,000 in respect of properties sold up to 31 December 2006 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

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 has undertaken to indemnify the Company in respect of the LAT payable attributable to the Group in excess of the prepaid LAT based on 1% to 3% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by the Group as at 30 November 2003. As on 31 December 2006, the indemnity of LAT from the holding company after netting off potential income tax saving amounted to RMB117,746,000, as set out in note 26, and the deferred tax liability arising thereon amounted to RMB38,856,000, as set out in note 22. This LAT indemnity after netting off the corresponding tax liability was credited to capital reserve directly.

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a profit of RMB369,199,000 (2005: RMB338,452,000), which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

	Notes	**2006** **RMB'000**	2005 RMB'000
Interim - RMB0.05 (2005: RMB0.07) per ordinary share	(a)	**126,465**	164,737
Adjustment on 2005 proposed final dividend resulting from shares issued in April 2006	(b)	**7,037**	—
Proposed final – RMB0.04 (2005: RMB0.04) per ordinary share	(c)	**101,172**	94,135
		234,674	258,872

(a) Pursuant to the directors' resolution of the Company dated 8 August 2006, the Board declared an interim dividend of RMB0.05 per share, totalling approximately RMB126,465,000.

(b) On 15 June 2006, the shareholders at the annual general meeting approved the Company's declaration of 2005 final dividend of RMB0.04 per share, totalling RMB101,172,000, including RMB7,037,000 for the additional 175,922,000 ordinary shares issued on 12 April 2006.

(c) The proposed final dividend for the year ended 31 December 2006 is subject to the approval of the shareholders at the forthcoming AGM of the Company to be held on 28 June 2007.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of approximately RMB481,361,000 (2005: RMB560,553,000) and the weighted average number of 2,480,627,000 (2005: 2,328,884,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the two years ended 31 December 2006 and 2005 have not been disclosed as no diluting events existed during those years.

12. RETIREMENT BENEFITS AND ACCOMMODATION BENEFITS

Retirement benefits

As stipulated by the PRC State regulations, the Company, its subsidiaries and its jointly-controlled entities 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 entities 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 entities. The Company, its subsidiaries and its jointly-controlled entities 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 entities 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 entities, except for contributions to the accommodation fund.

13. PROPERTY AND EQUIPMENT

Group

	Properties RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total 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	—	—	2,285	1,465	3,750
Disposals	—	—	(374)	(359)	(733)
As at 31 December 2005 and 1 January 2006	14,643	1,084	17,972	20,426	54,125
Additions	60,160	1,839	7,066	6,725	75,790
Disposals	(11,912)	—	(3,973)	(825)	(16,710)
Partial disposal in a subsidiary which subsequently became a jointly-controlled entity	—	—	(103)	(210)	(313)
As at 31 December 2006	62,891	2,923	20,962	26,116	112,892
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	—	—	670	225	895
Disposals	—	—	(177)	(312)	(489)
As at 31 December 2005 and 1 January 2006	2,031	528	6,129	8,022	16,710
Provided for the year	958	159	3,013	3,867	7,997
Disposals	(2,144)	—	(1,856)	(816)	(4,816)
Partial disposal in a subsidiary which subsequently became a jointly-controlled entity	—	—	(18)	(47)	(65)
As at 31 December 2006	845	687	7,268	11,026	19,826
Net book value:					
As at 31 December 2006	62,046	2,236	13,694	15,090	93,066
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

13. PROPERTY AND EQUIPMENT (CONTINUED)

Company

	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 and 1 January 2006	6,336	4,172	10,508
Additions	718	2,028	2,746
Disposal	—	(471)	(471)
As at 31 December 2006	7,054	5,729	12,783
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 and 1 January 2006	1,653	2,046	3,699
Provided for the year	738	821	1,559
Disposal	—	(380)	(380)
As at 31 December 2006	2,391	2,487	4,878
Net book value:			
As at 31 December 2006	4,663	3,242	7,905
As at 31 December 2005	4,683	2,126	6,809
As at 31 December 2004	4,125	2,178	6,303

14. INVESTMENT PROPERTIES

	2006	2005
	RMB'000	RMB'000
Carrying amount at 1 January	**—**	—
Transfer from inventories	**315,349**	—
Gain from fair value adjustment	**130,651**	—
Carrying amount at 31 December	**446,000**	—

The Group's investment properties are situated in Beijing, the PRC.

The Group's investment properties were revalued on 31 December 2006 to the value of RMB446,000,000 by Sallmanns Corporate Valuation and Consultancy, independent professionally qualified valuers, on an open market, existing use basis. The valuation was made on the assumption that the seller sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement that could serve to affect the values of the properties. The investment properties are leased to third parties under operating leases.

