2007

STOCK CODE:2337

Annual Report

FORTE 复地
FOR BETTER LIVING

Chinese Well-known Trademark

Shanghai Forte Land Co.,Ltd.

Contents

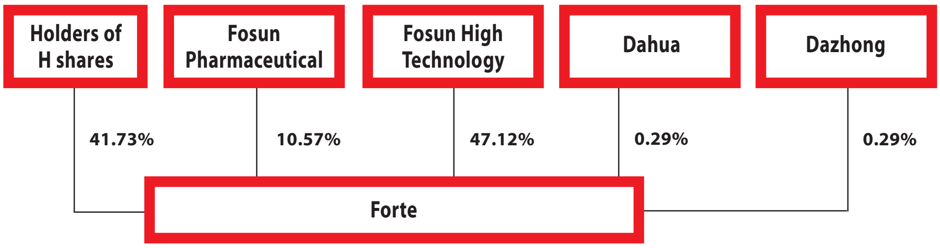
Corporate Profile

Shanghai Forte Land Co., Ltd. ("Forte" or the "Company"), together with its subsidiaries collectively known as the "Group", is one of the largest property developers in the People's Republic of China (the "PRC") with the Grade I development qualification issued by the Ministry of Construction. The Company's H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2337) since 6 February 2004. The Company is headquartered in Shanghai, the PRC.

Fosun International Limited ("Fosun International"), the holding company of Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun High Technology"), the controlling shareholder of the Company, was listed on the Main Board of the Stock Exchange (stock code: 656) on 16 July 2007.

Beijing | Peking House

The shareholding structure of the Company is as follows:



Note:

"Dahua"	Dahua Group Company Limited
"Dazhong"	Dazhong Transportation (Group) Company Limited
"Fosun High Technology"	Shanghai Fosun High Technology (Group) Co., Ltd.
"Fosun Pharmaceutical"	Shanghai Fosun Pharmaceutical Development Company Limited

FORTE IN CHINA

Projects developed

Shanghai:

All New Shanghai
Uptown
Time Spirit
Forte Domo City
Pudong Experience
Yu Hua Yuan
Yu Hua Dong Yuan
Garden Museum
GuBei New City
Chun Shen Forte City
Forte Aroma Riverside Garden
Forte Emerald Riverside
Jinhui Li She
Forte Sunny City
Fosun New Garden
Spring Town
Forte Cui Wei New City

Projects under development

Shanghai:

Silver Spring Garden
Forte Elegant Garden
Forte Allen Poem
Forte Time
Steel Union
Graceful Oasis
Yi He Hua Cheng
Villa Espana Estilo De Vida

Beijing:

Peking House
Value Stream
Forte Innateness
Jia Du Mansion

Tianjin:

Tianjin Centre

Chongqing:

Jinyuntiancheng

Nanjing:

Forte Ronchamp Villa

Wuxi:

Forte Park Town

Hangzhou:

Forte Invaluable City

Corporate and Shareholder Information

Corporate Information

Board of Directors

Executive Directors

Mr. Guo Guangchang (Chairman of the Board)
Mr. Fan Wei (President)
Mr. Wang Zhe (appointed on 21 March 2008)

Non-Executive Directors

Mr. Ding Guoqi
Mr. Feng Xiekun

Independent Non-Executive Directors

Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming
Ms. Wang Meijuan

Committees

Audit Committee

Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming
Ms. Wang Meijuan

Remuneration Committee

Mr. Guo Guangchang (Chairman)
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming

Nomination Committee

Mr. Fan Wei
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming
Ms. Wang Meijuan

Strategy Committee

Mr. Guo Guangchang
Mr. Fan Wei
Mr. Charles Nicholas Brooke
Mr. Zhang Hongming

Supervisory Committee

Mr. Ma Suxiang (Chairman)
Mr. Zhang Guozheng
Mr. Sun Wenqiu
Mr. Liu Zhangxi
Mr. Shen Guoliang

Authorized Representatives

Mr. Fan Wei
Mr. Ding Guoqi

Company Secretary

Ms. Lo Yee Har Susan

Registered Office in the PRC

9th Floor
510 Caoyang Road
Shanghai
PRC

Principal Place of Business in the PRC

5th-7th Floor
Fuxing Business Building
No. 2 East Fuxing Road
Shanghai 200010
PRC
Tel: (8621) 6332 0055/6332 2337
Fax: (8621) 6332 5018
Email: contact@forte.com.cn

Corporate Information

Company Website
www.forte.com.cn

Principal Place of Business in Hong Kong
Level 28
Three Pacific Place
1 Queen's Road East
Hong Kong

Auditors
Ernst & Young

Legal Advisor on Hong Kong Law
Herbert Smith

Legal Advisor on PRC Law
Chen & Co. Law Firm in Shanghai

Hong Kong H Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers
Agricultural Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Shanghai Pudong Development Bank
Bank of East Asia
China Merchants Bank

Shareholder Information

Interim results announcement 2007	27 August 2007
Interim dividend payment 2007	Distributed on 3 October 2007 RMB0.025 per share
Annual results announcement 2007	8 March 2008

Last day of lodging transfer	9 May 2008
Suspension of share registration	13 May 2008 to 12 June 2008
Annual General Meeting	12 June 2008
Proposed final dividend for 2007	Nil

Stock code

• **Stock Exchange**	2337
• **Reuters**	2337.HK
• **Bloomberg**	2337 HK

Number of shares in the public float with nominal value of RMB0.20 each listed on Stock Exchange as at 31 December 2007	1,055,538,122 shares

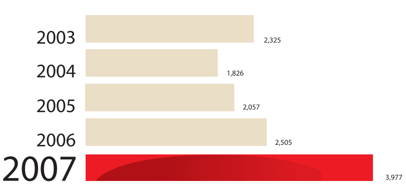
Investor relations contact	Mr. Wang Zhe Tel: (8621) 6332 0055-7026 Fax: (8621) 6332 5018 Email: ir@forte.com.cn

Financial Highlights

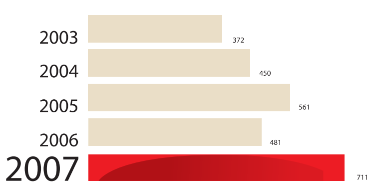
For the year ended 31 December 2007

RMB million

	2003	2004	2005	2006 (restated)	2007
Turnover	2,325	1,826	2,057	2,505	3,977
Gross profit	644	704	845	962	1,252
Gross margin	27.7%	38.6%	41.1%	38.4%	31.5%
EBIT	560	715	890	973	1,328
Net profit attributable to shareholders	372	450	561	481	711
Net margin	16.0%	24.6%	27.2%	19.2%	17.9%
EPS (RMB)	0.251	0.210	0.241	0.194	0.281
Total assets	4,333	6,533	9,813	11,480	18,323
Shareholders' equity	732	2,747	3,432	4,521	5,085
ROE	50.8%	16.4%	16.3%	10.6%	14.0%
Asset turnover rate	63.4%	33.6%	25.2%	23.3%	26.7%
Net assets per share (RMB)	0.494	1.245	1.458	1.788	2.011
ROE (Average)	68.1%	25.9%	18.1%	12.1%	14.8%
Number of shares as at the end of the period (million shares)	2,207	2,207	2,353	2,529	2,529
Weighted average number of shares (million shares)	2,207	2,207	2,329	2,481	2,529



Turnover
RMB million



Net profit attributable to shareholders
RMB million

EPS RMB
RMB

2007 Corporate Milestones

February

- Acquisition of the Jinshan Project in Shanghai

March

- Elected as the "Top 10 PC Property Developers in 2006 in terms of Combined Strength" (awarded by China Real Estate Association)

June

- Acquisition of the East Lake International Garden Project (announced by the Board of Directors on 11 June 2007)

July

- "Top 100 Private Listed Companies" (awarded by "Asian Business Leaders" China Europe International Business School)
- 2006 Customer Relationship Excellence Awards for "Best Customer Relationship Promotion Service" (Property Development) and "Best Customer Experience" (awarded by APCSC)
- "2006-2007 Award for Best Service Standard in China" and "2006-2007 Award for Best Customer Service Management Team in China" (awarded by Best Chinese Customer Service Appraisal Committee)
- Acquisition of the Jinxiutianxia Project in Xian

September

- “2007 Most Competitive Property Enterprise in China” and “2007 Most Competitive (Scale) National Property Strategic Development Enterprise in China” (awarded by the Development Research Centre of the State Council, the Centre for Policy Research of the Ministry of Construction)
- “Top 10 China Property Company Brand Values of 2007” (awarded by the Development Research Centre of the State Council, the Centre for Policy Research of the Ministry of Construction)
- Acquisition of the Shihua International Centre Project in Beijing (announced by the Board of Directors on 24 September 2007)
- Acquisition of the Yuhua Project in Xian

October

- “2007 Property Company with the Greatest Brand Influence” (awarded by Shanghai Securities News)
- Acquisition of the Garden Trade Centre Project in Hangzhou

December

- Famous National Brand (awarded by the State Administration for Industry & Commerce)
- “2008 Outstanding Employer in China” in Shanghai (awarded by CRF of the Netherlands)
- An agreement was signed to jointly develop the Wonderful World Town Project in Shanghai (announced by the Board of Directors on 24 December 2007)

Chairman's Statement

Dear Shareholders:

On behalf of the board, I am pleased to present the annual results of Shanghai Forte Land Co., Ltd. for the year ended 31 December 2007 for review by shareholders.

In 2007, the property market in China retreated following a boom in the earlier months. In the first three quarters, property prices and trading volumes in various regions hit new records repeatedly. In the fourth quarter, prompted by the drastic decline in transaction volumes in Shenzhen and Guangzhou, property markets in various major cities progressed into a period of correction in different paces.

Continuous market boom of the last year was obviously supported by longer-term positive factors such as strong real demand and the highly sought-after China theme, coupled with short-term factors domestically and aboard such as relatively tight supply and speculative sentiment resulting from overabundance of liquidity. Meanwhile, the subsequent repercussion was obviously resulted from years of policy regulation during which the government successfully identified effective measures for curbing short-term speculation to avoid bubbles without abruptly altering market fundamentals.

Chairman

Executive Director and President

Since 2006, through the strengthening of its management structure, Forte accelerated its asset turnover rate, an action contributing to considerable growth in the GFA launched for sale in 2007. Meanwhile, Forte adhered strictly to its strategy of adopting a moderate pace in its land bank expansion and avoiding incursions into districts with highly speculative sentiment. In retrospective, Forte took full advantage of market opportunities in 2007 and achieved significant growth in sales revenue and profits without risking the repercussions on property sales resulting from the impact of regulation and control policy on Forte's project sales and on the Group's overall investment and project development plans.

With respect to the operations, Forte recorded an audited turnover and net profit attributable to shareholders of RMB3,976,647,000 and RMB711,050,000, respectively, in 2007 , representing increases of 58.8% and 47.7% from the previous year.

Going forward in 2008, instead of intensifying macroeconomic control, the Central Government will continue to pursue a relatively tight economic policy that will suppress short-term property investments. As the market already reacted positively to regulatory measures introduced in 2007 which targeted the real estate sector, a result that falls in the government's favour, implementation of further tightenings in 2008 will become increasingly remote. A flurry of real demands will help restore confidence and direction in the market. The sector will enter a recovery phase accompanied by a steady rebound in transaction volume, and moderate increases in prices, albeit diverse performances from region to region.

In light of this view on the market, Forte will continue its steadily consolidating yet expanding business development in cities, accelerating project development and asset turnover, further optimize its development management model through continued learning and comparison, expand its cooperation with overseas real estate investment funds and develop channels for cooperation with domestic funds, stay vigilant on acquisition and merger opportunities resulting from industry consolidation. The A Share Offering Scheme in progress will also create new financing channels to support development in 2008.

It goes without saying that in the long run, the property market in China will continue its rapid pace of growth due to ongoing expansion of the country's population scale, urbanization, fast-growing economy, increasingly scarcity of land resources and rising income among the population. As shown by changes in the market in 2007, the levers adopted by the government to fine-tune the economy are increasingly sophisticated, forward looking and effective, capable of preventing excessive market fluctuations. These levers will instill resilience to the market. We firmly believe that under such background, Forte, which has been adhering to its strategy of "Stable Development, Fast Turnover", will continue to maintain its position as a market leader and continue to derive best returns for shareholders.

Finally, on behalf of the board, I would like to thank all shareholders and investors, business partners and customers for their trust and support, and express my gratitude to Forte's colleagues for their hard work over the past year.

Chairman: Guo Guangchang

Shanghai, the PRC
8 March 2008

Management Discussion and Analysis

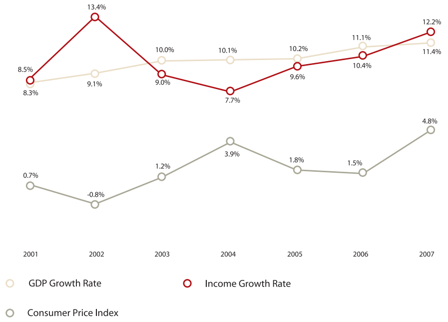
Market Overview

In 2007, a number of factors including strong demand for owner-occupation, record highs in the stock market and the appreciation of RMB strengthened market expectations of buyers, resulting in extremely active performance of the property market in China. Monthly property transaction volume and transaction prices in major cities continued to maintain a year-on-year growth of approximately 10% for many months in a row.

Meanwhile, the macroeconomic environment in China gradually became increasingly complex. The annual GDP growth was 12.2%, a new high in five years. CPI had been maintained at high levels since the second quarter, demonstrating the trend of a overheating economy. The appreciation of RMB to U.S. dollar accelerated. The official foreign reserve reached US$1,520 billion by the end of 2007, exacerbating concerns over excessive supply of liquidity. Starting from the fourth quarter, the United States has successively cut interest rates to relieve the impact of the subprime mortgage crisis. This has forced the Chinese Government to be more prudent in selecting policies for regulating the economy.

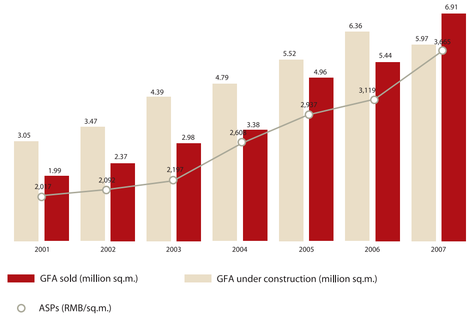
In order to cool down the overheating economy, during the year 2007, the People's Bank of China raised the deposit reserve ratio for financial institutions in ten moves to 14.5%, a 20-year new high; and adjusted the

Increases of macroeconomic indicator (2001-2007)



Source: National Statistics Bureau

Demand, supply and price trend of commodity residential properties (2001-2007)

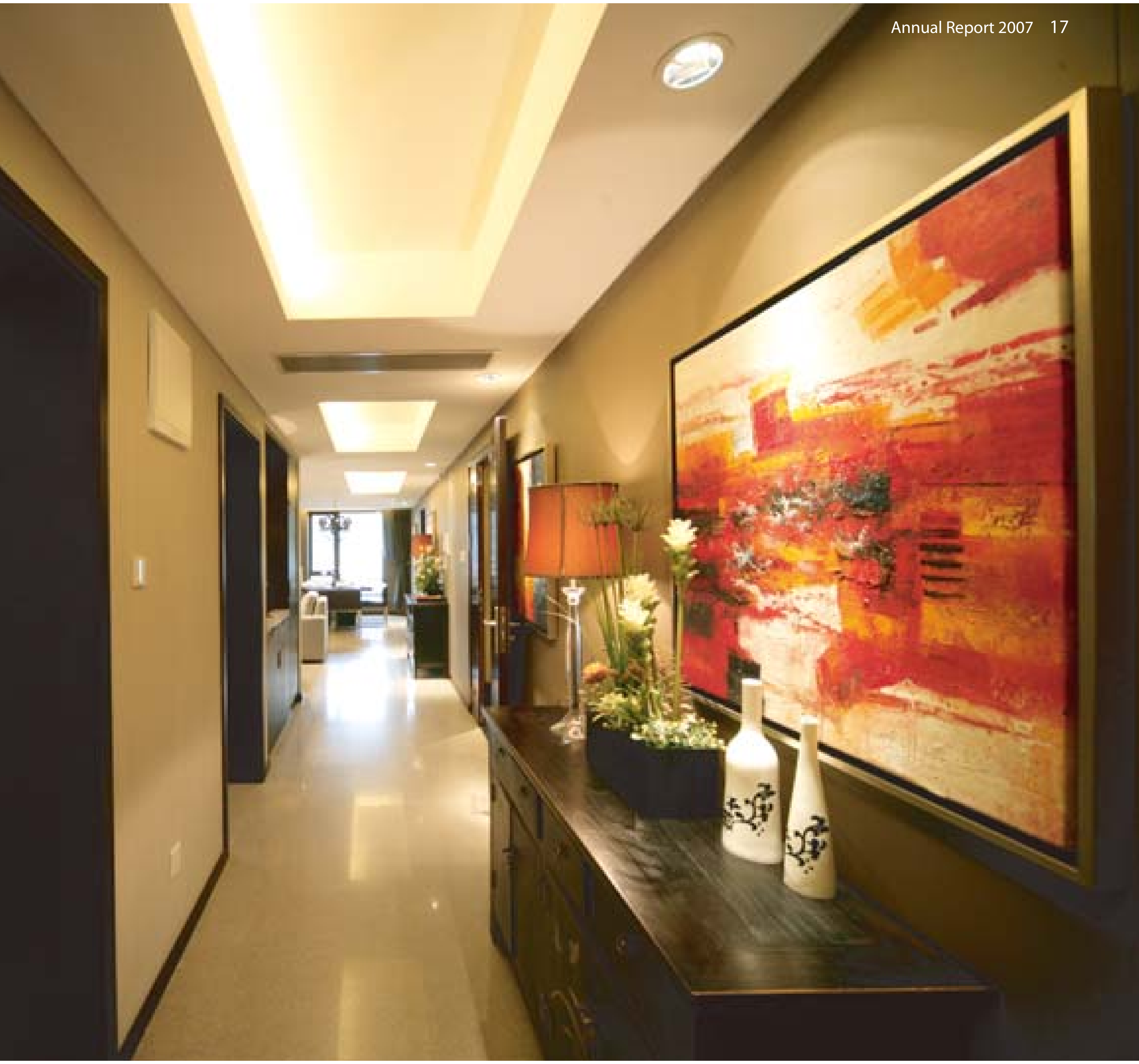


Source: National Statistics Bureau

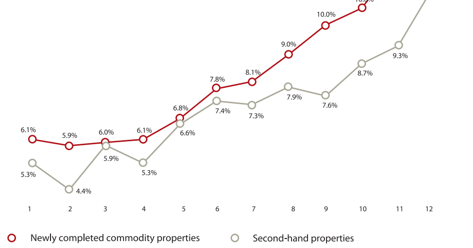
Shanghai | Forte Time

benchmark lending rate upwards in six moves to 7.47%, a new high in 10 years. Since August, the tight monetary policy gradually changed the expectation of the market about the short-term trend of property prices. In the fourth quarter, following introduction of a policy to raise mortgage lending rates for purchases of second homes, short-term speculators retreated from the market due to significantly increased financing costs and narrowed profit margins, resulting in a spontaneous decline in transaction volume. This further deepened the wait-and-see sentiment of a large number of owner-occupation-type buyers, forcing the residential market, which had been in an across-the-board boom since the beginning of the year, to undergo corrections to different extents in various regions by the end of the year. In most cities in particular, transaction volume stabilized shortly after sharp declines that lasted for one to two months whilst prices were still on an upward trend. In some regions such as Shenzhen where overt increases in prices were seen against a backdrop of rampant speculative sentiment over the past two years, transaction volumes maintained at low levels while prices experienced modest declines.

Going forward in 2008, judging from changing market dynamics, due to the tight supply of land over the past two years, there will be a limited inventory of new units to be launched for sale in 2008. Potential buyers will put an end to their wait-and-see stance, unwinding their strong demand if only no further negative news on introduction of policies to suppress the market is



Monthly increases in prices of primary and secondary properties in 2007



Source: National Development and Reform Commission and National Statistics Bureau

released. Such unwinding might shift the equilibrium in the overall demand and supply. Although the central government will continue to implement tight policies in response to economic data released in early 2008, it has reiterated several times that it "does not want property prices to be overly high nor does it want the property market to collapse", implying a low probability of further tightenings to suppress the overall property market boom in 2008. As such, the market will recover in the late second quarter, starting with a steady rebound in the transaction volume and moderate increases in prices, but with diverse region-specific performances.

Beijing | Value Stream

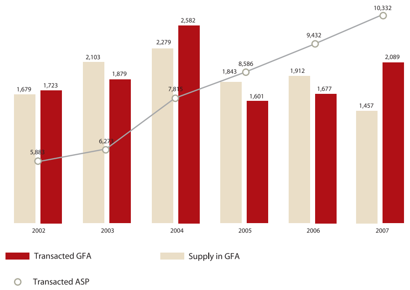
Beijing | Forte Innateness

(1) Shanghai

In 2007, although land supply in Shanghai reached a new three-year high of 8,510,000 sq.m., 65% of them was earmarked for industrial usage, resulting in a persistent shortage of land for residential usage. Meanwhile, due to continuously tight supply of land in the past years, the volume of residential units launched for sale in 2007 was severely low, resulting in by the huge 5,310,000 sq.m. gap in demand over supply for the year. In terms of pricing, statistical data released suggested that the average residential property price in Shanghai rose by 9.5% for the year, mainly due to a significant reduction in the supply in the downtown as a result of a shift in the new supply to suburbandistricts.

Beijing I Peking House

Demand, supply and price trends of commodity residential properties in Shanghai (2002-2007)



Source: Shanghai Property Exchange Centre, Shanghai Real Estate Association (上海房地產商會)

(Note: The above data do not include resettlements commodity housing earmarked for appropriation purposes)

Chongqing I Jinyuntiancheng

During the first quarter of 2007, the market was lukewarm, with both demand and supply increasing slightly. In the second and the third quarter, transaction volumes hit a record high due to a spontaneous release of enormous demand from owner-occupation type buyers with a wait-and-see sentiment, spurring significant increases in prices. During the fourth quarter, the Government introduced policies regulating over-investment and speculation. Transaction volume thus plunged but prices remained firm. Starting from 2008, more stringent credit and mortgage lending policies were launched, contributing to an ongoing decline in transaction volume whist prices stayed firm.

Against a back drop of rapidly changing economic environment, the likelihood for the Central Government to introduce further draconian measures is diminishing. It is expected that in April, May of 2008, alongside with the intensifying low supply and lukewarm policies, strong demand will resurface in the market, supporting a short-term upsurge in transaction volume

Wuxi I Forte Park Town

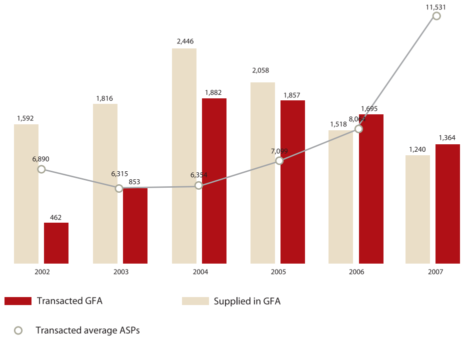
(2) Beijing

A significant decline in land supply precipitated a drastic plunge by 18.3% in supply of new residential properties in Beijing in 2007. New GFA supplies available in the year of 2007 aggregated only 12,400,000 sq.m., a low in three years. Transaction volume in the city also dropped drastically by 19.5%, spurring a 43.1% increase in prices. Beijing ranked the second in property price increases in 2007 after Shenzhen. Capitalizing on the Olympic factor, Chaoyang District saw the largest transaction volume in Beijing, contributing to 39% of the capital city's total by area and 48% by transaction value. Prices increased by more than 50% during the year.

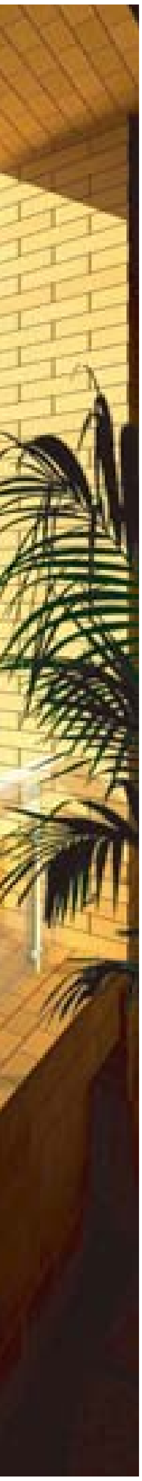
Hangzhou | Forte Invaluable City

As the country's capital city which will host the upcoming 2008 Olympic Games, Beijing has every reason to see rises in residential property prices which lagged significantly behind in the past several years as compared with other tier-one cities. Currently, property prices in Beijing are very robust. Due to the reduction in land supply, there is little room for supply of new properties to increase significantly in the short run. In light of the upcoming Olympic Games, domestic and overseas investors are set to continue to watch closely the property market in Beijing, providing strong support for property prices in Beijing in 2008.

Demend, supply and price trends of commodity residential properties in Beijing (2002-2007)



Source: Beijing Housing Administration Bureau, Beijing Construction Committee



Wuhan | Forte Cui Wei New City

(3) Tianjin, Chongqing

- **Tianjin**

As one of the four municipalities directly under the Central Government, Tianjin has been receiving a lot of attention from the current Central Government in the recent five years. It is recognized as the "Economic Centre for Northern China" with an unprecedented upgrading of its positioning. Tremendous infrastructure building and industrial establishments created tremendous opportunities for Tianjin's property market. Both demand and supply grew strongly in 2007. Supply surged 26.4%, accompanied by a 15.9% increase in volume. Undervalued properties in Tianjin saw prices surge sharply by 23.0%, a boom which is rarely seen in recent years.

As commuting transportation between Beijing and Tianjin improves significantly, the "Same City Effect" of the two cities has become increasingly obvious. Property prices in Beijing are two times that of Tianjin. The gradual improvement in city and industrial infrastructure, coupled with the increasing attention Tianjin received, the upgraded positioning it warrants, will drive increases in prices of properties in the municipality in the coming years.

Supply, demand and prices of commodity housing in Tianjin, Chongqing in 2007

Project	Tianjin Spot value	Tianjin Growth	Chongqing Spot value	Chongqing Growth
GDP (RMB100 million)	5018.28	15.1%	4111.82	15.6%
Per capita disposable income of residents in cities and towns (RMB)	16357	14.5%	12591	18.5%
GFA permitted for pre-sale (10,000 sq.m.)	1137.30	26.4%	1760.84	16.6%
GFA sold (10,000 sq.m.)	1095.90	15.9%	1582.35	73.9%
ASP (RMB/sq.m.)	5976	23.0%	3241	14.9%

Source: Statistics Bureaus and Property Exchange Centres of Tianjin and Chongqing

- **Chongqing**

In the recent years, supply of properties outstripped demand in Chongqing, suppressing prices. Since 2007, favourable news continued to emerge from Chongqing. In particular, inspired by the recognition of Chongqing as "Urban-rural Integration Development Comprehensive Reform Experimental Region" in July, a large number of investors from all parts of the country flocked into the property market in Chongqing, spurring an explosive growth in transation volume. The transacted GFA of commodity residential properties for the whole year rose by a sharp 74%. Although there was abundant supply, prices rose 14.9%, and even 30% in selected regions.

Since the beginning of 2008, against a backdrop of austerity policies, Chongqing saw a sharp decline in transaction volume albeit highly diverse performance from region to region. Regions with strong speculative sentiments suffered from significant declines in both volume and prices. The impact on selected medium-to-high-end residential areas was benign, supported by the strong real demand. Prices are set to rebound when the macroeconomic environment turns around.

(4) Other Cities

- **Hangzhou**

The macroeconomic control policies in 2005 dwarfed the demand in Hangzhou in 2005 and 2006, leading to postponement of a large amount of purchase decisions. These were unwinded in 2007, when the city saw a strong 61% growth in transaction volume. Prices also resumed their positive growth at more than 18% for the whole year.

The Hangzhou property market in 2008 will be marked by an acute shortage in supply in downtown. Further, demand for residential properties will continue to be strong, precipitating pressure for further hikes in prices, albeit modest in light of the austerity policies. Meanwhile, demand distribution will gradually extend to new cities like Yuhang and Xiaoshan.

- **Nanjing**

In 2007, the commodity residential property market in Nanjing saw strength in both the demand and supply sides. Although Nanjing Municipal Government adopted a price control policy,, sales prices of residential properties still rose sharply by 20.1%, leading a trend for other major cities in the Yangtze River Delta to follow, while GFA sales also record an increase of 16.5%.

At present, there is still a wide gap between property prices in Nanjing and that in Shanghai and Hangzhou. With the upgrading of Nanjing's position and its rapid economic development, the city will see an overall revaluation of its property prices. The uptrend in prices will continue in the long run. However, as the city has completed in full land development in the downtown area, the focus of development will shift to new districts. For instance, the Jiangning District will be a key area for property development in the city.

Supply, demand and ASPs of residential properties in Hangzhou, Nanjing, Wuhan, Xi'an and Wuxi in 2007

	Hangzhou		Nanjing		Wuhan		Xi'an		Wuxi	
Project	Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth
GDP (RMB 100 million)	4103.89	14.6%	3275.00	15.6%	3141.50	15.6%	1737.10	14.6%	3858.00	15.3%
Per capita disposable income (RMB)	21689	14.0%	20317	15.8%	14358	16.2%	12662	16.1%	20898	14.9%
GFA permitted for pre-sale (10,000 sq.m.)	666.30	– 8.9%	925.40	32.9%	791.25	– 9.2%	—	—	512.62	46.5%
GFA sold (10,000 sq.m.)	884.80	60.6%	1047.60	16.5%	1016.73	12.0%	879.03	45.3%	489.34	49.3%
ASP of properties sold (RMB/sq.m.)	8229	18.1%	5531	20.1%	4518	25.0%	3750	13.4%	4982	15.4%

Source: Property exchange centres in various cities (Special note: For Wuxi, only information on major urban areas is provided)

- **Wuhan**

The development potential of Wuhan increased substantially after it was named a new "Dual-model Society" special administrative region in late 2007. The property market there gained momentum. However, supply slowed down considerably in the second half of last year. There was still a wide gap between demand and supply, retarding development of the whole market. Besides, prices of high-end residential properties, particularly high-end residential properties along the Yangtze River, rose more rapidly, supporting the overall increases in the market. The transacted price of commodity housing in the city rose by 25.0% in 2007, a year marking the fastest growth in property prices in the history of Wuhan.

Investors in 2007 comprised a majority of speculator in the Wuhan market. Given the fact that the Central Government's macroeconomic control policy was targeting at investors and speculators, the property market of Wuhan will restore its stability with increasing demand since the beginning of 2008. But in the long run, there will be a lot of favourable news to come out of Wuhan. Besides, most of the residential properties are still undervalued. Together with the city's large urban population and rapidly growing middle class, the market is expecting the environment in Wuhan to improve in 2008.

- **Xi'an**

As a key city in the "Western Region Development Plan", Xi'an experienced economic growth at rates even faster than that of the southeastern coastal regions in recent years. The property market might better reflect the leap-forward development of Xi'an's economy. In recent years, key major domestic developers grew their shares in the market as they introduced to the city advanced development concepts and marketing models. This accelerated translation of huge potential demand into real purchase. In 2007, the city's transacted GFA increased rapidly at over 45%, while the city's total transacted GFA for commodity residential housing segment in the city approaching the levels in cities of a larger scale such as Hangzhou, Nanjing and Wuhan.

Since investors comprise a smaller proportion in the property market in Xi'an, the impact of the macroeconomic control on Xi'an was relatively benign. As major developers successively established their presence in Xi'an, the property market there is expected to maintain its upward trend in 2008.

- **Wuxi**

In 2007, the property market of Wuxi accelerated its growth momentum from a few years back fuelled a remarkable increase in supply. The growth rate was almost 50% and prices rose considerably. The price hiking phenomenon swiftly dispersed into new urban districts. Prices in districts such as Lihu generally reached RMB10,000. Properties in the Huishan New City in the northern region was sold at approximately RMB5,000.

Overall, the property market of Wuxi is still within a safe range. With fast economic development and a rapid income accretion among residents there, current property prices will receive strong support. It is expected that in the property market of Wuxi will maintain growth in price and volume in 2008.

BUSINESS REVIEW

2007 was a year of steady growth for the Company. During the Reporting Period, the Group's business result had been increasing steadily. Our major achievements are reflected in the following aspects:

PROJECT DEVELOPMENTS

During the Reporting Period, there were 40 projects under development (including joint ventures where the Group owns equity interests). Total gross floor area ("GFA") was approximately 2,530,402 sq.m., in which a total GFA of approximately 1,695,641 sq.m. was attributable to the equity interest of the Company, representing an increase of approximately 1.2% compared to 2006 (2006: GFA attributable to the Company of 1,675,452 sq.m.).

Projects developed in 2007

City	Approximate Total GFA (sq.m.)
Shanghai	732,284
Beijing	620,226
Nanjing	548,965
Wuxi	131,646
Hangzhou	260,203
Tianjin	151,903
Wuhan	27,468
Chongqing	57,708
Total	2,530,402

During the Reporting Period, 11 projects with a total GFA of approximately 813,252 sq.m. had commenced construction, in which a total GFA of approximately 666,487 sq.m. was attributable to the Company, representing an increase of 35.8% compared to 2006 (2006: GFA attributable to the Company of 490,689 sq.m.).

During the Reporting Period, 16 projects with a total GFA of approximately 779,956 sq.m. had completed, in which a total GFA of approximately 484,582 sq.m. was attributable to the Company, representing a decline of approximately 30% compared to 2006 (2006: GFA attributable to the Company of 693,045 sq.m.).

LAND BANK

During the Reporting Period, the Company strengthened its effort to increase its land bank pursuant to the Company´s development strategy and sectoral policies. The Group increased its land bank by participating in government tenders and auctions and acquisitions of equity interests in other project companies. The Group secured a total of seven projects with a total saleable GFA of approximately 4,750,000 sq.m., in which a total GFA of 2,750,000 sq.m. was attributable to the Company, representing an increase of approximately 337% compared to 2006 (2006: GFA attributable to the Company of 630,000 sq.m.). For the current year, other than the land bank for residential use, the Group also increased its land bank for offices, commercial and hotel uses. The above tenders and acquisitions are in line with the strategy of the Group's nationwide expansion and sustainable development strategy, contributing to the steady growth of the Company's core business and improvement of performance in the next couple of years.

Newly added project reserve in 2007

City	Project	Usage	Approximate Total GFA (sq.m.)	Interest Attributable to the Company (%)
Shanghai	Jinshan Project	Industrial	84,793	100.00
	Wonderful World Town	Residential	806,500	40.00
Beijing	Shihua International Centre	Commercial	103,205	100.00
Wuhan	East Lake International Garden	Residential	1,064,490	70.00
Xi'an	Jinxiutianxia	Residential	2,358,054	50.00
	Yuhua Project	Residential	169,201	90.00
Hangzhou	Garden Trade Centre	Commercial, Office buildings	160,418	100.00
Total			4,746,661	

In addition to the existing land bank of the Group, as at 31 December 2007, the total planned GFA of the Group's land bank amounted to approximately 9,500,000 sq.m., with locations in Shanghai, Beijing, Nanjing, Wuxi, Hangzhou, Tianjin, Wuhan, Chongqing and Xi'an.

Land reserve and projects in construction as of 31 December 2007

	Total		Under Construction		Planning	
Region	**In total**	**Attributable to Forte**	**In total**	**Attributable to Forte**	**In total**	**Attributable to Forte**
Shanghai	2,135,516	1,255,470	243,219	169,092	1,892,297	1,086,378
Beijing	516,688	429,143	487,262	399,717	29,425	29,425
Nanjing	1,408,631	610,340	491,881	206,222	916,750	404,118
Wuxi	435,084	217,542	58,270	29,135	376,814	188,407
Hangzhou	580,588	475,546	260,203	235,257	320,385	240,289
Tianjin	151,903	113,927	151,903	113,927	—	—
Wuhan	1,064,490	745,143	—	—	1,064,490	745,143
Chongqing	683,246	683,246	57,708	57,708	625,538	625,538
Xi'an	2,527,255	1,331,308	—	—	2,527,255	1,331,308
Total	9,503,400	5,861,664	1,750,446	1,211,058	7,752,954	4,650,606

The current land bank of the Group is sufficient for development in the next four to five years, providing a solid foundation for the Group's long-term rapid development.