As at 31 December 2006, the Group's investment properties with a net carrying amount of approximately RMB446,000,000 (2005: Nil) were pledged to bank for interest-bearing bank loans of RMB120,000,000, as set out in note 27(a).

15. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Land costs	**5,324,770**	5,509,813	**12,978**	12,978
Construction costs	**2,367,065**	1,878,208	**14,411**	14,104
Financial costs	**301,896**	205,781	**1,829**	1,829
	7,993,731	7,593,802	**29,218**	28,911
Portion classified as current assets	**(4,105,695)**	(4,913,684)	**—**	—
	3,888,036	2,680,118	**29,218**	28,911

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

As at 31 December 2006, certain items of the Group's properties under development with a book value of approximately RMB3,944,409,000 (2005: RMB3,863,558,000) were pledged to secure bank loans of RMB1,823,230,000 (2005: RMB1,872,730,000), as set out in note 27 (a).

As at 31 December 2006, certain items of the Group's properties under development with a book value of approximately RMB203,395,000 (2005: RMB203,395,000), were pledged to secure other loans of RMB200,000,000 (2005: RMB200,000,000) as set out in note 27(a).

16. GOODWILL

Group

	RMB'000
At 1 January 2005:	
Cost and net carrying amount	26,848
Cost at 1 January 2005, net of accumulated impairment	26,848
Acquisition of a subsidiary	2,942
Acquisition of additional interests in subsidiaries	21,321
Disposal	(101)
Impairment during the year	(18,609)
At 31 December 2005	32,401
At 31 December 2005 and 1 January 2006:	
Cost	51,010
Accumulated impairment	(18,609)
Net carrying amount	32,401
Cost at 1 January 2006, net of accumulated impairment	32,401
Acquisition of an additional interest in a subsidiary	263
Cost and carrying amount at 31 December 2006	32,664
At 31 December 2006:	
Cost	51,273
Accumulated impairment	(18,609)
Net carrying amount	32,664

16. GOODWILL (CONTINUED)

Impairment tests for goodwill

Goodwill acquired through business combinations has been allocated to the Group's cash-generating unit ("CGU"), identified according to business segment, for impairment testing.

The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 11% (2005: 10%). Cash flows beyond the five-year period are extrapolated using the estimated growth rate. The growth rate does not exceed the projected long-term average growth rate for property development in the PRC.

Key assumptions were used in the value in use calculation of the CGU for 31 December 2006 and 31 December 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins - Management determined budgeted gross margin based on past performance and its expectations for the development of the market.

Discount rates - The discount rates used are before tax and reflect specific risks relating to property development.

17. INVESTMENTS IN SUBSIDIARIES

Company

	2006	2005
	RMB'000	RMB'000
Unlisted shares, at cost	**1,246,571**	1,049,764
Impairment for unlisted shares	**(9,600)**	(2,400)
	1,236,971	1,047,364

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,943,865,000 (2005: RMB2,375,187,000) and RMB912,317,000 (2005: RMB1,058,576,000), respectively, are unsecured, interest-free and are repayable on demand, as set out in note 26 and note 30. The carrying amounts of these amounts approximate to their fair values.

Particulars of principal subsidiaries as at 31 December 2006 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 Yuyuan Shangcheng Haoting Property Development Co., Ltd.	Mainland China 28 November 2000	10,000	70%	30%	Property development
Shanghai Donghang Forte Property Development Co., Ltd.	Mainland China 25 February 2004	10,000	55%	—	Property development
Wuhan Forte Property Development Co., Ltd.	Mainland China 7 February 2002	10,000	60%	—	Property development
Beijing Baihong Property Development Co., Ltd.	Mainland China 8 December 2000	30,000	—	98.4%	Property development
Shanghai Resource Property Consultancy Co., Ltd.	Mainland China 3 July 2002	5,000	90%	10%	Property agency
Shanghai Perth Property Development Co., Ltd.	Mainland China 14 November 2002	50,000	70%	30%	Property development
Shanghai Cetong Property Brokerage Co., Ltd.	Mainland China 13 May 2004	500	10%	90%	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.

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investment, at cost	**—**	—	**58,149**	22,500
Share of net assets	**—**	—	**—**	—
	—	—	**58,149**	22,500

The Group's amounts due from jointly-controlled entities and amounts due to jointly-controlled entities are disclosed in note 26 and note 30 to the financial statements.