Property Sales

During the Reporting Period, the Group achieved an aggregate GFA sales of approximately 781,090 sq.m. (including joint ventures in which the Group owns equity interests), and the total GFA sales attributable to the Company was approximately 543,289 sq.m., representing an increase of approximately 30.1% as compared to 2006 (2006: GFA sales attributable to the Company was 417,743 sq.m.).

The Group proactively expanded its property development business into ten cities in the PRC. During the Reporting Period, eight cities commenced property sales, namely Shanghai, Beijing, Tianjin, Chongqing, Nanjing, Wuxi, Wuhan and Hangzhou.

Total GFA sold by contract in 2007

City	Approximate Total GFA (sq.m.)
Shanghai	290,688
Beijing	140,744
Nanjing	161,842
Hangzhou	12,750
Wuxi	43,198
Tianjin	11,112
Wuhan	22,668
Chongqing	98,088
Total	**781,090**

Property Booked

In 2007, the GFA carried forward (GFA booked) was 825,589 sq.m. and the GFA carried forward attributable to the Company was 544,405 sq.m., representing an increase of approximately 9.6% as compared to 2006 (2006: GFA carried forward attributable to the Company was 496,555 sq.m.).

The GFA sold and not carried forward amounted to 373,466 sq.m. and the GFA sold and not carried forward attributable to the Company amounted to 235,264 sq.m..

Total GFA 06 Property GFE booked in 2007

City	Approximate Total GFA (sq.m.)
Shanghai	431,150
Beijing	109,356
Nanjing	86,114
Wuxi	57,612
Wuhan	43,269
Chongqing	98,088
Total	**825,589**

Property Agency and Sales Planning Business

Shanghai Resources Property Consultancy Co., Ltd. ("Resource Consultancy"), a subsidiary of the Group, received the second runner-up award of the Gold Bridge Award in "The Sixth Session of Top 20 Shanghai Real Estate Marketing Agency Enterprises in 2007" (2007年度第六屆上海市房地產營銷代理企業二十強金橋獎) and the "TOP 10 PRC Real Estates Planning Agency Brand Name Value" (2007年中國房地產策劃代理公司品牌價值 TOP10).

During the Reporting Period, the total GFA sold by Resource Consultancy which was not developed by the Group was to approximately 430,586 sq.m., representing an increase of 71% as compared to 2006 (2006: 251,624 sq.m.).

Cooperation with International Partners

During the Reporting Period, the Group actively engaged in cooperation with foreign investors. Four projects in Shanghai, Wuxi and Tianjin were jointly developed with these partners. The cooperation not only enhanced the Company's brand image, but also enabled the Company to explore new sources of financing. The Group also benefited in the areas of international project management, development strategies and corporate governance.

During the year, the Group entered into a contract with SEB Immobilien-Investment GmbH, a real estate investment and management unit of SEB, a financial group in North Europe, for the proposed joint development of property projects in China with an investment amount of US$200,000,000 to in which Forte contributed 20% and SEB contributed for 80%. Forte acted as the manager of the project.

Future Prospects

- Adhere to the strategy of developing regional projects in cities in three tiers: major cities, regional major cities, developed cities in the Yangtze Delta

  Currently the Company invests in ten cities in China, covering Shanghai, Beijing, Tianjin, Chongqing, Wuhan, Nanjing, Wuxi, Haikou, Hangzhou and Xi'an. Under its nationwide development strategy, the Company will exercise more caution while selecting project locations in order to reduce possible risk.

- Continue to adhere to the strategy of "Focusing on development of residential properties with integrated development consisting of commercial and modern service properties as supplement"

  The Company will strive to improve its operation efficiency, strengthen its core competitiveness and enhance its brand name value by giving adequate consideration on the project positioning.

- Continue to expand its fund raising channels

  The Company will actively promote the initial public offering of A shares and the funds to be raised will strengthen the Company's financial position; the Company will continue to seek and strengthen cooperation with other domestic and foreign partners for the joint development of projects.

- Continue to increase its land bank through acquisition and auctions

  The Company will develop its existing land bank as scheduled and increase the land bank in 2008 in strict compliance with the land policies issued by the PRC government.

- Uncertainties associated with the PRC policies, market volatilities and tight of monetary policies will remain major risk factors in 2008.

  The Company will closely monitor and handle the possible risk factors it will come across with prudence. Meanwhile, it will devote careful research on China's austerity policies and conduct of the market so as to strengthen risk management and control.

Financial Analysis

1. Turnover and Operating Results

In 2007, the Group recorded a total turnover of approximately RMB3,976,647,000, representing an increase of 58.8% as compared to approximately RMB2,504,544,000 (restated) in 2006, mainly due to an increase in booked GFA by 12%, derived from projects consolidated into this year's account, while the average selling price of properties booked was higher than that of 2006.

The Group's gross profit in 2007 was approximately RMB1,252,392,000, representing an increase of 30.2% as compared to approximately RMB961,764,000 (restated) in 2006. The Group's gross profit margin during the period was 31.5%, a decrease of 6.9% as compared to 38.4% in 2006, which was mainly attributable to: 1. the property under development arising from the acquisition of two subsidiaries in 2005 was measured at fair value, and the fair value was transferred to the operating cost in current year as the relevant properties were completed and sales were recognized in current year, leading to a decrease in gross profit margin of approximately 5% for the Year; 2. Villa Espana Estilo De Vida located in Qingpu District, Shanghai recorded in the account this year was projects with relatively low gross profit margin.

In 2007, profit attributable to equity holders was approximately RMB711,050,000, representing an increase of 47.7% as compared to approximately RMB481,361,000 (restated) in 2006, which was mainly due to 1. the increase in sales income this year; 2. gain from disposal of part of the equity interests this year.

Based on the total weighted number of Shares of the Group of 2,529,306,000 Shares in 2007, earnings per Share was RMB0.281.

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

	2007 RMB'000
Sale of properties	4,022,389
Property agency income	160,034
Property sales planning and advertising income	8,694
Property management income	7,525
Construction supervisory and consultancy income	4,779
Rental income from investment properties	4,901
Less: Business tax and government surcharges	231,675
Revenue	3,976,647

2. LAT prepayments and provisions

In 2007, pursuant to tax notice issued by the relevant local tax authorities, the Group made an LAT prepayment at rates ranging from 1% to 3% on proceeds of the sale and pre-sale of properties. Meanwhile, in 2007, the Group made an additional LAT provision in the amount of approximately RMB272,248,000 in respect of the properties sold in accordance with the requirements set forth in the relevant LAT laws and regulations issued by the State Administration of Taxation, representing an increase of 16% as compared to RMB234,588,000 in 2006. This additional LAT provision resulted in a decrease in the profit for the year attributable to equity holders of the Company of approximately RMB159,676,000. Pursuant to the deed of tax indemnity entered into between the Group and Fosun High Technology, the indemnity of LAT from Fosun High Technology in respect of the additional LAT provision made by the Group in 2007 was approximately RMB73,062,000.

3. Financial resources, liquidity and liabilities

During the Year, the Group's liquidity maintained at a healthy level. Its financial resources were allocated in a reasonable manner. As at 31 December 2007, the total assets of the Group amounted to approximately RMB18,322,879,000, in which current assets accounted for approximately RMB8,869,734,000. Total liabilities amounted to approximately RMB12,713,292,000. Current liabilities amounted to approximately RMB10,415,386,000 (including advance from customers amounted to approximately RMB2,610,633,000, had the advance from customers been excluded, the current liabilities would be approximately RMB7,804,753,000), and non-current liabilities amounted to approximately RMB2,297,906,000. The equity attributable to equity holders of the Company amounted to approximately RMB5,084,971,000.

As at 31 December 2007, the Group's cash and bank deposits amounted to approximately RMB2,379,169,000. The Group has sufficient working capital for its operation, liquidity of assets and solvency is healthy.

4. Pledge of assets

As at 31 December 2007, properties under development with total book value of approximately RMB3,550,027,000, pledged deposits of RMB2,250,000 and investment properties with total book value of RMB456,000,000 were pledged to financial institutions for the guarantee of bank loans of the Group. The corresponding bank loans from the financial institutions amounted to RMB2,300,150,000.

5. Contingent liabilities

The Group provided bank guarantees in favour of its customers in respects of the mortgage loans provided by the banks to such customers for purchases of the Group's properties. Such guarantees shall expire upon the submission of the relevant property ownership certificates to the mortgagee bank by the relevant customers. As at 31 December 2007, the remaining amount of the bank guarantees provided amounted to approximately RMB2,261,983,000.

Save as disclosed above, the Group did not have any outstanding loan capital, bank overdrafts, and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities outstanding as at 31 December 2007 apart from the intra-group liabilities.

6. Commitments

As at 31 December 2007, the Group has irrevocable operation leases of approximately RMB28,647,000, of which approximately RMB11,257,000 should be repaid within one year, approximately RMB17,390,000 should be repaid in two to five years (inclusive).

As at 31 December 2007, the Group has approximately RMB6,078,963,000 capital projects contracted but not provided for.

Dividend

Interim dividend of 2007 is RMB0.025 per share, which has been distributed on October 3, 2007.

As the application of the Company's proposed A share public offering is pending approval from the CSRC, in order not to affect the application hereof, the directors proposed that final dividends of 2007 shall not be distributed.

Employees and Remuneration Policy

As at 31 December 2007, the Group has a total of 1979 employees (2006:1569 employees). The number of employees with education level of university or above was 732, representing approximately 37.0%. The number of employees aged below 40 was 1693, representing approximately 85.5%. The number of technicians was 560, representing approximately 28.3%. The number of managerial grade staff was 489, representing approximately 24.7%.

The Group determines its remuneration policy based on information provided by renowned consultancy firms, prevailing industry practices, inflation, enterprise operation efficiency and performance of individual staff members. The Group provides them with comprehensive, flexible and market competitive benefit packages accommodating their individual needs, with an aim to mobilize the employee's devotion to work, hence ensuring a continuous supply of talent good for the Group´s rapid and sustainable development.






Customer Service

During the reporting period, the Group set targets focusing on customer satisfaction under the refined customer service management system, and made evaluations entirely in the perspective of customers. Such evaluations were complemented with the various internal means of supervision and assessment of the Company which measured our service quality by making objective comparisons. On the basis of fully completing the upgrade of Forte's customer relationship management system, we realized a comprehensive customer experience platform focusing on customers through multiple channels and diversified ways, and further constructed and improved Forte's customer service branding strategy.

The activities of the Forte Club in 2007 were as follows:

January	First phase of bonus point prize redemption activity organized by Chongqing Forte
March	A social gathering for property owners organized by Wuhan Forte to celebrate the Lantern Festival
April	"心，手相連" Forte photography/painting/composition contests; an outdoor barbecue activity organized by Wuhan Forte; initiation of the "Year for Experiencing Upstream Life" event by Chonqing Forte
May	The bonus point redemption ceremony celebrating the 5th anniversary of the Wuhan Forte Club; an activity organized by Beijing Fort to fish in the countryside; the "Love in the Garden City" Spring Real Estate Exhibition series of activities organized by Wuxi Forte

2007 Forte Club Activities

June	The“微笑互助獻愛心 共創和諧迎奧運”activity organized by Beijing Forte; the International Home Impression Exhibition organized by Beijing Forte; the “361°幸福傳遞” nationwide activity organized by the Forte Club to celebrate its 5th anniversary
July	The Shanghai Forte Community exchange event for Chinese and foreign students; the Summer Fine Life Theme Month event organized by Wuhan Forte; the Swedish Culture Experience Month event organized by Chongqing Forte
August	The “Care for Your Cervical Vertebrae” community event organized by the Forte Club in Shanghai; a children painting contest organized by Wuhan Forte; an activity with the theme of “賞溪塘別墅，理財富之源” organized by Beijing Forte
September	The Mid-autumn Beating Concert organized by the Shanghai Forte Club; the celebration activity with the theme of “中秋團圓樂” organized by Wuhan Forte
October	The Forte Club participated in the Shanghai October 1 Real Estate Exhibition; the “金秋採摘” activity organized by Beijing Forte
December	The “魔法世界，灣流人生” social gathering activity organized by Beijing Forte for property owners; the “動起來，更精彩” Christmas carnival organized by the Forte Club

Profile of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Guo Guangchang, aged 40, graduated from Fudan University with a master degree in business administration. Mr. Guo is a senior engineer and the Chairman of the Board of Directors of the Company and one of the co-founders of Fosun High Technology, and is primarily responsible for the overall strategic planning, management and business development of Fosun High Technology. Mr. Guo is a Deputy to the Tenth and Eleventh National People's Congress of the People's Republic of China and a member of the Ninth National Committee of the Chinese People's Political Consultative Conference, and was appointed a policy consultant to the Shanghai municipal government from 2001 to 2002. Mr. Guo was named one of Shanghai's "Ten most outstanding youths" in 1998. In 2002, Mr. Guo was elected deputy chairman of Shanghai Federation of Industry and Commerce. In 2004, Mr. Guo was elected chairman of Shanghai Zhejiang Chamber of Commerce. In 2003, Mr. Guo was named as one of the "Ten leaders in future economy of China" and "Ten new private entrepreneurs in 2003". In 2004, Mr. Guo was named as one of the "CCTV Personalities of the China Economy for the Year 2004". In 2005, Mr. Guo obtained the nationwide "Outstanding Entrepreneur in Private Sector on Staff Caring" award. In 2006, Mr. Guo was named "Entrepreneur of Industry and Commerce" in the "Ernst & Young Entrepreneur of the Year Award".

Mr. Fan Wei, aged 38, graduated from Fudan University with a bachelor degree in engineering and is an engineer. He is an executive Director and the president of the Company. Mr. Fan is one of the co-founders of Fosun High Technology. Mr. Fan is a vice chairman of the Shanghai Real Estate Association, a deputy chief council member of the Real Estate Research Centre of the Shanghai Academy of Social Sciences and chairman of the Housing Industry Association of Shanghai Federation of Industry and Commerce. In 2005, he obtained the "Top 100 Property Entrepreneurs in China in 2005" award and was named the "Outstanding Young Entrepreneur of Shanghai in the Property Sector" in the first session of the award.

Mr. Wang Zhe, aged 37, is the vice-president and the chief financial officer of the Company. He graduated from the Global Economics Faculty at Fudan University in the PRC with a bachelor´s degree in 1992 and obtained a master´s degree in International Finance from the International Economics Faculty at Fudan University in 1999. In 1997, he became a qualified economist. Mr. Wang has worked for the Agricultural Bank of China and Shanghai Pudong Development Bank prior to joining the Company in 2002. Mr. Wang was appointed as an executive Director on 21 March 2008.

Non-executive Directors

Mr. Ding Guoqi, aged 38, graduated from the Shanghai University of Finance and Economics with a bachelor degree in accounting. Mr. Ding is an accountant and a non-executive Director of the Company. Mr. Ding was appointed as manager of the finance department of Shanghai Jinshan Petrochemical Construction Company, the financial controller of Fosun High Technology and the financial controller of the Company. He is currently an executive director and General Manager of Finance of Fosun International Limited.

Mr. Feng Xiekun, aged 56, is a non-executive Director of the Company. Mr. Feng was the deputy head of the Shanghai Changning District Housing and Land Administration Bureau, the deputy head of the Shanghai Changning District Construction Authority and the manager of the Shanghai Changning District Municipal Construction Company. Mr. Feng is currently the chairman of the Shanghai Xinchangning (Group) Company Limited.

Independent Non-executive Directors

Mr. Charles Nicholas Brooke, aged 66, graduated from the University of London. He is an independent non-executive Director of the Company. He is the Chairman of Professional Property Services Limited, headquartered in Hong Kong, which provides a wide range of property advisory services across Asia-Pacific region. He is a Fellow of and the former President of the Royal Institution of Chartered Surveyors. Currently, he is the Chairman of the Hong Kong Science and Technology Parks Corporation and is a Non-Executive Director of the Hong Kong Cyberport Management Company Limited, and is a member of the Hong Kong Harbourfront Enhancement Committee, the Chairman of the Hong Kong Coalition of Service Industries and a member of the Election Committee responsible for the selection of the Chief Executive of the HKSAR. Mr. Brooke also sits as a Non-executive Director on the Boards of a number of companies including Majid Al Futtaim Properties, one of Middle East's leading shopping centres developers, VinaLand Limited,the first Vietnam property fund to be listed on the AIM Board of the London Stock Exchange and China Central Properties Limited which was also listed on the London AIM Board. In 1999, he was awarded the Bronze Bauhinia Star by the Chief Executive of the HKSAR Government.

Mr. Chen Yingjie, aged 59, graduated from Fudan University. He is an independent non-executive Director of the Company. Mr. Chen was a visiting scholar at the Chinese University of Hong Kong. He is currently an associate professor in the School of Management at Fudan University, specializing in financial analysis and corporate financial management. He has received the Class Three National Award for Scientific and Technological Improvements, Class One Award for Scientific and Technological Improvements from the National Education Committee and the Class Three Shanghai Scientific and Technological Improvements Award.

Mr. Zhang Hongming, aged 62, an independent non-executive Director of the Company. Mr. Zhang is currently the councilor of the Shanghai Municipal People's Government, the head, professor and doctorate student instructor of the Urban Studies and Real Estate Research Centre of the Shanghai Academy of Social Sciences, a member of The Chinese People's Political Consultative Conference, a member of the Specialist Committee of the Ministry of Construction of the People's Republic of China, vice president of the Real Estate Industry Research Centre of the Shanghai Academy of Social Sciences, chief editor of the magazine "China Real Estate Research", vice president of Shanghai Real Estate Economics Association and vice president of the Shanghai Real Estate Industry Association.

Ms. Wang Meijuan, aged 44, graduated from the Shanghai University of Finance and Economics, a Certified Public Accountant in the PRC. She is an independent non-executive Director of the Company. She was formerly a lecturer of the Department of Management of the Shanghai Institute of Building Materials and a senior manager of Da Hua Certified Public Accountants. She is currently the deputy general manager of the risk control headquarters of Hai Tong Securities Co., Ltd..

Supervisors

Mr. Ma Suxiang, aged 52, a postgraduate from the Civil and Economic Law School of China University of Political Science and Law and is an accountant. He is the chairman of the Supervisory Committee of the Company. He was appointed as the audit director of the 704 Research Institute, the supervisor of China Hi-Tech Group Co., Ltd., the head of the CCPC Office and the head of the supervisory and audit office. Mr. Ma is currently the director of the Legal Affairs and Audit Centre of the Company.

Mr. Zhang Guozheng, aged 42, graduated from the Chinese University of Hong Kong a with a master degree in professional accounting. He is a Supervisor of the Company. Mr. Zhang was a lecturer of Shanghai University of Finance and Economics specializing in cost accounting and industrial accounting, etc. He had been appointed to the positions of manager, senior manager and deputy general manager in the finance departments of the Thai Chia Tai Group Ek-Chor Industry (Holdings) Co., Ltd. and its subsidiaries, the audit director and the financial controller of Bright Dairy & Food Co., Ltd. Mr. Zhang is currently the deputy general manager and general manager of the finance department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd ("Fosun Pharmaceutical Group").

Mr. Sun Wenqiu, aged 40, graduated from the Shanghai University of Finance and Economics with a master degree and is a Senior Accountant. He is a supervisor of the Company. Mr. Sun was a teacher of the Nanjing Military Resources Management Institute. He was also appointed to the positions of finance manager, deputy chief accountant, chief accountant and manager of the securities investment department of the Shanghai Oriental Pearl (Group) Co., Ltd. He is currently the vice president of Shanghai Oriental Pearl (Group) Co., Ltd.

Mr. Liu Zhangxi, aged 68, graduated from the University of Science and Technology of China. He is a Supervisor of the Company. Mr. Liu was appointed as an engineer and director of the technology office at the Jiuquan Satellite Launch Centre. Mr. Liu was a deputy director of the office of the Government's Science and Technology Commission of Putuo District in Shanghai as well as the head of the Institute Division and vice-chairman of the Shanghai Putuo District Science and Technology Association. He was also the general manager of Shanghai Xidatang Technological Investment and Development Company Limited. He is currently the deputy secretary of the CCP of Fosun High Technology.

Mr. Shen Guoliang, aged 51, graduated from Shanghai Engineering and Technology University with a professional degree. He was appointed as an assistant engineer and a supervisor of the Company. Mr. Shen is currently the administration manager of the administrative management centre of the Company.

Company Secretary

Ms. Lo Yee Har Susan, aged 49, is the company secretary of the Company. Ms. Lo is a senior member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. She has over 20 years of experience in the company secretarial profession and has been serving a number of companies listed on the Hong Kong Stock Exchange.

Senior Management

Mr. Zhang Lin, aged 49, graduated from Tongji University, He is an engineer and is a vice president of the Company. Mr. Zhang worked as an architect in Shanghai Jing'an Residential Company, the infrastructure office of the Shanghai University of Finance and Economics, Shanghai Aijian Architectural Design Firm and the mechanical engineering department of Shenzhen Design Institute. Mr. Zhang is currently a vice president of the Company.

Mr. Cao Zhidong, aged 37, graduated from Jiaotong University with a doctorate degree in management studies and he is a senior economist. He is a vice president of the Company. Mr. Cao was a lecturer in the Institute of Construction and Kinetic Studies of the Shanghai Jiaotong University. He was appointed as the project director of the PRC national social security and insurance symposium consultation project. Mr. Cao was appointed as the deputy manager of the human resources department, a group strategic management and human resource consultant of the Shanghai New Huang Pu (Group) Company Limited as well as the head of human resources, director and supervisor of its various subsidiaries.

Mr. Wang Ning, aged 40, graduated from the Shanghai University of Finance and Economics with a bachelor degree. He is a vice president of the Company. Mr. Wang was appointed as manager of the finance department of Shanghai Vanke Property Management Co., Ltd. and the manager of the sales and planning departments of Shanghai Vanke Real Estate Co., Ltd..

Mr. Zhang Weigang, aged 50, graduated from Shanghai Normal University with a professional degree. He is a vice president of the Company. Mr. Zhang was appointed to the positions of secretary and deputy head of the Office for Shanghai County Committees, the deputy head of the Meilong Town Government in Minhang District, head of the Office of the Minhang District Government, the Party secretary of Hongqiao Town in Minhang District and the director of the planning committee of Minhang District.

Corporate Governance Report

The Board of Directors of the Company hereby presents the corporate governance report of the Company for the year ended 31 December 2007.

Corporate Governance Commitment

The Board knows well that maintaining a high level of corporate governance is valuable and can maximize profit return to the shareholders.

During the reporting period, the Company has strictly complied with the provisions of the "Company Law of the People's Republic of China" and the "Securities Law of the People's Republic of China". The Company has also been complying with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), and the relevant laws and regulations of the China Securities Regulatory Committee and overseas securities regulatory bodies, and the Company has continued to improve its corporate governance and its management. The Company believes that a good corporate governance system will bring long-term benefits to the Company and its shareholders

Compliance with the "Model Code" for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standards for securities transactions by the Directors. The Company has made enquiries with all the Directors and all the Directors confirmed that they have complied with the required standards throughout the year ended 31 December 2007.

During the reporting period of 2007 (ended 31 December 2007), the Board comprised eight directors, and they were:

Executive Directors:	Mr. Guo Guangchang (Chairman)
	Mr. Fan Wei (President)
Non-executive Directors:	Mr. Ding Guoqi
	Mr. Feng Xiekun
Independent non-executive Directors:	Mr. Charles Nicholas Brooke
	Mr. Chen Yingjie
	Mr. Zhang Hongming
	Ms. Wang Meijuan

Pursuant to the Company 's articles of association (the "Articles of Association"), directors are appointed for a term of three years (the expiry date is 15 June 2008). All directors must retire upon expiry of the term and are subject to re-election at the forthcoming general meeting.

The chairman of the Board is Mr. Guo Guangchang, who is mainly responsible for leading the Board, ensuring effective operation of all functions of the Board and discussing important strategies in a timely manner.

The president of the Company is Mr. Fan Wei, who is mainly responsible for implementing the business operation targets and plans formulated by the Board.

Members of the Board fully understand their responsibilities and obligations. During the year, the Board held 4 regular meetings. Individual attendance rates are as follows:

Guo Guangchang	Fan Wei	Ding Guoqi	Feng Xiekun	Chen Yingjie	Zhang Hongming	Wang Meijuan	Charles Nicholas Brooke
100%	100%	100%	100%	100%	100%	100%	100%

Major issues such as corporate governances system, financial monitoring system, internal control system and interim and final results of the Company were discussed and determined at the meetings. The independent non-executive Directors have attended all board meetings. All Directors had discharged their duties as required by the relevant laws and regulations in order to protect the rights of the Company and its shareholders.

The Board is responsible for reviewing the annual account statements of the Company, and to assure that such account statements have truly and fairly reflected the Group's financial status, performance and cash flow. All non-executive Director and independent non-executive Directors possess the appropriate academic or professional expertise and management experience and have provided their professional and independent advice to the Board, and to protect the interests of the Company and shareholders.

Audit Committee

During the reporting period of 2007 (ended 31 December 2007), the Audit Committee of the Company comprised four members, and they were:

Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming
Ms. Wang Meijuan

All of the members of the Audit Committee were independent non-executive Directors.

The Audit Committee is mainly responsible for the examination and supervision of the reporting procedures of the Company's financial information and the internal control system, so as to ensure the objectivity and trust-worthiness of the financial information of the Group, as well as providing suggestions and advice to the Board.

During the reporting period of 2007 (ended 31 December 2007), the Audit Committee convened two meetings and all members attended the meetings. At the meetings, the Audit Committee discussed the interim and final results of the Company and reviewed and discussed with the auditors the financial position of the Company.

Remuneration Committee

During the reporting period of 2007 (ended 31 December 2007). The Remuneration Committee comprised four members:

Mr. Guo Guangchang (Chairman)
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming

The Remuneration Committee provides suggestions to the Board in relation to the Directors' remuneration and other benefits. The remuneration of all Directors is regularly reviewed by the Remuneration Committee to ensure that reasonable remuneration and benefits are in place.

During the reporting period of 2007 (ended 31 December 2007). The Remuneration Committee held one meeting. All the members of the Remuneration Committee attended the meeting. The Committee reviewed the remuneration policy, the terms of the Directors' service contracts and the performance of each executive Director. The Remuneration Committee is of the view that the executive Directors' remuneration was made in accordance with the terms of the service contracts, was reasonable and did not add burden to the Company's finances.

Nomination Committee

During the reporting period of 2007 (ended 31 December 2007), the Nomination Committee comprised five members, and they were:

Mr. Fan Wei
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming
Ms. Wang Meijuan

When the term of the Board expires, the nomination of Directors will be determined by all members of the Nomination Committee.

Strategy Committee

During the reporting period of 2007 (ended 31 December 2007), the Strategy Committee comprised four members:

Mr. Guo Guangchang
Mr. Fan Wei
Mr. Charles Nicholas Brooke
Mr. Zhang Hongming

The Strategy Committee will timely discuss the strategic planning for the development of the Company in the medium and long term.

The Independence of Independent Non-executive Directors

During the reporting period of 2007 (ended 31 December 2007), all independent non-executive Directors had made confirmations of their independence to the Company in accordance with the guideline of the Listing Rules.

Supervisory Committee

During the reporting period of 2007 (ended 31 December 2007), the Supervisory Committee comprised five members, and they were:

Mr. Ma Suxiang (Chairman)
Mr. Zhang Guozheng
Mr. Sun Wenqiu
Mr. Liu Zhangxi
Mr. Shen Guoliang

The supervisors of the Company are diligent and have duly fulfilled their duties and have effectively supervised the finance of the Company as well as the legality and compliance regarding duties that shall be performed by Directors and senior management.

External Auditors

Ernst & Young and Ernst & Young Hua Ming are the external auditors of the Company. To preserve their independency, Ernst & Young and Ernst & Young Hua Ming were not retained in other non-audit work during the year.

The Board has passed a resolution in appointing Ernst & Young as the Company's auditor, for a term till the next annual general meeting. Such appointment will only be effective upon the approval of the shareholders in the forthcoming annual general meeting.

During the reporting period of 2007 (ended 31 December 2007), the remuneration paid to the external auditors was RMB3,514,000.

Internal Controls

The Board has the responsibility of maintaining a sound and reliable internal control system, and to evaluate its effectiveness through the examination of the Audit Committee so as to safeguard the interests of shareholders and the assets of the Group. Internal control system is a crucial element of the Company's risk management, which is very important as it will affect the ability of the Company to meet its performance target. Therefore, the Company will review its internal control system from time to time to ensure its effectiveness.

The internal control system of the Company includes a mature organizational structure, including the formulation and adoption of the "Core Business Management Manual of Forte" which clearly specifies power and responsibilities of all business divisions and administration and management personnel so as to prevent assets from being damaged or misappropriated, inappropriate use of resources, faults and the occurrence of fraudulent acts, thereby further enhancing the efficiency of the Group's internal control system.

The Company has established the operation management division to set up the operation management system for all projects. The system has covered developing projects and yet to be developed land reserve projects, and can monitor finance, costs, progress, contracts and sales of each project in a comprehensive manner, and is able to issue regular on-going operation management reports, so as to identify problems existing in the Company and the operation of the projects and to provide solutions to the management on a timely basis.

The Company has a legal audit department independent of the Company's daily operation and accounting functions, which is responsible for reviewing the Company's internal control, including the construction budget, the finances and expenses, and the control and management of risks, and discusses its internal control work and results with the management regularly. Meanwhile, the Company also retains PRC and Hong Kong lawyers to review all the contracts and legal documents with the legal audit department so that the operation of the Company is in compliance with the relevant laws and regulations in China and Hong Kong.

For the financial year ended 31 December 2007, the Board reviewed the effectiveness of the internal control system of the Group by reference to the reports of the Audit Committee, the management of the Company, external auditors and internal auditors. The evaluation covered financial control, operation control, regulatory control and risk management functions.

We are certain that the Company is able to cope with any change in the internal and external business environment. There are no significant problems in internal control and the internal control mechanism is operating effectively.

Disclosure of Information

The Company has endeavoured to maintain amicable relationship and communication with its shareholders and investors as well as to enhance the Company's transparency. All legally required announcements, were regularly published on the corporate website www.forte.com.cn, in which a News Centre and an investors' column were established to regularly publish press release. In addition, the Company's management held regular meetings with securities analysts and investors. The Company is confident that the abovementioned methods are able to provide investors with a clear and direct understanding of the Company's business developments.

Annual general meeting

An annual general meeting was held on 28 June 2007 and its related polling results and details were announced on 28 June 2007.

The Company's annual general meeting (the "AGM") will be held on Thursday, 12 June 2008. Notice of the AGM will be published and dispatched in accordance with the requirements under the Listing Rules.

2007 Investor Conferences

2007	Organization	Conference	City
February	ABN AMRO	ABN AMRO Asian Conference	London
March	Forte	Shanghai Forte HK IR Roadshow	Hong Kong
April	JP Morgan	JPMorgan's China Conference 2007	Beijing
	CICC	CICC Property Industry Investment Conference	Shenzhen
May	Deutsche Bank	Deutsche Bank's Asian & Australian Property Conference	Hong Kong
	CLSA	CLSA China Forum 2007	Shanghai
June	JP Morgan	JPMorgan's Asia Pacific Real Estate Conference 2007	Beijing
	Morgan Stanley	Morgan Stanley's Regional Property Corporate Days	Hong Kong, Singapore
July	Merril Lynch	Merril Lynch China Investor Forum	Hong Kong
August	SYWG	SYWG China Property Corperate Days	Shanghai
	Forte	Shanghai Forte 1H07 Asia IR Roadshow	Hong Kong, Singapore
September	ABN AMRO	ABN AMRO's Asian Conference	London
	UBS	UBS China Property Day 2007	Hong Kong
October	Citigroup	Greater China Investor Conference 2007	Macau
November	Goldman Sachs	Goldman Sachs China Investment Frontier Conference 2007	Beijing
	Morgan Stanley	Morgan Stanley Asia Pacific Summit 2007	Singapore
	Merrill Lynch	Merrill Lynch Urban China Investor Forum	Tokyo
	CLSA	China Access Days	London
December	ABN AMRO	ABN AMRO China Property Day	Hong Kong

Report of the Directors

The board of directors of the Company presents its report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

Principal activities

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

Results and dividends

The Group's profit for the year ended 31 December 2007 and the financial position of the Company and the Group at that date are set out in the financial statements recording up till 31 December 2007.

The 2007 interim dividend of RMB0.025 per share was paid on 3 October 2007.

As the Company's application for the proposed public issue of A Shares is under review, the directors does not recommend the distribution of the 2007 final dividend to avoid affecting the review of such application.

Summary financial information

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

Closure of register of members

The Company's register of members will be closed between Tuesday, 13 May 2008 to Thursday, 12 June 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's H Share register in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 pm, on Friday, 9 May 2008.

Property, equipment and investment property

Details of changes in property, equipment and investment property of the Company and the Group during the year are set out in notes 15 and 16 to the financial statements.

Principal properties under development

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

Share capital

Details of changes in the Company's share capital during the year are set out in note 34 to the financial statements.

Substantial shareholders' and other persons' interests in shares and underlying shares of the Company and its associated corporations

As at 31 December 2007, so far as the directors are aware, the following persons (who are not Directors, Supervisors or senior management) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of substantial shareholders	Class of shares	Number of shares	Approximate percentage in the relevant class of share capital (%)	Approximate percentage in the total share capital (%)
Fosun High Technology	Domestic shares	1,458,963,765(L) (Note 1)	99.00	57.68
Fosun International Limited	Domestic shares	1,458,963,765(L) (Note 2)	99.00	57.68
Fosun Holdings Limited	Domestic shares	1,458,963,765(L) (Note 3)	99.00	57.68
Fosun International Holdings Ltd.	Domestic shares	1,458,963,765(L) (Note 4)	99.00	57.68
Fosun Pharmaceutical	Domestic shares	267,217,615(L)	18.13	10.56
Fosun Pharmaceutical Group	Domestic shares	267,217,615(L) (Note 5)	18.13	10.56
Platinum Asset Management Limited	H shares	86,256,000(L)	8.17	3.41
JPMorgan Chase & Co.	H shares	86,881,890(L)	8.23	3.44
	H shares	64,767,000(P)	6.14	2.56
	H shares	200,000(S)	0.02	0.01
T. Rowe Price International, Inc. on behalf of our advisory clients	H shares	73,214,000(L)	6.94	2.89
UBS AG	H shares	94,011,450(L)	8.91	3.72
	H shares	10,362,000(S)	0.98	0.41

Notes:

1. Out of these 1,458,963,765 shares, 1,191,746,150 shares are directly held by Fosun High Technology and 267,217,615 shares are deemed corporate interests indirectly held through the wholly owned subsidiary of Fosun Pharmaceutical Group.

2. Fosun High Technology is a wholly-owned subsidiary of Fosun International Limited. Fosun International Limited is deemed to be interested in the 1,191,746,150 shares directly held by Fosun High Technology and 267,217,615 shares directly held by Fosun Pharmaceutical.

3. Fosun Holdings Limited owns 77.67% share interests in Fosun International Limited.

4. Fosun Holdings Limited is wholly owned by Fosun International Holdings Ltd.

5. Fosun Pharmaceutical Group owns 100% equity interest in Fosun Pharmaceutical. It is deemed to be interested in the 267,217,615 shares held by Fosun Pharmaceutical.

6. The letter ("L"), ("P") and ("S") denote a long position lending pool and short position respectively.

Sufficiency of public float

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

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

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

Reserves

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

Distributable reserves

As at 31 December 2007, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Articles of Association, amounted to RMB3,006,213,000.

Charitable contributions

During the year, the Group made charitable contributions totalling RMB1,231,000.