Particulars of the jointly-controlled entities as at 31 December 2006 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 Jufeng Property Development Co., Ltd.	Mainland China 4 June 2002	50,000	45%	—	Property development
Wuxi Forte Real Estate Development Co., Ltd.	Mainland China 28 September 2004	130,000	50%	—	Property development

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

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

	2006	2005
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**128,761**	561
Non-current assets	**404,120**	236,642
Current liabilities	**(399,567)**	(214,748)
Non-current liabilities	**(39,251)**	—
Net assets	**94,063**	22,455
Share of the jointly-controlled entities' results:		
Revenue	**30,370**	—
Other revenue	**3,306**	—
Total revenue	**33,676**	—
Total expenses	**(26,095)**	—
Tax	**(2,003)**	—
Profit after tax	**5,578**	—

On 15 December 2005, the Group entered into an agreement to dispose of its 50% equity interest in its wholly owned subsidiary, Wuxi Forte Real Estate Development Co., Ltd. ("Wuxi Forte"), to a third party, 9154-5905 Quebec Inc., for a cash consideration of RMB65,000,000. The gain on this partial disposal of equity interest in Wuxi Forte amounted to RMB3,271,000 was included in the gain on disposal of equity interest in subsidiaries of RMB3,289,000, as set out in note 4.

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

Subsequent to its re-registration as a Sino-foreign co-operative joint venture on 10 January 2006 and the completion of the transfer effective from 28 February 2006, Wuxi Forte became a jointly-controlled entity. Pursuant to a Sino-foreign co-operative joint venture agreement (the "CJV Agreement") and a project co-operation agreement dated 15 December 2005 entered into among the Company, 9154-5905 Quebec Inc. and Wuxi Forte (the "Parties"):

(i) the Company and 9154-5905 Quebec Inc. are required to provide interest free shareholder loans to Wuxi Forte during the co-operative joint venture ("CJV") term. As at 31 December 2006, the Company and 9154-5905 Quebec Inc. have provided shareholder loans amounting to RMB21,000,000 and US$14,209,000 (equivalent to RMB114,155,000), respectively, to Wuxi Forte. The loan provided by the Company to Wuxi Forte is unsecured, repayable on demand and was included in the amounts due from jointly-controlled entities, as set out in note 26. The loan provided by 9154-5905 Quebec Inc. amounted to US$14,209,000 (equivalent to RMB114,155,000) is interest free, unsecured and is repayable on 24 March 2012, as set out in note 28.

(ii) Wuxi Forte is required to provide an interest-free entrusted bank loan ("Forte Entrusted Loan") of RMB93,000,000 to the Company, as set out in note 28. The loan is unsecured and is repayable on 10 January 2012.

(iii) Wuxi Forte's distributable profit after offsetting accumulated losses and profit appropriation to reserve funds should be distributed in the following manner:

    (a) the Company will receive a total priority profit distribution of RMB186,000,000 ("Forte Priority Distribution").

    (b) all remaining undistributable profit shall be distributed equally to the Company and 9154-5905 Quebec Inc. based on the proportion of equity interest held of 50% each.

(iv) Subject to a separate agreement, the Company shall not be required to repay the Forte Entrusted Loan to Wuxi Forte, if Wuxi Forte is liquidated, dissolved or the CJV Agreement is terminated before the Company receives RMB93,000,000 out of the total priority distribution of RMB186,000,000.

(v) The Company shall indemnify Wuxi Forte against all liabilities for which Wuxi Forte is or may become liable in respect of any LAT, in excess of the prepaid LAT.

19. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**—**	—	**166,050**	172,050
Share of net assets	**193,522**	219,269	**—**	—
Goodwill on acquisition	**166**	166	**—**	—
	193,688	219,435	**166,050**	172,050

The Group's amounts due from associates and amounts due to associates are disclosed in note 26 and note 30 to the financial statements, respectively.

Particulars of the principal associates as on 31 December 2006, 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 Foreal Property Management Co., Ltd.	49%	Property management
Shanghai Fuxin Property Development Co., Ltd.	50%	Property development
Shanghai Jiefang Property Sales and Marketing Co., Ltd.	30%	Property agency
Nanjing Dahua Investment Development Co., Ltd.	38%	Property development
Shanghai Xincheng Property Management Co., Ltd.	20%	Property management
Beijing Spring Town Property Development Co., Ltd.	30%	Property development
Nanjing Dahua Residential Forest Construction Development Co., Ltd.	34%	Property development
Hubei Guangxia Property Development Co., Ltd.	20%	Property development
Shanghai Jiefang Real Estate Marketing Co., Ltd.	30%	Property agency

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2006	2005
	RMB'000	RMB'000
Assets	**2,270,322**	3,033,689
Liabilities	**(1,640,102)**	(2,474,558)
Revenues	**2,640,566**	66,314
Profit	**314,838**	6,069

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at fair value	**250**	250	**250**	250

The Group's unlisted equity investment represents the Group's 5% equity interest in an unlisted company established in the PRC with limited liability.