Major customers and suppliers

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

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

Directors

The directors of the Company during the year were:

Executive Directors:

Mr. Guo Guangchang (Chairman)

Mr. Fan Wei (President)

Non-executive Directors:

Mr. Ding Guoqi

Mr. Feng Xiekun

Independent non-executive Directors:

Mr. Charles Nicholas Brooke

Mr. Chen Yingjie

Mr. Zhang Hongming

Ms. Wang Meijuan

Pursuant to article 95 of the Articles of Association, the term of each Director is 3 years (will be expired on 15 June 2008). Each of the Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Directors', Supervisors' and senior management's biographies

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

Directors' and Supervisors' service contracts

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

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

Directors' remuneration

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

Directors' and Supervisors' interests in contracts

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

Directors' and Supervisors' rights to acquire shares

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

Directors' and Supervisors' interests in a competing business

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

Directors' and Supervisors' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at 31 December 2007, the interests and short positions of the Directors and Supervisors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director has taken or deemed to have taken under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules of the Stock Exchange, were as follows:

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

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

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

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

Connected transaction

For the year ended 31 December 2007, the Company had the following connected transaction and had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected transaction during the year

For the year ended 31 December 2007, the Company has not entered into any new connected transaction.

Below is a summary of the ongoing connected transaction of the Group for the year ended 31 December 2007 which are exempted from the independent shareholders' approval requirements under the Listing Rules:

Office tenancy agreement

On 16 May 2007, the Company and Shanghai Fuxin Property Management Co., Ltd. ("Fuxin Property") entered into an office tenancy agreement (the "Office Tenancy Agreement"). Under the Office Tenancy Agreement, Fuxin Property agreed to let office premises located at Levels 5-7 of Fuxing Business Building with total floor area of 5,005.84 sq.m. (the "Office Premises") to the Company for a term of three years commencing from 1 January 2007. In light of the factors driving office prices within the next three years, the rental increase is expected to be not exceeding 15% per year.

During the year, the rent payable by the Company under the Office Tenancy Agreement is RMB 2.5 per sq.m. per day plus an additional RMB 2.37 per sq.m. per day as management fees and other utility expenses.

The Company has paid an annual rent of approximately RMB8,898,130.92 to Fuxin Property.

Fuxin Property is a subsidiary of Fosun High Technology which is a substantial shareholder of the Company as to 47.12% equity interest as at 31 December 2007. Accordingly, Fuxin Property is regarded as a connected person of the Company under the Listing Rules.

An announcement was made by the Board of Directors on 18 May 2007 accordingly.

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

(i) have received the approval of the board;

(ii) were entered into in accordance with the terms of the respective agreements governing those transactions, or if there are no such agreements, on terms no less favourable than those available to or from (as appropriate) independent third parties;

(iii) the annual aggregate amounts of the continuing connected transactions as described above have not exceeded the proposed annual limits.

Post balance sheet events

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

Proposed Application to issue A shares in the PRC

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

The Board proposed in the announcement and circular dated 28 January 2008 to extend the effective period of the Shareholders' approval for the proposed A share issue for a period of 12 months from the date of passing of such resolution. Details of which are set out in the abovementioned announcement and circular.

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

The directors confirm that for the year ended 31 December 2007, the Company had been in compliance with the code provision in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Auditors

The Company's financial statements prepared in accordance with IFRS were audited by Ernst & Young and the Company's financial statements prepared in accordance with PRC GAAP were audited by Ernst & Young Hua Ming. A resolution will be proposed at the forthcoming AGM of the Company for the reappointment of Ernst & Young as the international auditors and Ernst & Young Hua Ming as the domestic auditors of the Company for year 2008.

ON BEHALF OF THE BOARD

Guo Guangchang
Chairman

Shanghai, the PRC
8 March 2008

Report of the Supervisory Committee

To our shareholders,

During the reporting period, the members of the Company's Supervisory Committee (the "Committee"), has conscientiously exercised its supervisory duties to protect the interests of the shareholders and the Company, and to ensure that the Company complies with the Listing Rules of the Stock Exchange, Company Law of the People's Republic of China, relevant laws and regulation of Hong Kong, and the Articles of Association.

The Committee currently consists of 5 members. During the reporting period, the Committee has convened two Committee meetings.

During the second half of 2007, all members of the Committee conducted research and investigations of some of the Group's subsidiaries, namely, Shanghai Forte Zhibao Property Development Co., Ltd., Hainan New World Development Co., Ltd. and Hainan Huaqiao Assembly Hall Co., Ltd. The Committee recognized the development works by the project companies and issued relevant recommendations for improvement.

The Committee ensures the continuous, stable and healthy development of the Group by carrying out day-to-day examination over the Company and regular review over the performance of the Board and the senior management.

The Committee confirmed that it has reviewed and approved the Company's 2007 Annual Report, 2007 Annual Results Announcement and 2007 Annual Profits Allocation Resolution; and has reviewed and approved (i) the 2007 financial statements and a preliminary draft of the audit report which were prepared in accordance with the PRC Generally Accepted Accounting Principles and (ii) the 2007 financial statements and a preliminary draft of the audit report which were prepared in accordance with the International Financial Reporting Standards. The Committee is of the view that the financial statements have been prepared in accordance with the relevant accounting standards, the accounting policies have been consistently applied and the statements truly and fairly reflect the financial condition and results of operations of the Company.

The Committee concluded that, during the reporting period, all members of the Board, the president, and other senior management had, under the principles of diligence, fairness and honesty, duly performed the responsibilities stipulated in the Articles of Association and faithfully acted on the principles of maximizing the Group's value as well as the shareholders' best interests. Neither had they breached any laws, regulations or the Articles of Association nor done any acts which would prejudice the interests of the shareholders.

In the coming year, the Committee shall further broaden its mind, make more efforts to strengthen its supervision, and continue to explore new effective ways of supervision, so as to maximize the Group's value and protect the shareholders' best interests.

By order of the Supervisory Committee

Ma Suxiang
Chairman of the Supervisory Committee

Shanghai, the PRC
8 March 2008

Independent Auditors' Report

To the shareholders of Shanghai Forte Land Co., Ltd.
(Registered in the People's Republic of China with limited liability)

We have audited the financial statements of Shanghai Forte Land Co., Ltd. set out on pages 60 to 148, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
8 March 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	**2007 RMB'000**	2006 RMB'000 (Restated)
Revenue	6	**3,976,647**	2,504,544
Cost of sales		**(2,724,255)**	(1,542,780)
Gross profit		**1,252,392**	961,764
Other income and gains	6	**537,376**	202,111
Selling and distribution costs		**(284,148)**	(143,808)
Administrative expenses		**(204,413)**	(160,857)
Other expenses		**(10,274)**	(5,189)
Finance costs	8	**(15,140)**	(11,492)
Share of profits and losses of:			
Jointly-controlled entities	20	**5,406**	4,185
Associates	21	**31,270**	112,884
PROFIT BEFORE TAX	7	**1,312,469**	959,598
Tax	10	**(551,487)**	(461,212)
PROFIT FOR THE YEAR		**760,982**	498,386
Attributable to:			
Equity holders of the Company	11	**711,050**	481,361
Minority interests		**49,932**	17,025
		760,982	498,386
DIVIDENDS			
Interim	12 (a)	**63,233**	126,465
Proposed final	12 (b)	**—**	101,172
		63,233	227,637
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY-Basic (RMB)	13	**0.281**	0.194

Balance Sheets

31 December 2007

	Notes	Group 2007 RMB'000	Group 2006 RMB'000 (Restated)	Company 2007 RMB'000	Company 2006 RMB'000
NON-CURRENT ASSETS					
Property and equipment	15	**128,113**	92,670	**6,701**	7,905
Investment properties	16	**456,000**	446,000	**—**	—
Properties under development	17	**6,009,593**	3,305,549	**34,500**	29,218
Goodwill	18	**27,422**	32,664	**—**	—
Investments in subsidiaries	19	**—**	—	**1,842,020**	1,236,971
Investments in jointly-controlled entities	20	**227,330**	92,072	**134,342**	58,149
Investments in associates	21	**317,319**	193,688	**237,560**	166,050
Available-for-sale investments	22	**205,787**	250	**250**	250
Loan receivables	23	**459,200**	—	**—**	—
Prepayments	24	**1,427,278**	111,742	**—**	4,842
Deferred tax assets	25	**195,103**	110,469	**—**	—
Total non-current assets		**9,453,145**	4,385,104	**2,255,373**	1,503,385
CURRENT ASSETS					
Cash and cash equivalents	26	**2,379,169**	1,160,476	**42,331**	106,899
Pledged deposits	26	**2,250**	25,599	**—**	—
Income tax recoverable		**114,073**	63,993	**—**	—
Trade receivables	27	**280,828**	136,962	**276**	801
Prepayments, deposits and other receivables	28	**1,358,749**	222,309	**96,718**	13,534
Amounts due from related companies	29	**368,403**	372,730	**6,034,666**	3,313,321
Amount due from holding company	29	**190,808**	117,746	**190,808**	117,746
Completed properties for sale		**746,538**	790,489	**16,733**	20,820
Properties under development	17	**3,428,916**	4,204,295	**—**	—
Total current assets		**8,869,734**	7,094,599	**6,381,532**	3,573,121

31 December 2007

	Notes	Group 2007 RMB'000	Group 2006 RMB'000 (Restated)	Company 2007 RMB'000	Company 2006 RMB'000
CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	30	**5,301,976**	1,063,230	**2,616,000**	—
Trade payables	32	**921,406**	789,210	**20,398**	21,232
Advances from customers		**2,610,633**	1,422,345	**—**	—
Accrued liabilities and other payables		**351,411**	426,010	**26,040**	70,342
Tax payable		**838,416**	353,512	**7,827**	—
Amounts due to related companies	33	**391,544**	136,809	**1,984,546**	1,124,623
Total current liabilities		**10,415,386**	4,191,116	**4,654,811**	1,216,197
NET CURRENT (LIABILITIES)/ASSETS		**(1,545,652)**	2,903,483	**1,726,721**	2,356,924
TOTAL ASSETS LESS CURRENT LIABILITES		**7,907,493**	7,288,587	**3,982,094**	3,860,309
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	30	**1,886,700**	1,961,731	**—**	—
Loans from related companies	31	**147,719**	144,573	**71,026**	66,672
Deferred tax liabilities	25	**263,487**	301,874	**47,702**	38,856
Total non-current liabilities		**2,297,906**	2,408,178	**118,728**	105,528
Net assets		**5,609,587**	4,880,409	**3,863,366**	3,754,781
EQUITY					
Equity attributable to equity holders of the Company:					
Issued capital	34	**505,861**	505,861	**505,861**	505,861
Reserves	35	**4,579,110**	3,913,890	**3,357,505**	3,147,748
Proposed final dividends	12(b)	**—**	101,172	**—**	101,172
		5,084,971	4,520,923	**3,863,366**	3,754,781
Minority interests		**524,616**	359,486	**—**	—
Total equity		**5,609,587**	4,880,409	**3,863,366**	3,754,781

Director
Guo Guangchang

Director
Fan Wei

Consolidated Statement Of Changes In Equity

Year ended 31 December 2007

Group

	Notes	Attributable to equity holders of the Company										
		Issued capital RMB'000 (note 34)	Share premium account RMB'000	Available-for-sale investment revaluation reserve RMB'000 (note 22)	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007		505,861	2,624,510	—	128,883	388,918	—	771,579	101,172	4,520,923	359,486	4,880,409
Changes in fair value of available-for-sale investments	22	—	—	(46,863)	—	—	—	—	—	(46,863)	—	(46,863)
Exchange realignment		—	—	—	—	—	50	—	—	50	—	50
Profit for the year		—	—	—	—	—	—	711,050	—	711,050	49,932	760,982
Partial disposal of equity interest in a subsidiary	41	—	—	—	—	—	—	—	—	—	108,793	108,793
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	116,987	116,987
Acquisition of minority interests		—	—	—	—	—	—	—	—	—	(1,000)	(1,000)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	—	(109,582)	(109,582)
Final dividend declared		—	—	—	—	—	—	—	(101,172)	(101,172)	—	(101,172)
Indemnity receivable of land appreciation tax ("LAT") from the holding company	10	—	—	—	73,062	—	—	—	—	73,062	—	73,062
Tax effect of LAT indemnity	25	—	—	—	(24,110)	—	—	—	—	(24,110)	—	(24,110)
Effect of the change in tax rate from 33%to 25%	25	—	—	—	15,264	—	—	—	—	15,264	—	15,264
Interim dividend	12(a)	—	—	—	—	—	—	(63,233)	—	(63,233)	—	(63,233)
Transfer from retained profits		—	—	—	—	92,384	—	(92,384)	—	—	—	—
At 31 December 2007		505,861	2,624,510	(46,863)	193,099	481,302	50	1,327,012	—	5,084,971	524,616	5,609,587

Year ended 31 December 2007

		Attributable to equity holders of the Company									
	Notes	Issued capital RMB'000 (note 34)	Share premium account RMB'000 (note 34)	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Statutory public welfare fund RMB'000 (note 35)	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006		470,677	1,952,881	—	195,770	147,160	570,880	94,135	3,431,503	322,515	3,754,018
Profit for the year		—	—	—	—	—	481,361	—	481,361	17,025	498,386
Acquisition of minority interests		—	—	—	—	—	—	—	—	(4,828)	(4,828)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	(40,926)	(40,926)
Partial disposal of a subsidiary without losing control		—	—	—	—	—	—	—	—	60,164	60,164
Adjustment on 2005 proposed final dividend resulting from shares issued in April 2006	12	—	—	—	—	—	(7,037)	7,037	—	—	—
Final dividend declared		—	—	—	—	—	—	(101,172)	(101,172)	—	(101,172)
Issue of shares	34	35,184	682,466	—	—	—	—	—	717,650	—	717,650
Share issue expenses	34	—	(10,837)	—	—	—	—	—	(10,837)	—	(10,837)
Fair value adjustment on interest-free loans from related companies		—	—	49,993	—	—	—	—	49,993	5,536	55,529
Indemnity receivable of LAT from the holding company	10	—	—	117,746	—	—	—	—	117,746	—	117,746
Tax effect of LAT indemnity	25	—	—	(38,856)	—	—	—	—	(38,856)	—	(38,856)
Interim dividend	12(a)	—	—	—	—	—	(126,465)	—	(126,465)	—	(126,465)
Proposed final dividend	12(b)	—	—	—	—	—	(101,172)	101,172	—	—	—
Transfer from statutory public welfare fund		—	—	—	147,160	(147,160)	—	—	—	—	—
Transfer from retained profits		—	—	—	45,988	—	(45,988)	—	—	—	—
At 31 December 2006		505,861	2,624,510	128,883	388,918	—	771,579	101,172	4,520,923	359,486	4,880,409

Statement Of Changes In Equity

Year ended 31 December 2007

Company

	Notes	Issued capital RMB'000 (note 34)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total equity RMB'000
At 1 January 2007		**505,861**	**2,624,510**	**78,890**	**242,925**	**201,423**	**101,172**	**3,754,781**
Profit for the year		**—**	**—**	**—**	**—**	**208,774**	**—**	**208,774**
Final dividend declared		**—**	**—**	**—**	**—**	**—**	**(101,172)**	**(101,172)**
Indemnity receivable of LAT from the holding company	10	**—**	**—**	**73,062**	**—**	**—**	**—**	**73,062**
Tax effect of LAT indemnity	25	**—**	**—**	**(24,110)**	**—**	**—**	**—**	**(24,110)**
Effect of the change in tax rate from 33% to 25%	25	**—**	**—**	**15,264**	**—**	**—**	**—**	**15,264**
Interim dividend	12(a)	**—**	**—**	**—**	**—**	**(63,233)**	**—**	**(63,233)**
Reversal of statutory surplus reserve		**—**	**—**	**—**	**(58,668)**	**58,668**	**—**	**—**
Transfer from retained profits		**—**	**—**	**—**	**23,929**	**(23,929)**	**—**	**—**
At 31 December 2007		**505,861**	**2,624,510**	**143,106**	**208,186**	**381,703**	**—**	**3,863,366**

	Notes	Issued capital RMB'000 (note 34)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Statutory public welfare fund RMB'000 (note 35)	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total equity RMB'000
At 1 January 2006		470,677	1,952,881	—	140,274	70,136	99,413	94,135	2,827,516
Profit for the year		—	—	—	—	—	369,199	—	369,199
Adjustment on 2005 proposed final dividend resulting from shares issued in April 2006	12	—	—	—	—	—	(7,037)	7,037	—
Final dividend declared		—	—	—	—	—	—	(101,172)	(101,172)
Issue of shares	34	35,184	682,466	—	—	—	—	—	717,650
Share issue expenses	34	—	(10,837)	—	—	—	—	—	(10,837)
Indemnity receivable of LAT from the holding company	10	—	—	117,746	—	—	—	—	117,746
Tax effect of LAT indemnity	25	—	—	(38,856)	—	—	—	—	(38,856)
Interim dividend	12(a)	—	—	—	—	—	(126,465)	—	(126,465)
Proposed final dividend	12(b)	—	—	—	—	—	(101,172)	101,172	—
Transfer from statutory public welfare fund		—	—	—	70,136	(70,136)	—	—	—
Transfer from retained profits		—	—	—	32,515	—	(32,515)	—	—
At 31 December 2006		505,861	2,624,510	78,890	242,925	—	201,423	101,172	3,754,781

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	**2007 RMB'000**	2006 RMB'000 (Restated)
Cash flows from operating activities			
Profit before tax		**1,312,469**	959,598
Adjustments for:			
Share of profits and losses of associates and jointly-controlled entities		**(36,676)**	(117,069)
Interest income	6	**(8,447)**	(5,189)
Changes in fair value of investment properties	6	**(10,000)**	(130,651)
Gain on disposal of jointly-controlled entities	6	**(93,614)**	—
Gain on disposal of an associate	6	**—**	(17,950)
Gain on partial disposal of equity interest in a subsidiary	6	**(355,207)**	—
Gain on disposal of subsidiaries	6	**(40,752)**	(3,289)
Gain on termination of derivative financial instrument	6	**(1,405)**	—
Loss on disposal of items of property and equipment	7	**608**	192
Depreciation	7	**14,858**	7,833
Impairment of goodwill	7	**3,683**	—
Finance costs	8	**10,726**	10,101
		796,243	703,576
Increase in trade receivables		**(143,635)**	(42,367)
Increase in properties under development and completed properties held for sale		**(22,395)**	(1,037,133)
Increase in prepayments, deposits and other receivables		**(879,519)**	(8,892)
Decrease in amounts due from related companies		**324,124**	88,051
Increase/(decrease) in trade payables		**132,179**	(767,047)
Increase in advances from customers		**1,188,288**	147,071
(Decrease)/increase in accrued liabilities and other payables		**(686,417)**	97,526
Cash generated from/(used in) operations		**708,868**	(819,215)
Interest paid		**(296,351)**	(196,730)
Tax paid		**(320,508)**	(233,637)
Net cash inflow/(outflow) from operating activities		**92,009**	(1,249,582)