21. PREPAYMENTS

Payments are in respect of the following:

(a) Prepayment for the proposed acquisition of equity interest in Beijing Hehua Real Estate Development Co., Ltd.

On 28 December 2006, the Group entered into a cooperative agreement with Home Value Holding Co., Ltd. ("Home Value") to acquire 33% equity interest in a subsidiary of Home Value, Beijing Hehua Real Estate Development Co., Ltd. ("Beijing Hehua"), for the joint development of JW Marriott Centre in Beijing ("the agreement"), pursuant to which (i) the Group conditionally agreed to inject an aggregate amount of US$7,600,000 (equivalent to RMB60,000,000) by way of contribution to the registered capital of Beijing Hehua and (ii) the Group conditionally agreed to provide additional project investment of RMB387,000,000 in Beijing Hehua.

As at 31 December 2006, the Group has made an advance payment of RMB106,900,000 to Beijing Hehua. The remaining capital commitment not provided of RMB340,100,000 is set out in note 35.

(b) Prepayment for the proposed acquisition of equity interests in six companies

On April 2006, the Company entered into a series of agreements with Suzhou Longxing Logistic Co., Ltd., Shanghai Steel Union Investment Development Co., Ltd., Hengxing International Investment Co., Ltd. and Longshine International Investment Co., Ltd. for the proposed acquisition of their interests in Shanghai Yasheng Property Development Co., Ltd., Shanghai Musheng Property Development Co., Ltd., Shanghai Tengxing Property Development Co., Ltd., Shanghai Gangrui Property Development Co., Ltd., Shanghai Hugang Property Development Co., Ltd. and Shanghai Shungang Property Development Co., Ltd., which are engaged in the development of Shanghai Baoshan International Steel Logistic Service Base for a purchase consideration of approximately RMB63,700,000.

As at 31 December 2006, the Group has paid RMB4,842,000 as advance payment. The remaining capital commitment not provided of RMB58,858,000 is set out in note 35.

22. DEFERRED TAX

Group

Deferred tax assets

	Note	Losses available for offset against future taxable profit RMB'000	Accruals and provisions RMB'000	Accrual of additional LAT provision RMB'000	Others RMB'000	Total RMB'000
At 1 January 2005		—	—	—	—	—
Deferred tax credited to the income statement during the year	8	21,359	—	—	—	21,359
As at 31 December 2005 and 1 January 2006		21,359	—	—	—	21,359
Deferred tax (charged)/credited to the income statement during the year	8	(1,961)	14,384	77,414	1,628	91,465
Partial disposal of equity interest in a subsidiary		(1,478)	—	—	—	(1,478)
As at 31 December 2006		17,920	14,384	77,414	1,628	111,346

22. DEFERRED TAX (CONTINUED)

Group (Continued)

Deferred tax liabilities

	Note	Revaluation of investment properties RMB'000	Fair value adjustments arising from acquisition RMB'000	LAT indemnity receivable from holding company RMB'000	Others RMB'000	Total RMB'000
At 1 January 2005		—	—	—	—	—
Deferred tax liabilities on fair value adjustments arising from acquisition of subsidiaries		—	219,308	—	—	219,308
As at 31 December 2005 and 1 January 2006		—	219,308	—	—	219,308
Deferred tax charged/(credited) to the income statement during the year	8	43,115	(490)	—	1,085	43,710
Deferred tax credited to the reserves during the year	8	—	—	38,856	—	38,856
As at 31 December 2006		43,115	218,818	38,856	1,085	301,874

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2006	2005	**2006**	2005
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**1,164,624**	894,743	**106,899**	21,705
Pledged deposits	27(a)	**26,099**	28,292	**—**	—

24. TRADE RECEIVABLES

Trade receivables of the Group generally have credit terms ranging from 30 to 360 days. An aged analysis of the trade receivables as at the balance sheet date is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Outstanding balances aged:				
Within six months	**138,375**	75,865	**801**	1,226
More than six months, but within one year	**—**	18,591	**—**	—
	138,375	94,456	**801**	1,226

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**50,516**	89,321	**5,212**	15,000
Deposits and other receivables	**178,407**	195,107	**8,456**	15,012
	228,923	284,428	**13,668**	30,012

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

26 AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
		2006	2005	**2006**	2005
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Due from associates		**89,533**	100,619	**86,804**	86,434
Due from jointly-controlled entities		**152,678**	121,787	**282,652**	221,431
Due from subsidiaries		**—**	—	**2,943,865**	2,375,187
		242,211	222,406	**3,313,321**	2,683,052
Due from the holding company	8	**117,746**	—	**117,746**	—

The amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from related companies approximate to their fair values. The amount due from the holding company represents the LAT indemnity receivable from the holding company, as set out in note 8.

27. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Bank loans, secured	(a)	**1,943,230**	1,872,730	**—**	—
Bank loans, unsecured		**726,500**	75,000	**—**	—
		2,669,730	1,947,730	**—**	—
Other loans, secured	(a)	**200,000**	200,000	**—**	—
Other loans, unsecured		**192,731**	213,000	**—**	—
		392,731	413,000	**—**	—
		3,062,461	2,360,730	**—**	—
Repayable:					
Within one year		**1,100,730**	527,500	**—**	—
In the second year		**1,661,731**	1,063,230	**—**	—
In the third to fifth years, inclusive		**300,000**	770,000	**—**	—
		3,062,461	2,360,730	**—**	—
Portion classified as current liabilities		**(1,100,730)**	(527,500)	**—**	—
Non-current portion	(b)	**1,961,731**	1,833,230	**—**	—

The bank loans bear interest at rates ranging from 5.58% to 6.93% (2005: 5.18% to 6.91%) per annum. The other loans bear interest at rates ranging from 5.22% to 9.20% (2005: 5.22% to 9.20%) per annum.

27. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (CONTINUED)

(a) The Group's bank loans and other borrowings are secured by the pledge of the following:

(i) loans of RMB120,000,000 are secured by the Group's investment properties situated in Beijing, the PRC, which had an aggregate carrying value on 31 December 2006 of approximately RMB446,000,000 (2005: Nil), as set out in note 14.

(ii) loans of RMB1,823,230,000 (2005: RMB1,872,730,000) are secured by the Group's properties under development and time deposits, which had an aggregate carrying value on 31 December 2006 of approximately RMB3,944,409,000 (2005: RMB3,863,558,000) and RMB26,099,000, respectively (2005: RMB28,292,000), as set out in note 15 and 23.

(iii) certain of the Group's other loans of RMB200,000,000 (2005: 200,000,000) are secured by the Group's properties under development, which had an aggregate carrying value on 31 December 2006 of approximately RMB203,395,000 (2005: 203,395,000), as set out in note 15.

(b) The carrying amounts of the Group's and the Company's current borrowings approximate to their fair values. The carrying amounts and fair values of the Group's non-current borrowings are as follows:

	Carrying amounts		**Fair values**	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current borrowings in respect of				
- bank loans	**1,769,000**	1,441,230	**1,769,654**	1,441,831
- other loans	**192,731**	392,000	**191,022**	392,255
	1,961,731	1,833,230	**1,960,676**	1,834,086

28. LOANS FROM RELATED COMPANIES

Group

		Carrying amounts		Fair values	
		2006	2005	**2006**	2005
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loans from					
- a shareholder of					
a jointly-controlled entity	(a)	**39,250**	—	**40,255**	—
- a jointly-controlled entity	(b)	**33,336**	—	**32,820**	—
- a minority shareholder of					
a subsidiary	(c)	**77,901**	—	**77,877**	—
		150,487	—	**150,952**	—

Company

		Carrying amounts		Fair values	
		2006	2005	**2006**	2005
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loans from					
- a jointly-controlled entity	(b)	**66,672**	—	**65,640**	—
		66,672	—	**65,640**	—

28. LOANS FROM RELATED COMPANIES (CONTINUED)

The fair values of the long-term loans are calculated by discounting the expected future cash flows at prevailing interest rates ranging from 6.48% to 6.84% on initial recognition respectively. Particulars of these loans are as follows:

(a) Wuxi Forte, a jointly-controlled entity of the Group in which 50% equity is held by the Group and the remaining 50% equity is held by 9154-5905 Quebec Inc. On 24 March 2006, Wuxi Forte obtained an interest fee and unsecured loan in the amount of US$14,209,000 (equivalent to RMB114,155,000) from 9154-5905 Quebec Inc. This loan is repayable on 24 March 2012. The fair value of this loan as at the date of inception, 24 March 2006, was estimated with reference to the prevailing interest rate with the similar repayment period published by the People's Bank of China of 6.84%, amounting to RMB76,738,000. The difference between the Group's share of the amount of loan payable and its fair value at the date of inception amounted to RMB18,708,000 was credited to capital reserves. Subsequent to its initial recognition, this financial liability is measured at amortised cost using the effective interest method.