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
Net cash inflow/(outflow) from operating activities		**92,009**	(1,249,582)
Cash flows from investing activities			
Purchases of items of property and equipment		**(8,692)**	(56,442)
Proceeds from disposal of items of property and equipment		**892**	10,182
Interest received		**4,865**	5,189
Proceeds from termination of derivative financial instrument	6	**1,405**	—
Dividends received from associates		**—**	140,637
Acquisition of minority interests		**(1,000)**	(4,832)
Acquisition of subsidiaries	38	**(611,919)**	(10,000)
Acquisition of jointly-controlled entities		**(158,346)**	—
Acquisition of associates		**(18,316)**	(960)
Acquisition of available-for-sale investment		**(249,121)**	—
Proceeds from disposal of subsidiaries	39	**105,793**	—
Proceeds from disposal of jointly-controlled entities	40	**75,000**	—
Proceeds from disposal of associates		**—**	16,132
Proceeds from partial disposal of equity interests in subsidiaries	41	**232,000**	109,924
Prepayments for acquisitions		**(1,320,378)**	(111,742)
Shareholder loans provided to related companies	23	**(459,200)**	—
Decrease in pledged time deposits		**23,349**	2,693
Net cash (outflow)/inflow from investing activities		**(2,383,668)**	100,781
Cash flows from financing activities			
Proceeds from issue of shares	34	**—**	717,650
Share issue expenses	34	**—**	(10,837)
New interest-bearing bank loans and other borrowings		**5,363,819**	1,839,047
Repayment of bank loans and other borrowings		**(1,582,880)**	(862,600)
Dividends paid		**(164,405)**	(227,267)
Dividends paid to minority shareholders		**(109,582)**	(40,926)
Investment from minority shareholders		**3,400**	—
Net cash inflow from financing activities		**3,510,352**	1,415,067
Net increase in cash and cash equivalents		**1,218,693**	266,266
Cash and cash equivalents at beginning of year		**1,160,476**	894,210
Cash and cash equivalents at end of year	26	**2,379,169**	1,160,476

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (the "Group") are principally engaged in property development. The Group's property development projects are located in Shanghai, Hangzhou, Wuhan, Nanjing, Beijing, Chongqing, Xi'an and Tianjin. The registered office of the Company is located at 9th Floor, 510 Caoyang Road, Shanghai, the PRC. The principal place of business of the Company is located at 5th-7th Floor, Fuxing Business Building, No. 2 East Fuxing Road, Shanghai 200010, the PRC.

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

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for investment property and certain financial assets that have been measured at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance").

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. The financial statements of the subsidiaries 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.

2 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the 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 interest of outside shareholders not held by the Group in the profit or loss and net assets of the Company's subsidiaries and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. All transactions involving the acquisition of, or the disposal to, minority interests, are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired, or disposed of, is recognised in goodwill or income statement directly.

3 NET CURRENT LIABILITIES

As at 31 December 2007, the current liabilities of the Group exceeded its current assets by approximately RMB1,545,652,000. The directors have prepared the financial statements on a going concern basis notwithstanding the net current liabilities position because based on letters received by the directors, the directors are of the opinion that its holding company will extend the entrusted bank loans amounted to RMB2,000,000,000 and the guarantees as set out in note 45, to support the property development of the Group.

4.1 CHANGES IN ACCOUNTING POLICY

During the year ended 31 December 2007, the Group changed its accounting policy for reporting investments in jointly-controlled entities in the consolidated financial statements from "proportionate consolidation" to the "equity method" of accounting. This change is to conform with the new accounting policy adopted by the Group for the preparation of its PRC statutory financial statements, which are prepared in accordance with the Chinese Accounting Standards ("CAS") effective for accounting periods beginning on or after 1 January 2007. The new CAS eliminated the use of "proportionate consolidation" and required the use of the "equity method" for investments in jointly-controlled entities.

This change in accounting policy has had no impact on the opening retained earning and the net profit for the year ended 31 December 2007.

4.1 CHANGES IN ACCOUNTING POLICY (CONTINUED)

In accordance with IAS 8, this change in accounting policy has been accounted for retrospectively, and certain comparative figures for the consolidated balance sheets as at 31 December 2006 and the consolidated income statement for the year ended 31 December 2006 have been restated. The effect of the change in this accounting policy is tabulated below.

(a) Effect on the consolidated balance sheet as at 31 December 2006.

	Increase/(Decrease) RMB'000
Current assets	33,713
Non-current assets	(309,565)
Total assets	(275,852)
Current liabilities	(269,936)
Non-current liabilities	(5,916)
Total liabilities	(275,852)
Equity	—

(b) Effect on the consolidated income statement for the year ended 31 December 2006.

	Increase/(Decrease) RMB'000
Revenue	(30,370)
Cost of sales	(23,816)
Other income and gains	(3,306)
Selling and distribution costs	(3,672)
Share of profits and losses of jointly-controlled entities	4,185
Tax	2,003

4.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2007, the Group adopted the following new and revised IFRSs, which are relevant to its operations.

IAS 1 Amendment	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC-Int 8	Scope of IFRS 2
IFRIC-Int 9	Reassessment of Embedded Derivatives
IFRIC-Int 10	Interim Financial Reporting and Impairment

The adoption of these new/revised IFRSs does not have any significant impact on the accounting policies of the Group and the method of computation in the financial statements.

4.3 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 the consolidated financial statements.

IAS 27 (revised)	Consolidated and Separate Financial Statements[1]
IFRS 3 (revised)	Business Combinations [1]
IAS 23 (revised)	Borrowing Costs[2]
IFRS 2 Amendment	Share-based Payment: Vesting Conditions and Cancellations [2]
IFRS 8	Operating Segments[2]
IFRIC-Int 12	Service Concession Arrangements[3]
IFRIC-Int 13	Customer Loyalty Programmes[4]
IFRIC-Int 14	IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for accounting periods beginning on or after 1 July 2009
2 Effective for accounting periods beginning on or after 1 January 2009
3 Effective for accounting periods beginning on or after 1 January 2008
4 Effective for accounting periods beginning on or after 1 July 2008

IFRS 3 (revised) and IAS 27 (revised) were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 (revised) and IAS 27 (revised) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

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

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

Except as stated above, the Group expects that the adoption of the above new/revised IFRSs will not have any significant impact on the Group's financial statements in the period of initial application.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. 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 interests in jointly-controlled entities 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 Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly-controlled entities (Continued)

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.

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 interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

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 arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

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.

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

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.

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.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investments are acquired.

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 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.

4.4 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, 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, but 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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivatives is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

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.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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 less any allowance for impairment. 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 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. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investment are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

4.4 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 at 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 other valuation 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. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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 by adjusting the allowance account. 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.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

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 and significant changes in the technological, market economic or legal environment that have an adverse effect on 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 uncollectible.

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged declined in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of 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.

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 payables, other payables and accruals, amounts due to related companies, interest-bearing loans and borrowings and loans from related companies 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. The related interest expense is recognised within "finance costs" in the income statement.

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Derivative financial instruments

The Group uses a derivative financial instrument that is an interest rate swap to hedge its risks associated with interest rates. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivative is carried as asset when the fair value is positive and as liability when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

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, is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities;

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

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(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. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. 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.

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.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

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.

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.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 transactions

The functional currency of one subsidiary incorporated outside Mainland China is Hong Kong dollars ("HK$"). The functional currency of the Company and other PRC subsidiaries is RMB. The Group is measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in RMB, which is the Group's functional and presentation currency.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies transactions (Continued)

Foreign currency transactions are initially recorded using the functional currency rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective functional currencies at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

On consolidation, the assets and liabilities of the Group's foreign entity are translated into RMB at the applicable rates of exchange ruling at the balance sheet date and its income statement is translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flow of its overseas subsidiary is translated into RMB at the exchange rate ruling at the date of the cash flow. Frequently recurring cash flow of its overseas subsidiary which arises throughout the year is translated into RMB at the weighted average exchange rate for the year.

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.

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.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward 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.

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.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Group; (b) has an interest in the Group that gives it significant influence over the Group; or (c) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv); or

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v).

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 commitments – 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.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgements (Continued)

(ii) Classification between investment properties and owner-occupied properties

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 any property under development 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 the consolidated income statement under IAS 40.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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 at 31 December 2007 was RMB27,422,000 (2006: RMB32,664,000).

(ii) Deferred tax assets

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimation uncertainty (Continued)

(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.

(iv) Fair value of investment properties

As set out in note 16, investment properties were revalued as at 31 December 2007 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 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

(c) 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.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimation uncertainty (Continued)

(iv) Fair value of investment properties (Continued)

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 at 31 December 2007 was RMB456,000,000 (2006: RMB446,000,000).

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

5. SEGMENT INFORMATION

The Group's turnover and profit for the two years ended 31 December 2007 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.

6. 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:

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
Revenue			
Sale of properties		**4,022,389**	2,542,047
Rental income from investment properties		**4,901**	3,100
Property agency income		**160,034**	95,142
Property sales planning and advertising income		**8,694**	7,364
Property management income		**7,525**	5,064
Construction supervisory and consulting income		**4,779**	2,135
		4,208,322	2,654,852
Less: Business tax and government surcharges		**(231,675)**	(150,308)
Total revenue		**3,976,647**	2,504,544

6. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
Other income			
Government grants		**24,526**	41,554
Bank interest income		**8,273**	5,189
Interest income for loan receivables		**174**	—
Miscellaneous rental income		**1,406**	640
Others		**2,019**	2,838
		36,398	50,221
Gains			
Gain on fair value adjustment of investment properties	16	**10,000**	130,651
Gain on disposal of subsidiaries	39	**40,752**	3,289
Gain on disposal of jointly-controlled entities	40	**93,614**	—
Gain on partial disposal of equity interest in a subsidiary	41	**355,207**	—
Gain on disposal of an associate		**—**	17,950
Gain on termination of derivative financial instrument		**1,405**	—
		500,978	151,890
Other income and gains		**537,376**	202,111

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 2007. There are no conditions attached to the government subsidies received.

7. PROFIT BEFORE TAX

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

	Notes	**2007 RMB'000**	2006 RMB'000 (Restated)
Staff costs (including directors', supervisors' and senior executives' emoluments as set out in note (9)):			
Basic salaries and benefits in kind		**123,356**	88,217
Pension scheme contributions:			
– defined contribution scheme		**9,442**	6,500
Total staff costs		**132,798**	94,717
Cost of sales		**2,724,255**	1,542,780
Minimum lease payments under operating leases		**16,054**	10,215
Auditors' remuneration		**3,514**	3,009
Depreciation		**14,858**	7,833
Impairment of goodwill	18	**3,683**	—
Loss on disposal of items of property and equipment		**608**	192
Finance costs	8	**15,140**	11,492
Bank interest income	6	**8,273**	5,189
Interest income for loan receivables	45(k)	**174**	—
Gain on termination of derivative financial instrument	6	**1,405**	—
Gain on disposal of subsidiaries	6	**40,752**	3,289
Gain on partial disposal of equity interest in a subsidiary	6	**355,207**	—
Gain on fair value adjustment of investment properties	6	**10,000**	130,651

8. FINANCE COSTS

	Notes	**2007 RMB'000**	2006 RMB'000 (Restated)
Interest on bank and other borrowings		**300,209**	199,615
Notional interest	45(g, h)	**9,381**	3,353
Total interests		**309,590**	202,968
Less: Interest capitalised, in respect of:			
– bank and other borrowings		**(293,837)**	(192,536)
– notional interest	45(h)	**(5,027)**	(331)
Total interests capitalised		**(298,864)**	(192,867)
		10,726	10,101
Other finance costs:			
– exchange losses		**3,479**	1,312
– bank charges and others		**935**	79
Total finance costs		**15,140**	11,492

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

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

	2007 **RMB'000**	2006 RMB'000
Fees	**698**	791
Other emoluments for executive directors, independent non-executive directors and supervisors:		
– basic salaries and benefits in kind	**2,641**	2,832
– pension scheme contributions	**76**	85
	3,415	3,708

Two executive directors, one non-executive director and four independent non-executive directors received remuneration from the Company for the year ended 31 December 2007.

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:

	2007 **RMB'000**	2006 RMB'000
Mr. Charles Nicholas Brooke	**485**	578
Mr. Chen Yingjie	**71**	71
Mr. Zhang Hongming	**71**	71
Ms. Wang Meijuan	**71**	71
	698	791

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

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

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

	Fees RMB'000	Salaries and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2007				
Executive directors:				
Mr. Guo Guangchang	—	867	19	886
Mr. Fan Wei	—	867	19	886
	—	1,734	38	1,772
Non-executive directors:				
Mr. Feng Xiekun	—	—	—	—
Mr. Ding Guoqi	—	313	3	316
	—	313	3	316
Supervisors:				
Mr. Ma Suxiang	—	373	19	392
Mr. Zhang Guozheng	—	35	—	35
Mr. Sun Wenqiu	—	35	—	35
Mr. Liu Zhangxi	—	35	—	35
Mr. Shen Guoliang	—	116	16	132
	—	594	35	629
	—	2,641	76	2,717

9. 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 remuneration 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

Under the arrangement of the service contract, the non-executive director, Mr. Feng Xiekun agreed to waive the remuneration during the year.

9. 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 2007 (2006: two).

Details of the emoluments of the remaining three (2006: three) highest paid, non-director employees are as follows:

	2007 **RMB'000**	2006 RMB'000
Basic salaries and benefits in kind	**3,018**	2,237
Pension scheme contributions	**57**	52
	3,075	2,289

The number of highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees **2007**	2006
Nil to RMB1,000,000	**4**	5
RMB1,000,001 to RMB1,500,000	**1**	—
	5	5

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.

10. TAX

Except for China Alliance Properties Limited, a wholly-owned subsidiary held by the Group, established and located in Hong Kong, is subject to income tax at the rate of 17.5%, the Company and all the other subsidiaries of the Group are subject to PRC income tax.

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 2007.

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

Six subsidiaries established and located in Shanghai Pudong New Area and one subsidiary established in Chongqing, which is included in the national West Development, are subject to income tax at a preferential rate of 15%. All other subsidiaries, associates and jointly-controlled entities of the Group are subject to income tax at the rate of 33%.

Major components of income tax expense for the years ended 31 December 2007 and 2006 are as follows:

	Notes	**2007** **RMB'000**	2006 RMB'000 (Restated)
Current taxation			
– Income tax in the PRC for the year		**437,994**	259,900
– Land appreciation tax ("LAT") in the PRC for the year		**317,335**	248,190
Deferred tax	25	**(203,842)**	(46,878)
Income tax expense for the year		**551,487**	461,212

10. TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
Profit before tax	**1,312,469**	959,598
Tax at the statutory tax rate	**433,115**	316,667
Lower tax rates for specific entities	**(107,027)**	(10,468)
Profits and losses attributable to jointly- controlled entities and associates	**8,344**	(38,633)
Income not subject to tax	**(3,759)**	—
Expenses not deductible for tax	**45,337**	27,357
Tax effect of change in tax rate from 33% to 25%	**(37,138)**	—
Sub-total	**338,872**	294,923
Additional LAT provision for the year	**272,248**	234,588
Prepaid LAT for the year	**45,087**	13,602
Deferred tax effect of additional LAT provision	**(89,842)**	(77,414)
Tax effect of prepaid LAT	**(14,878)**	(4,487)
Income tax expense	**551,487**	461,212

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax 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.

For the year ended 31 December 2007, based on the latest understanding of LAT regulations from tax authorities, the Group provided additional LAT of RMB272,248,000 (2006: RMB234,588,000) in respect of the properties sold in year 2007 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

10. TAX (CONTINUED)

In 2004, upon the reorganisation and the listing of the Company, the Company and Fosun High Technology, the holding company of the Company, entered into a deed of tax indemnity whereby Fosun High Technology 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 at 31 December 2007, the indemnity of LAT from the holding company after netting off potential income tax saving amounted to RMB190,808,000 (2006: RMB117,746,000), as set out in note 29, and the deferred tax liability arising thereon amounted to RMB62,966,000 (2006: RMB38,856,000), as set out in note 25. This LAT indemnity after netting off the corresponding tax liability was credited to capital reserve directly.

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 CIT Law") was approved and will become effective on 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008. According to IAS 12, deferred tax assets and deferred tax 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. Therefore, the tax rate of 25% is adopted in the calculation of deferred tax which is expected to be recovered after 1 January 2008. The effect of tax rate change amounted to RMB37,138,000 as set out in note 25.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of RMB208,774,000 (2006: RMB369,199,000), which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	Notes	**2007** **RMB'000**	2006 RMB'000
Interim – RMB0.025 (2006: RMB0.05) per ordinary share	(a)	**63,233**	126,465
Adjustment on 2005 proposed final dividend resulting from shares issued in April 2006		—	7,037
Proposed final – Nil (2006: RMB0.04) per ordinary share	(b)	—	101,172
		63,233	234,674

(a) Pursuant to the directors' resolution of the Company dated 27 August 2007, the Board declared an interim dividend of RMB0.025 per share, totalling approximately RMB63,233,000.

(b) No final dividend has been proposed for the year ended 31 December 2007 pursuant to the director's resolution of the Company dated 8 March 2008.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of approximately RMB711,050,000 (2006: RMB481,361,000) and the weighted average number of 2,529,306,000 (2006: 2,480,627,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the two years ended 31 December 2007 and 2006 have not been disclosed as no diluting events existed during those years.

14. RETIREMENT BENEFITS AND ACCOMMODATION BENEFITS

Retirement benefits

As stipulated by the PRC State regulations, the Company and its subsidiaries 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 and its subsidiaries are required to make contributions to the local social security bureau at a certain percentage of the employees' average salaries and wages of prior year. The Company and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries, except for contributions to the accommodation fund.