(b) On 19 April 2006, the Company obtained an interest-free and unsecured entrusted bank loan in the amount of RMB93,000,000 from its jointly-controlled entity, Wuxi Forte. This loan is repayable on 10 January 2012. The fair value of this loan as at the date of inception, 19 April 2006, was estimated with reference to the prevailing interest rate with the same repayment period published by the People's Bank of China of 6.84%, amounting to RMB63,649,000. The difference between the amount of loan payable and its fair value at the date of inception amounted to RMB29,351,000 was credited to investment in a jointly-controlled entity of the Company. The difference between the Group's share of the amount of loan payable and its fair value at the date of inception amounted to RMB14,675,000 was credited to capital reserves of the Group. Subsequent to its initial recognition, this financial liability is measured at amortised cost using the effective interest method.

(c) Tianjin Forte Puhe Development Co., Ltd. ("Tianjin Forte"), a subsidiary of the Group, in which 75% equity is held by the Group and the remaining 25% equity is held by Yangtze Tianjin Limited ("Yangtze"). On 8 December 2006, Tianjin Forte obtained an interest-free and unsecured loan in the amount of US$12,798,000 (equivalent to RMB99,716,000) from Yangtze. This loan is repayable on 7 December 2010. The fair value of this loan as at the date of inception, 8 December 2006, was estimated with reference to the prevailing interest rate with the similar repayment period published by the People's Bank of China of 6.48%, amounting to RMB77,570,000. The Group's share of the difference between the amount of loan payable and its fair value as at the date of inception amounted to RMB16,610,000 was credited to capital reserves. Subsequent to its initial recognition, this financial liability is measured at amortised cost using the effective interest method.

29. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at the balance sheet dates, based on the invoice date, is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Outstanding balances aged:				
Within six months	**638,568**	1,354,066	**—**	—
More than six months, but within one year	**42,995**	69,272	**—**	8,874
Over one year	**200,669**	220,690	**21,232**	38,074
	882,232	1,644,028	**21,232**	46,948

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

30. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due to associates	**137,179**	50,798	**180,370**	50,000
Due to jointly-controlled entities	**—**	—	**31,936**	—
Due to subsidiaries	**—**	—	**912,317**	1,058,576
	137,179	50,798	**1,124,623**	1,108,576

The amounts due to related companies are non-trade in nature, unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due to related companies approximate to their fair values.

31. ISSUED CAPITAL

	2006 Number of shares '000	2005 Number of shares '000	**2006 RMB'000**	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
	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 arising from the Placing amounted to HK$684,400,000 (equivalent to approximately RMB706,813,000), after deducting the relevant expenses of the Placing, amounted to HK$10,492,000 (equivalent to approximately RMB10,837,000), of which issued share capital amounted to RMB35,184,000 and share premium amounted to RMB671,629,000.

32. RESERVES

Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company, its subsidiaries and its jointly-controlled entities 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 entities, 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

Prior to 1 January 2006, according to the Company Law of the PRC, the Company, its subsidiaries and its jointly-controlled entities are required to transfer 5% to 10% of their profit after taxation, as determined under PRC Accounting Regulations, 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 entities. 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 entities.

According to the revised Company Law of the PRC effective 1 January 2006, the Company and its subsidiaries are not required to transfer their profit after tax to the PWF. As allowed by the revised Company Law of the PRC and relevant regulations, the Company and its subsidiaries have transferred the PWF balance to SSR.

Distributable reserves

For dividend purposes, the amount which the PRC group companies can legally distribute by way of a dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements, which are prepared in accordance with PRC GAAP. Those profits differ from those that are reflected in this report, which is prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profits after tax of the PRC group companies can be distributed as dividends after the appropriation to the SSR and PWF, as set out above. In accordance with the Articles of Association, the Company is required to distribute dividends based on the lower of the Company's profits determined under PRC GAAP and IFRS.

33. FINANCIAL INSTRUMENTS

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.

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. The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain other loans that are denominated in United States dollars as set out in note 28. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the directors consider the Group has no significant foreign currency risk.

Credit risk

Credit risk arising from the inability of counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counter party'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.

Liquidity risk

The Group aims to maintain sufficient funds to finance its current working capital requirements.

33. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

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 counter parties fail to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the consolidated balance sheet.

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industrial or geographic factors similarly affect groups of counter parties 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.

34. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements, with leases negotiated for terms ranging from one to eight years.

At the balance sheet dates, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**4,164**	—	**—**	—
In the second to fifth years, inclusive	**9,884**	—	**—**	—
After five years	**475**	—	**—**	—
	14,523	—	**—**	—

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years.