15. PROPERTY AND EQUIPMENT

Group

2007

	Notes	Properties RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
As at 1 January 2007		62,891	2,923	21,722	26,106	113,642
Additions		38,012	1,945	5,426	7,197	52,580
Acquisition of subsidiaries	38	—	—	988	220	1,208
Disposal		—	—	(2,744)	(703)	(3,447)
Disposal of subsidiaries	39	—	—	(82)	(292)	(374)
As at 31 December 2007		100,903	4,868	25,310	32,528	163,609
Accumulated depreciation:						
As at 1 January 2007		845	687	8,162	11,278	20,972
Provided during the year		6,790	1,001	3,700	5,121	16,612
Disposal		—	—	(1,540)	(407)	(1,947)
Disposal of subsidiaries	39	—	—	(19)	(122)	(141)
As at 31 December 2007		7,635	1,688	10,303	15,870	35,496
Net book value:						
As at 31 December 2007		93,268	3,180	15,007	16,658	128,113
As at 31 December 2006		62,046	2,236	13,560	14,828	92,670

15. PROPERTY AND EQUIPMENT (CONTINUED)

Group

2006

	Properties RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000 (Restated)
Cost:					
As at 1 January 2006	14,643	1,084	17,947	20,426	54,100
Additions	60,159	1,839	5,748	6,310	74,056
Disposals	(11,911)	—	(1,554)	(442)	(13,907)
Partial disposal in a subsidiary which subsequently became a jointly-controlled entity	—	—	(419)	(188)	(607)
As at 31 December 2006	62,891	2,923	21,722	26,106	113,642
Accumulated depreciation:					
As at 1 January 2006	2,031	528	6,117	8,022	16,698
Provided for the year	958	159	2,985	3,817	7,919
Disposals	(2,144)	—	(910)	(480)	(3,534)
Partial disposal in a subsidiary which subsequently became a jointly-controlled entity	—	—	(30)	(81)	(111)
As at 31 December 2006	845	687	8,162	11,278	20,972
Net book value:					
As at 31 December 2006	62,046	2,236	13,560	14,828	92,670
As at 31 December 2005	12,612	556	11,830	12,404	37,402

15. PROPERTY AND EQUIPMENT (CONTINUED)

Company

2007	**Office equipment RMB'000**	**Motor vehicles RMB'000**	**Total RMB'000**
Cost:			
As at 1 January 2007	**7,054**	**5,729**	**12,783**
Additions	**1,044**	**—**	**1,044**
Disposal	**(1,008)**	**(600)**	**(1,608)**
As at 31 December 2007	**7,090**	**5,129**	**12,219**
Accumulated depreciation:			
As at 1 January 2007	**2,391**	**2,487**	**4,878**
Provided for the year	**818**	**786**	**1,604**
Disposal	**(615)**	**(349)**	**(964)**
As at 31 December 2007	**2,594**	**2,924**	**5,518**
Net book value:			
As at 31 December 2007	**4,496**	**2,205**	**6,701**
As at 31 December 2006	**4,663**	**3,242**	**7,905**

Company

2006	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
As at 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 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

16. INVESTMENT PROPERTIES

	Note	**2007 RMB'000**	2006 RMB'000
Carrying amount at 1 January		**446,000**	—
Transfer from properties under development		**—**	315,349
Gain from a fair value adjustment	6	**10,000**	130,651
Carrying amount at 31 December		**456,000**	446,000

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

The Group's investment properties were revalued on 31 December 2007 to the value of RMB456,000,000 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.

At 31 December 2007, the Group's investment properties with a net carrying amount of approximately RMB456,000,000 (2006: RMB446,000,000) were pledged to bank for interest-bearing bank loans amounting to RMB200,000,000 (2006: RMB120,000,000), as set out in note 30(a).

17. PROPERTIES UNDER DEVELOPMENT

	Group		**Company**	
	2007 RMB'000	2006 RMB'000 (Restated)	**2007 RMB'000**	2006 RMB'000
Land costs	**6,999,910**	4,924,685	**12,978**	12,978
Construction costs	**1,946,381**	2,299,362	**19,693**	14,411
Financial costs	**492,218**	285,797	**1,829**	1,829
	9,438,509	7,509,844	**34,500**	29,218
Portion classified as current assets	**(3,428,916)**	(4,204,295)	**—**	—
	6,009,593	3,305,549	**34,500**	29,218

17. PROPERTIES UNDER DEVELOPMENT (CONTINUED)

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

As at 31 December 2007, certain items of the Group's properties under development with a book value of approximately RMB3,550,027,000 (2006: RMB3,944,409,000) were pledged to secure bank loans amounting to RMB2,100,150,000 (2006: RMB1,823,230,000), as set out in note 30(a).

18. GOODWILL

Group

	Notes	RMB'000
At 1 January 2006:		
Cost and net carrying amount		32,401
Cost at 1 January 2006, net of accumulated impairment		32,401
Acquisition of additional interests in subsidiaries		263
At 31 December 2006		32,664
At 31 December 2006 and 1 January 2007:		
Cost		51,273
Accumulated impairment		(18,609)
Net carrying amount		32,664
Cost at 1 January 2007, net of accumulated impairment		32,664
Acquisition of a subsidiary	38	1,383
Disposal of subsidiaries	39	(2,942)
Impairment during the year	7	(3,683)
Cost and carrying amount at 31 December 2007		27,422
At 31 December 2007:		
Cost		49,714
Accumulated impairment		(22,292)
Net carrying amount		27,422

18. GOODWILL (CONTINUED)

Impairment tests for goodwill

Goodwill acquired through business combinations has been allocated to the Group's cash-generating units ("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% (2006: 11%). Cash flows beyond the five-year period are extrapolated using the estimated growth rate, which 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 2007 and 31 December 2006. 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.

19. INVESTMENTS IN SUBSIDIARIES

Company

	2007	2006
	RMB'000	RMB'000
Unlisted shares, at cost	**1,851,620**	1,246,571
Impairment for unlisted shares	**(9,600)**	(9,600)
	1,842,020	1,236,971

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB5,666,541,000 (2006: RMB2,943,865,000) and RMB1,789,080,000 (2006: RMB912,317,000), respectively, are unsecured, interest-free and are repayable on demand, as set out in note 29 and note 33. The carrying amounts of these amounts approximate to their fair values.

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of principal subsidiaries as at 31 December 2007 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 Forte Xinhe Property Development Co., Ltd.	Mainland China 12 June 2002	109,437	87.09%	0.91%	Property development
Shanghai Perth Property Development Co., Ltd.	Mainland China 14 November 2002	50,000	70%	30%	Property development
Shanghai Resource Property Brokerage Co., Ltd.	Mainland China 13 May 2004	1,000	10%	90%	Property agency
Beijing Baihong Property Development Co., Ltd.	Mainland China 8 December 2000	30,000	—	100%	Property development
Chongqing Runjiang Property Development Co., Ltd.	Mainland China 19 April 2004	400,000	95%	5%	Property development
Shanghai Forte Investment Co., Ltd.	Mainland China 21 July 2006	100,000	100%	—	Investment management
Hangzhou Garden Trade Limited	Mainland China 27 April 2001	200,000	—	100%	Commercial Retail&Industry Investment

During the year, the Group acquired Hangzhou Garden Trade Limited ("HZGT") from a third party. Further details of the acquisition are included in note 38.1 to the financial statements.

The above table lists the subsidiaries of the Company 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.

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Unlisted investments, at cost	**—**	—	**134,342**	58,149
Share of net assets	**227,330**	92,072	**—**	—
	227,330	92,072	**134,342**	58,149

The Group's amounts due from jointly-controlled entities and amounts due to jointly-controlled entities are disclosed in note 29 and note 33 to the financial statements.

Particulars of the jointly-controlled entities as at 31 December 2007 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
Shanghai Mushen Property Development Co., Ltd.	Mainland China 1 September 2004	21,576	50%	—	Property development
Shanghai Tengxing Property Development Co., Ltd.	Mainland China 6 September 2004	13,249	50%	—	Property development
Shanghai Gangrui Property Development Co., Ltd.	Mainland China 12 August 2004	9,518	50%	—	Property development
Shanghai Hugang Property Development Co., Ltd.	Mainland China 24 August 2004	27,660	50%	—	Property development
Shaanxi Jianqin Real Estate Development Co., Ltd.	Mainland China 22 September 1992	130,000	—	50%	Property development

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

The Group's investments in jointly-controlled entities all comprise equity shares held by the Company, except for Shaanxi Jianqin Real Estate Development Co., Ltd. ("Shaanxi Jianqin"), the equity interest in which is held through a wholly-owned subsidiary of the Company.

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

	2007	2006
	RMB'000	RMB'000
Share of the jointly-controlled entities'assets and liabilities:		
Current assets	**311,593**	128,761
Non-current assets	**421,942**	404,120
Current liabilities	**(327,897)**	(399,567)
Non-current liabilities	**(178,308)**	(41,242)
Net assets	**227,330**	92,072
Share of the jointly-controlled entities' results:		
Revenue	**107,657**	30,370
Other income	**285**	3,306
	107,942	33,676
Total expenses	**(100,213)**	(27,488)
Tax	**(2,323)**	(2,003)
Profit after tax	**5,406**	4,185

On 10 July 2007, Shanghai Forte Investment Management Co., Ltd. ("Forte Investment"), a wholly-owned subsidiary, entered into an equity transfer agreement with Beijing Yinxin Investment Co., Ltd. ("Beijing Yinxin") and other independent third party shareholders in respect of the acquisition of a total of 50% equity interests in Shaanxi Jianqin for a cash consideration of RMB15,000,000.

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

Subsequent to its business re-registration and the completion of the transfer effective on 7 November 2007, Shaanxi Jianqin became a jointly-controlled entity of the Group. Pursuant to an equity joint venture agreement (the "EJV Agreement") and a project co-operation agreement dated 3 September 2007 entered into among the Group, Beijing Yinxin and Shaanxi Jianqin (the "Parties"):

(i) Forte Investment is required to provide an interest-free shareholder loan ("Shareholder Loan") of RMB290,000,000 to Shaanxi Jianqin during the co-operative joint venture term. The Shareholder Loan is unsecured and repayable on demand with no fixed term of repayment. As at 31 December 2007, the Group has advanced RMB150,000,000 as Shareholder Loan to Shaanxi Jianqin as set out in note 23(b). The remaining capital commitment not paid amounted to RMB140,000,000 is set out in note 43.

(ii) Shaanxi Jianqin's distributable profit after offsetting accumulated losses and profit appropriation to reserve funds should be distributed in the following manner:

(a) Beijing Yinxin will receive a total preferential dividend of RMB290,000,000; and

(b) all remaining undistributable profit shall be distributed equally to Forte Investment and Beijing Yinxin based on the proportion of 50% equity interest held by each.

21. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**—**	—	**237,560**	166,050
Share of net assets	**317,153**	193,522	**—**	—
Goodwill on acquisition	**166**	166	**—**	—
	317,319	193,688	**237,560**	166,050

The Group's amounts due from associates and amounts due to associates are disclosed in note 29 and note 33 to the financial statements, respectively.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates as at 31 December 2007 are as follows:

Name of company	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Shanghai Fuxin Property Development Co., Ltd.	Mainland China	50%	Property development
Nanjing Dahua Investment Development Co., Ltd.	Mainland China	41%	Property development
Beijing Yuquanxincheng Property Development Co., Ltd.	Mainland China	30%	Property development

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

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

	2007 RMB'000	2006 RMB'000
Assets	**2,157,389**	2,260,965
Liabilities	**(1,334,924)**	(1,738,103)
Revenues	**972,827**	2,703,491
Profit	**63,925**	310,397

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Unlisted equity investments,at cost	**3,529**	250	**250**	250
Listed equity investment, at fair value	**202,258**	—	**—**	—
	205,787	250	**250**	250

22. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

As at 31 December 2007, the Group's unlisted equity investments represent the Group's 5% equity interests in three unlisted companies established in the PRC with limited liability. These unlisted equity investments were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future.

The Group's listed equity investment represents the Group's 8.57% equity interests in Shanghai Zendai Property Development Co., Ltd., a company listed on the Main Board of Hong Kong Stock Exchange. This investment was designated as available-for-sale financial asset, the fair value of which is based on quoted market prices. During the year, the changes in fair value amounted to RMB46,863,000 was debited into equity directly.

23. LOAN RECEIVABLES

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loan receivables from					
– an associate	(a)	**89,200**	—	**—**	—
– a jointly controlled entity	(b)	**370,000**	—	**—**	—
		459,200	—	**—**	—

(a) On 30 July 2007, Forte Investment entered into an equity transfer agreement with Changchun Zhaoji Real Estate Development Co., Ltd. ("Changchun Zhaoji"), a newly acquired associate, from an independent third party, to provide an interest-free shareholder loan amounted to RMB125,000,000 to Changchun Zhaoji. The shareholder loan is unsecured and does not have fixed terms of repayment. In the opinion of the directors of the Company, the amount will not be repayable in the next twelve months, and accordingly, it is shown as non-current. As at 31 December 2007, the Group has advanced RMB89,200,000 to Changchun Zhaoji.

(b) In addition to the advanced Shareholder Loan of RMB150,000,000 provided as set out in note 20(i), Forte Investment agreed to provide an entrusted bank loan of RMB220,000,000 to Shaanxi Jianqin to support its property development. This loan is unsecured, interest bearing at 9.711% per annum and repayable on 20 November 2009.

The carrying amounts of these loan receivables approximate to their fair values as at 31 December 2007.

24. PREPAYMENTS

Payments are in respect of the following:

(a) Prepayment for the proposed acquisition of an 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 a 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 ("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; (ii) the Group conditionally agreed to provide additional investment of RMB387,000,000 by way of a shareholder loan; and (iii) the Group and Home Value would increase their investment in Beijing Hehua on a proportion of 50% each by way of shareholder loans.

Pursuant to a supplemental agreement entered into by the Group and Beijing Hehua in December 2006, the shareholder loan as set out in (ii) & (iii) is unsecured, interest free, repayable on demand and would not exceed RMB1,000,000,000.

As at 31 December 2007, the Group has advanced RMB851,400,000 (2006: RMB106,900,000) to Beijing Hehua, including the capital injection of RMB60,000,000 as set out in (i).

(b) Prepayment for the proposed acquisition of an equity interest in Shanghai Dijie Real Estate Limited

On 20 December 2007, Forte Investment, a wholly-owned subsidiary of the Company, entered into a cooperative agreement with Shanghai Vanke Real Estate Co., Ltd. ("Shanghai Vanke") in respect of the joint development of a property development project in Shanghai, for a total consideration of RMB2,430,690,000, pursuant to which (i) Shanghai Vanke and Forte Investment will jointly acquire 60% and 40% equity interests in Shanghai Dijie Real Estate Limited. ("Dijie"), respectively, and (ii) Forte Investment will contribute 40% of the total consideration in proportion to its shareholding in Dijie in the amount of RMB972,276,000.

As at 31 December 2007, the Group has advanced RMB575,878,000 to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2007 amounted to RMB396,398,000 is set out in note 43.

25. DEFERRED TAX

Group

Deferred tax assets

	Notes	Losses available for offset against future taxable profit RMB'000	Accruals and provisions RMB'000	Accrual of additional LAT RMB'000	Others RMB'000	Total RMB'000 (Restated)
At 1 January 2006		21,359	—	—	—	21,359
Deferred tax (charged)/ credited to the income statement during the year	10	(1,961)	13,507	77,414	1,628	90,588
Partial disposal of equity interest in a subsidiary		(1,478)	—	—	—	(1,478)
As at 31 December 2006 and 1 January 2007		17,920	13,507	77,414	1,628	110,469
Deferred tax credit/(charged) to the income statement during the year	10	9,985	(6,158)	89,842	(154)	93,515
Effect of the change in tax rate from 33% to 25%	10	(6,742)	(1,782)	—	(357)	(8,881)
As at 31 December 2007		21,163	5,567	167,256	1,117	195,103

25. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Note	Revaluation of investment properties RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	LAT indemnity receivable from holding company RMB'000	Others RMB'000	Total RMB'000 (Restated)
At 1 January 2006		—	219,308	—	—	219,308
Deferred tax charged/(credited) to the income statement during the year	10	43,115	(490)	—	1,085	43,710
Deferred tax debited to reserves during the year		—	—	38,856	—	38,856
As at 31 December 2006 and 1 January 2007		43,115	218,818	38,856	1,085	301,874
Deferred tax charged/(credited) to the income statement during the year	10	3,300	(79,103)	—	2,614	(73,189)
Deferred tax debited to reserves during the year		—	—	24,110	—	24,110
Acquisition of subsidiaries	38	—	71,975	—	—	71,975
Effect of change in tax rate from 33% to 25% credited to income statement during the year	10	(11,252)	(33,870)	—	(897)	(46,019)
Effect of change in tax rate from 33% to 25% credited to reserves during the year		—	—	(15,264)	—	(15,264)
As at 31 December 2007		35,163	177,820	47,702	2,802	263,487

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2007	2006	**2007**	2006
	Note	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Cash and bank balances		**2,379,169**	1,160,476	**42,331**	106,899
Pledged deposits	30(a)	**2,250**	25,599	**—**	—

27. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Undue	**243,622**	136,962	**156**	801
Overdue, within six months	**37,206**	—	**120**	—
	280,828	136,962	**276**	801

The aged analysis of trade receivables that are not considered to be impaired is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Neither past due nor impaired	**243,622**	136,962	**156**	801
Less than six months past due	**37,206**	—	**120**	—
	280,828	136,962	**276**	801

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

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Prepayments	**762,924**	50,516	**51**	5,212
Deposits and other receivables	**595,825**	171,793	**96,667**	8,322
	1,358,749	222,309	**96,718**	13,534

Included in the prepayments is an amount of RMB725,000,000 in respect of the following:

On 21 September 2007, Forte Investment, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Beijing Huihe Property Development Co., Ltd. ("Beijing Huihe") in respect of the acquisition of a property located in Beijing for total consideration of RMB1,450,000,000. As at 31 December 2007, the Group has advanced RMB725,000,000 to Beijing Huihe as prepayment. Pursuant to the agreement, the property will be transferred to the Group upon completion. The remaining capital commitment not provided for amounting to RMB725,000,000 is set out in note 43.