At the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**10,215**	12,995	**6,752**	7,295
In the second to fifth years, inclusive	**3,349**	15,587	**—**	6,080
After five years	**2,700**	2,850	**—**	—
	16,264	31,432	**6,752**	13,375

35. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group and the Company had the following capital commitments at the balance sheet date:

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Authorised, but not contracted for investment	21(a)	**340,100**	—	**—**	—
Contracted, but not provided for:					
- investment	21(b)	**58,858**	—	**58,858**	—
- properties under development		**2,137,491**	2,942,647	**—**	1,124,839
		2,536,449	2,942,647	**58,858**	1,124,839

In addition, the Group's and the Company's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	Group and Company	
	2006	2005
	RMB'000	RMB'000
In respect of properties under development:		
- Authorised, but not contracted for	**—**	—
- Contracted, but not provided for	**7,234**	5,839
	7,234	5,839

36. CONTINGENT LIABILITIES

At the balance sheet dates, contingent liabilities not provided for in the consolidated financial statements were as follows:

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in connection with banking facilities granted to third parties	(a)	**221,500**	—	**221,500**	—
Guarantees given to banks in connection with banking facilities granted to its customers	(b)	**1,325,788**	1,228,382	**—**	43,132
Guarantees given to banks in connection with banking facilities granted to its related companies	(c)	**37,500**	—	**1,647,230**	1,183,230
		1,584,788	1,228,382	**1,868,730**	1,226,362

36. CONTINGENT LIABILITIES (CONTINUED)

(a) The Company provided bank guarantees of approximately RMB228,000 000 in favour of Hangzhou Dadi Environment Protection Co., Ltd ("HZDD") in respect of bank loans provided to HZDD. The Company has entered into agreement with HZDD in respect of the relocation and settlement for a property development project situated in Hangzhou. According to the agreement entered into by both parties on 30 August 2006, the Company will settle the relocation and settlement costs payable to HZDD amounted to RMB273,000,000 by way of settlement of HZDD's bank loans on its behalf (amounted to RMB228,000,000) and the remaining by way of cash. According to the agreement, the Company will fully settle the relocation and settlement costs payable to HZDD by September 2007.

As at 31 December 2006, the bank guarantees of RMB6,500,000 was released upon repayment of bank loans.

(b) As at 31 December 2006, the Group and the Company provided guarantees of approximately RMB1,325,788,000 (2005: RMB1,228,382,000) and Nil (2005: RMB43,132,000), 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.

(c) As at 31 December 2006, the Company guaranteed banking facilities of its subsidiaries in the amount of RMB1,572,230,000 (2005: RMB1,183,230,000) and of its jointly-controlled entity, Wuxi Forte, of RMB75,000,000, given that the amount of RMB37,500,000 has been proportionately consolidated, the corresponding contingent liability of the Group was RMB37,500,000.

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2006 RMB'000	2005 RMB'000
Recurring transactions			
Fosun Pharmaceutical (note (a))	Operating lease in respect of office buildings leased by the Company from the related company (notes (b) (c))	**8,102**	7,230
Shanghai Zhong Hang Bie Ye Technology Development Co., Ltd. (note (a))	Operating lease in respect of office buildings leased by a subsidiary from the related company (note (b))	**—**	1,702
Shanghai Foreal Property Management Co., Ltd. (note (a))	Property management services provided by the related company (note (b))	**7,616**	3,904
Beijing Spring Town Property Development Co., Ltd. (note (a))	Sales agency services provided by the related company (note (d))	**782**	1,921
9154-5905 Quebec Inc. (note (a))	Loan provided by the related company (note (g))	**57,078**	—
	Notional interest (note (g))	**2,481**	—
Yangtze Tianjin Limited (note (a))	Loan provided by the related company (note (h))	**99,716**	—
	Notional interest (note (h))	**331**	—
Wuxi Forte Real Estate Development Co., Ltd. (note (a))	Entrusted bank loan provided by the related company (note (f))	**46,500**	—
	Notional interest (note (f))	**1,511**	—
Fosun High Technology (note (a))	LAT indemnity receivable from the holding company (note (e))	**117,746**	—

37. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transactions	2006 RMB'000	2005 RMB'000
Non-recurring transactions			
Shanghai Petrochemical Xindi Real Estate Co., Ltd. (note (a)) (note (i))	Entrusted bank loan provided by the related company	**3,200**	—
Fosun High Technology (note (a))	Acquisition of additional equity interests in subsidiaries from the holding company (note (j))	**4,832**	—

(I) Notes:

(a) Fosun Pharmaceutical (formerly Shanghai Fosun Industrial Co., Ltd., "SFPG") is a subsidiary of Fosun High Technology, the parent company. Beijing Spring Town Property Development Co., Ltd. and Shanghai Foreal Property Management Co., Ltd. ("Foreal") are associates of the Group. Wuxi Forte is a jointly-controlled entity of the Group. 9154-5905 Quebec Inc. is a shareholder of the jointly-controlled entity, Wuxi Forte. Yangtze Tianjin Limited is a minority shareholder of a subsidiary, Tianjin Forte. Shanghai Fosun Hongqiao Property Development Co., Ltd. ("Fosun Hongqiao") and Shanghai Fujin Property Development Co., Ltd. ("Shanghai Fujin") are subsidiaries of the Group. Prior to 12 December 2006, the Group has 40% equity interest in Shanghai Petrochemical Xindi Real Estate Co., Ltd. ("Petrochemical Xindi"), an associate of the Group. On 12 December 2006, the entire equity interest in Petrochemical Xindi of the Group was disposed of. Shanghai Zhong Hang Bie Ye Technology Development Co., Ltd. ("Zhong Hang Bie Ye") is a former subsidiary of Fosun High Technology. On 1 January 2006, Fosun High Technology disposed of its entire equity interest in Zhong Hang Bie Ye to a third party. Accordingly, Zhong Hang Bie Ye ceased to be a related party of the Group.

(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, Shanghai Fosun Industrial Co., Ltd., agreed to lease 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.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Notes: (Continued)

(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 customers.

(e) This relates to tax indemnity receivable from the holding company, as set out in note 8.

(f) The entrusted bank loan in the amount of RMB46,500,000 is provided by Wuxi Forte and is interest free, unsecured and repayable by 2012, as set out in note 28. The corresponding notional interest computed with reference to prevailing interest rate for the year ended 31 December 2006 amounted to approximately RMB1,511,000.

(g) The loan in the amount of RMB114,155,000 is provided by 9154-5905 Quebec Inc., a shareholder of Wuxi Forte, and is interest free, unsecured and repayable by 2012, as set out in note 28. The corresponding notional interest computed with reference to prevailing interest rate for the year ended 31 December 2006 amounted to approximately RMB2,481,000.

(h) The loan in the amount of RMB99,716,000 is provided by Yangtze, a minority shareholder of Tianjin Forte, and is interest free, unsecured and repayable by 2010, as set out in note 28. The corresponding notional interest computed with reference to prevailing interest rate for the year ended 31 December 2006 amounted to approximately RMB331,000.

(i) The entrusted bank loan provided by the related company is unsecured and repayable on demand, with reference to the prevailing interest rate with the same repayment period published by the People's Bank of China of 6.12% and was fully repaid by 12 December 2006.

(j) On 11 August 2006, the holding company, Shanghai High Technology, entered into an agreement to transfer its 20% and 10% equity interests, in Fosun Hongqiao and Shanghai Fujin, respectively, to the Group at a consideration of RMB2,736,000 and RMB2,096,000, respectively. Subsequently, Fosun Hongqiao and Shanghai Fujin became wholly owned subsidiaries of the Group effective on 31 August 2006.

(II) Guarantees provided by related companies of the Group and the Company

As at 31 December 2006, part of the Group's current portion of long-term bank loans of RMB108,230,000 (2005: Nil) was guaranteed by the Group's related company, Shanghai Dahua (Group) Co., Ltd., free of charge.

(III) Guarantees provided for a related company of the Group

As set out in note 36, as at 31 December 2006, part of a jointly-controlled entity, Wuxi Forte's current portion of long-term bank loans of RMB75,000,000 (2005: Nil), was guaranteed by the Company.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(IV) Compensation of key management personnel of the Group:

	2006 RMB'000	2005 RMB'000
Short-term employee benefits	**7,851**	7,491
Pension scheme contributions	**168**	156
Total compensation paid to key management personnel	**8,019**	7,647

Further details of directors' emoluments are included in note 7 to the financial statements.

38. POST BALANCE SHEET EVENTS

(a) Proposed A-share listing in the PRC

On 21 February 2007, the board of directors ("the Board") passed a resolution that the Company would apply (i) to the China Securities Regulatory Commission ("CSRC") for the issue to the PRC public and institutional investors of a maximum of 126,400,000 A Share of RMB1.00 each (or 632,000,000 A Shares of RMB0.20 each, as the case may be); and (ii) to the Shanghai Stock Exchange for the listing of the A Shares on the Shanghai Stock Exchange (hereinafter referred as the "Proposed A Share Issue"). The net proceeds of the Proposed A Share Issue will be used primarily for the funding of the development of the Company's property development projects.

The final number of A Shares to be issued and the structure of the issue will be subject to adjustments made by the Board authorised by the Shareholders at the Extraordinary General Meeting (the "EGM") and the class meeting, which will be held on 27 April 2007, and approval of the CSRC and other relevant authorities.

38. POST BALANCE SHEET EVENTS (CONTINUED)

(b) The impact of the New Corporate Income Tax Law

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

39. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified and restated to conform to the current year's presentation and the accounting treatment.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 April 2007.