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

29. AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Due from subsidiaries	(a, b)	**—**	—	**5,666,541**	2,943,865
Due from associates	(b)	**12,090**	89,533	**12,090**	86,804
Due from jointly-controlled entities	(b)	**356,313**	283,197	**356,035**	282,652
		368,403	372,730	**6,034,666**	3,313,321
Due from the holding company	(c)	**190,808**	117,746	**190,808**	117,746

(a) Included in the amounts due from subsidiaries is an amount of RMB600,000,000 in respect of the following:

On 5 December 2007, the Company entered into an entrusted bank loan agreement with Shanghai Dingfen Property Development Co., Ltd., a subsidiary of the Group, to provide loan to the latter in the amount of RMB600,000,000 through Bank of Shanghai. The loan was unsecured, repayable on 5 December 2008 and bearing an interest rate of 12.39% per annum.

29. AMOUNTS DUE FROM RELATED COMPANIES (CONTINUED)

(b) Except for the entrusted bank loan mentioned above in (a) and the amount due from the holding company, the amounts due from other related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

(c) The amounts due from the holding company represent the LAT indemnity receivable from the holding company, which is unsecured, interest-free and repayable on demand, as set out in note 10.

The carrying amounts of these amounts due from related companies approximate to their fair values.

30. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Bank loans, secured	(a)	**2,300,150**	1,928,230	**—**	—
Bank loans, unsecured		**2,033,750**	704,000	**866,000**	—
		4,333,900	2,632,230	**866,000**	—
Other borrowings, secured	(a)	**—**	200,000	**—**	—
Other borrowings, unsecured		**2,854,776**	192,731	**1,750,000**	—
		2,854,776	392,731	**1,750,000**	—
		7,188,676	3,024,961	**2,616,000**	—
Repayable:					
Within one year		**5,301,976**	1,063,230	**2,616,000**	—
In the second year		**553,700**	1,661,731	**—**	—
In the third to fifth years, inclusive		**1,307,500**	300,000	**—**	—
Beyond five years		**25,500**	—	**—**	—
		7,188,676	3,024,961	**2,616,000**	—
Portion classified as current liabilities		**(5,301,976)**	(1,063,230)	**(2,616,000)**	—
Non-current portion	(b)	**1,886,700**	1,961,731	**—**	—

The bank loans bear interest at rates ranging from 4.30% to 8.13% (2006: 5.58% to 6.93%) per annum. The other loans bear interest at rates ranging from 5.02% to 9.84% (2006: 5.22% to 9.20%) per annum.

30. 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) RMB200,000,000 (2006: RMB120,000,000) are secured by the Group's investment properties situated in Beijing, the PRC, with aggregate carrying value at 31 December 2007 of approximately RMB456,000,000 (2006: RMB446,000,000), as set out in note 16.

(ii) RMB2,100,150,000 (2006: RMB1,823,230,000) are secured by the Group's properties under development, with aggregate carrying value at 31 December 2007 of approximately RMB3,550,027,000 (2006: RMB3,944,409,000) and time deposits of RMB2,250,000 (2006: RMB25,599,000), respectively, as set out in note 17 and 26, respectively.

(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**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current borrowings in respect of				
– bank loans	**1,694,700**	1,769,000	**1,688,400**	1,769,654
– other loans	**192,000**	192,731	**189,305**	191,022
	1,886,700	1,961,731	**1,877,705**	1,960,676

31. LOANS FROM RELATED COMPANIES

Group

		Carrying amounts		**Fair values**	
		2007	2006	**2007**	2006
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Restated)		(Restated)
Loans from					
– a jointly-controlled entity	(a)	**71,026**	66,672	**72,089**	65,640
– a minority shareholder of a subsidiary	(b)	**76,693**	77,901	**61,915**	77,877
Wholly repayable in the third to fifth years, inclusive		**147,719**	144,573	**134,004**	143,517

31. LOANS FROM RELATED COMPANIES (CONTINUED)

Company

		Carrying amounts		Fair values	
		2007	2006	**2007**	2006
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loans from – a jointly-controlled entity	(a)	**71,026**	66,672	**72,089**	65,640
Wholly repayable in the third to fifth years, inclusive		**71,026**	66,672	**72,089**	65,640

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) On 19 April 2006, the Company obtained an interest-free and unsecured 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 amounting 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 amounting 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.

(b) 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 Yangzte Tianjin Limited ("Yangzte"). 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 Yangzte. 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 amounting 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.

32. TRADE PAYABLES

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Outstanding balances aged:				
Within six months	**441,564**	545,546	**—**	—
More than six months, but within one year	**323,474**	42,995	**196**	—
Over one year	**156,368**	200,669	**20,202**	21,232
	921,406	789,210	**20,398**	21,232

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

33. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Due to associates	**195,458**	136,809	**195,466**	180,370
Due to jointly-controlled entities	**196,086**	—	**—**	31,936
Due to subsidiaries	**—**	—	**1,789,080**	912,317
	391,544	136,809	**1,984,546**	1,124,623

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.

34. ISSUED CAPITAL

Group and Company

	2007 Number of shares '000	2006 Number of shares '000	**2007 RMB'000**	2006 RMB'000
Registered	**2,529,306**	2,529,306	**505,861**	505,861
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**	1,055,538	**211,107**	211,107
	2,529,306	2,529,306	**505,861**	505,861

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.

35. RESERVES

Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company and its subsidiaries 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 and its subsidiaries, 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.

35. RESERVES (CONTINUED)

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 and its subsidiaries. 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 and its subsidiaries.

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007

Financial assets		Group	
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	205,787	205,787
Loan receivables	459,200	—	459,200
Trade receivables	280,828	—	280,828
Financial assets included in prepayments, deposits and other receivables	1,190,267	—	1,190,267
Cash and cash equivalents	2,379,169	—	2,379,169
Pledged deposits	2,250	—	2,250
Amounts due from related companies	368,403	—	368,403
Amount due from holding company	190,808	—	190,808
	4,870,925	205,787	5,076,712

Financial liabilities	Group
	Financial liabilities at amortised cost RMB'000
Trade payables	921,406
Financial liabilities included in other payables and accruals	300,367
Interest-bearing bank and other borrowings	7,188,676
Loans from related companies	147,719
Amounts due to related companies	391,544
	8,949,712

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2006

Financial assets	Loans and receivables RMB'000	Group Available for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	250	250
Trade receivables	136,962	—	136,962
Financial assets included in prepayments, deposits and other receivables	33,030	—	33,030
Cash and cash equivalents	1,160,476	—	1,160,476
Pledged deposits	25,599	—	25,599
Amounts due from related companies	372,730	—	372,730
Amount due from holding company	117,746	—	117,746
	1,846,543	250	1,846,793

Financial liabilities	Group Financial liabilities at amortised cost RMB'000
Trade payables	789,210
Financial liabilities included in other payables and accruals	386,784
Interest-bearing bank and other borrowings	3,024,961
Loans from related companies	144,573
Amounts due to related companies	136,809
	4,482,337

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2007

Financial assets

	Company		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	250	250
Trade receivables	276	—	276
Financial assets included in prepayments, deposits and other receivables	96,718	—	96,718
Cash and cash equivalents	42,331	—	42,331
Amounts due from related companies	6,034,666	—	6,034,666
Amount due from holding company	190,808	—	190,808
	6,364,799	250	6,365,049

Financial liabilities

	Company Financial liabilities at amortised cost RMB'000
Trade payables	20,398
Financial liabilities included in other payables and accruals	26,040
Interest-bearing bank and other borrowings	2,616,000
Loans from related companies	71,026
Amounts due to related companies	1,984,546
	4,718,010

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2006

Financial assets	Loans and receivables RMB'000	Company Available for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	250	250
Trade receivables	801	—	801
Financial assets included in prepayments, deposits and other receivables	8,534	—	8,534
Cash and cash equivalents	106,899	—	106,899
Amounts due from related companies	3,313,321	—	3,313,321
Amount due from holding company	117,746	—	117,746
	3,547,301	250	3,547,551

Financial liabilities	Company Financial liabilities at amortised cost RMB'000
Trade payables	21,232
Financial liabilities included in other payables and accruals	70,342
Interest-bearing bank and other borrowings	—
Loans from related companies	66,672
Amounts due to related companies	1,124,623
	1,282,869

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, accrued liabilities and other payables, amounts due to related companies, deposits and other receivables, amount due from related companies, and cash and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes except for the interest rate swap contract which was terminated in September 2007.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 4.4 to the financial statements.

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 a certain other loan that is denominated in United States dollar and a short-term bank loan which is denominated in Hong Kong dollar as set out in notes 31 and 45, respectively, and set out below. 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.

The original contract amounts of the Group's foreign currency denominated monetary liabilities without discounting at the balance sheet date are as follows:

		Group		**Company**	
		2007	2006	**2007**	2006
	Notes	**'000**	'000	**'000**	'000
United States dollars	31(b)	**12,798**	12,798	**—**	—
Hong Kong dollars	45(II)	**290,000**	—	**—**	—

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary liabilities) and the Group's equity.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2007		
If Renminbi weakens against United States dollar	**5**	**(4,674)**
If Renminbi strengthens against United States dollar	**5**	**4,674**
If Renminbi weakens against Hongkong dollar	**5**	**(13,578)**
If Renminbi strengthens against Hongkong dollar	**5**	**13,578**
2006		
If Renminbi weakens against United States dollar	5	(4,997)
If Renminbi strengthens against United States dollar	5	4,997

The effect of foreign currency risk on this other loan dominated in the United States dollar, directly attributable to property development, would be recorded in the consolidated income statement when the corresponding property was completed, sales as well as cost of sales were recognized. For the effect of a short-term bank loan dominated in Hong Kong dollar, not directly attributable to property development, would be recorded in the consolidated income statement directly.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the balance sheet date, if interest rate had been increased/decreased by 25 basis points and all other variables were held constant, the Group's profit before tax would decrease/increase by approximately RMB6,187,000 and RMB5,124,000 for the year ended 31 December 2007 and 2006, respectively. The effect on the Group's profit before tax would be recorded in the consolidated income statement when the corresponding properties were completed, sales as well as the cost of sales were recognized.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not release the property ownership certificates to the buyers before the buyers finally settle the selling price.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investment, amounts due from related companies, other receivables and deposits, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 27 to the financial statements.

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

Liquidity risk

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on contracted undiscounted payments, was as follows:

Group

	As at 31 December 2007					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Interest-bearing bank loans and other borrowings	—	240,650	5,061,326	1,861,200	25,500	7,188,676
Trade payables	921,406	—	—	—	—	921,406
Accrued liabilities and other payables	300,367	—	—	—	—	300,367
Amounts due to related companies	391,544	—	—	—	—	391,544
Loans from related companies	—	—	—	186,484	—	186,484
	1,613,317	240,650	5,061,326	2,047,684	25,500	8,988,477

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	As at 31 December 2006					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Interest-bearing bank loans and other borrowings	—	38,230	1,025,000	1,961,731	—	3,024,961
Trade payables	789,210	—	—	—	—	789,210
Accrued liabilities and other payables	386,784	—	—	—	—	386,784
Amounts due to related companies	136,809	—	—	—	—	136,809
Loans from related companies	—	—	—	99,936	93,000	192,936
	1,312,803	38,230	1,025,000	2,061,667	93,000	4,530,700

Company

	As at 31 December 2007					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**>5 years RMB'000**	**Total RMB'000**
Interest-bearing bank loans and other borrowings	**—**	**—**	**2,616,000**	**—**	**—**	**2,616,000**
Trade payables	**20,398**	**—**	**—**	**—**	**—**	**20,398**
Accrued liabilities and other payables	**26,040**	**—**	**—**	**—**	**—**	**26,040**
Amounts due to related companies	**1,984,546**	**—**	**—**	**—**	**—**	**1,984,546**
Loans from related companies	**—**	**—**	**—**	**93,000**	**—**	**93,000**
	2,030,984	**—**	**2,616,000**	**93,000**	**—**	**4,739,984**

	As at 31 December 2006					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Trade payables	21,232	—	—	—	—	21,232
Accrued liabilities and other payables	70,342	—	—	—	—	70,342
Amounts due to related companies	1,124,623	—	—	—	—	1,124,623
Loans from related companies	—	—	—	—	93,000	93,000
	1,216,197	—	—	—	93,000	1,309,197

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk

Equity price risk of the Group is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as available-for-sale investment (note 22) as at 31 December 2007. The Group's listed investment is listed on the Main Board of Hong Kong Exchange Stock and is valued at quoted market price at the balance sheet date.

At the balance sheet date, if the equity price of the listed investment as mentioned above had been increased/decreased by 5 percentage and all other variables were held constant, the Group's equity would increase/decrease by approximately RMB10,113,000 for the year ended 31 December 2007.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue bonds or issue new shares. No changes were made in the Group's objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. The Group's policy is to maintain the gearing ratio between 25% and 50%. Net debts include interest-bearing bank loans and other borrowings, loans from related companies and interest bearing bonds, if any, less cash and cash equivalents and pledged deposits. Capital includes equity attributable to the equity holders of the parent and minority interests. The gearing ratio as at the balance sheet date was as follows:

	31 December 2007 RMB'000	31 December 2006 RMB'000
Interest-bearing loans and other borrowings	**7,188,676**	3,024,961
Loans from related companies	**147,719**	144,573
Less: cash and cash equivalents	**(2,379,169)**	(1,160,476)
Net debts	**4,957,226**	2,009,058
Total equity	**5,609,587**	4,880,409
Capital and net debt	**10,566,813**	6,889,467
Gearing ratio	**47%**	29%

38. ACQUISITION OF SUBSIDIARIES

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

	HZGT Note 38.1		Puwei Note 38.2		Sanxin Note 38.3		WHZB Note 38.4		Gaoyi Note 38.5		Total	
	Fair value Recognised on acquisition RMB'000	Carrying value RMB'000	Fair value Recognised on acquisition RMB'000	Carrying value RMB'000	Fair value Recognised on acquisition RMB'000	Carrying value RMB'000	Fair value Recognised on acquisition RMB'000	Carrying value RMB'000	Fair value Recognised on acquisition RMB'000	Carrying value RMB'000	Fair value Recognised on acquisition RMB'000	Carrying value RMB'000
Assets												
Property and equipment	21	21	—	—	21	21	281	281	885	885	1,208	1,208
Property under development	597,157	325,459	1,863	1,330	88,854	87,143	1,017,177	1,003,219	—	—	1,705,051	1,417,151
Investment in an associate	100	100	—	—	—	—	—	—	—	—	100	100
Trade receivables	—	—	—	—	—	—	—	—	231	231	231	231
Cash and bank balances	197	197	30,001	30,001	21	21	3,192	3,192	117	117	33,528	33,528
Prepayments, deposits and other receivables	90,357	90,357	1,769	1,769	3	3	80	80	1,205	1,205	93,414	93,414
	687,832	416,134	33,633	33,100	88,899	87,188	1,020,730	1,006,772	2,438	2,438	1,833,532	1,545,632
Liabilities												
Interest-bearing loans and borrowings	(170,000)	(170,000)	—	—	—	—	—	—	—	—	(170,000)	(170,000)
Trade payables	—	—	—	—	—	—	—	—	(20)	(20)	(20)	(20)
Accrued liabilities and other payables	(53,081)	(53,081)	(3,100)	(3,100)	(68,471)	(68,471)	(649,012)	(649,012)	68	68	(773,596)	(773,596)
Deferred tax liabilities	(67,924)	—	(133)	—	(428)	—	(3,490)	—	—	—	(71,975)	—
	(291,005)	(223,081)	(3,233)	(3,100)	(68,899)	(68,471)	(652,502)	(649,012)	48	48	(1,015,591)	(943,616)
Minority interests	—	—	—	—	(2,000)	(1,872)	(110,468)	(107,328)	(1,119)	(1,119)	(113,587)	(110,319)
Net assets	396,827	193,053	30,400	30,000	18,000	16,845	257,760	250,432	1,367	1,367	704,354	461,697
Goodwill arising on acquisition	—		—		—		—		1,383		1,383	
Consideration, satisfied by cash	396,827		30,400		18,000		257,760		2,750		705,737	
– Cash consideration paid	336,937		30,000		18,000		257,760		2,750		645,447	
– Cash consideration unpaid	59,890		400		—		—		—		60,290	

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

Name of subsidiaries	HZGT	Puwei	Sanxin	WHZB	Gaoyi	Total
Cash consideration paid	336,937	30,000	18,000	257,760	2,750	645,447
Cash acquired from the subsidiaries	(197)	(30,001)	(21)	(3,192)	(117)	(33,528)
	336,740	(1)	17,979	254,568	2,633	611,919

38. ACQUISITION OF SUBSIDIARIES (CONTINUED)

38.1 Acquisition of HZGT

On 30 November 2007, the Group acquired a 100% equity interest in HZGT, a private limited company located in Hangzhou, Mainland China. HZGT is engaged in commercial retail and industry investment. The purchase consideration for the acquisition was in the form of cash amounted to RMB396,827,000, of which RMB59,890,000 remained unpaid as at 31 December 2007.

From the date of acquisition, HZGT's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2007.

38.2 Acquisition of Shanghai Puwei Investment Services Co., Ltd. ("Puwei")

On 26 October 2007, the Group acquired a 100% equity interest in Puwei, a private limited company located in Shanghai, Mainland China. Puwei is engaged in property development. The purchase consideration for the acquisition was in the form of cash amounted to RMB30,400,000, of which RMB400,000 remained unpaid as at 31 December 2007.

From the date of acquisition, Puwei's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2007.

38.3 Acquisition of Xi'an Sanxin Real Estate Development Co., Ltd. ("Sanxin")

On 11 October 2007, the Group acquired a 90% equity interest in Sanxin, a private limited company located in Xi'an, Mainland China. Sanxin is engaged in property development. The purchase consideration for the acquisition was in the form of cash amounted to RMB18,000,000.

From the date of acquisition, Sanxin's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2007.

38.4 Acquisition of Wuhan Zhongbei Real Estate Development Co., Ltd. ("WHZB")

On 11 October 2007, the Group acquired a 70% equity interest in WHZB, a private limited company located in Wuhan, Mainland China. WHZB is engaged in property development. The purchase consideration for the acquisition was in the form of cash amounted to RMB257,760,000.

From the date of acquisition, results of WHZB have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2007.

38. ACQUISITION OF SUBSIDIARIES (CONTINUED)

38.5 Acquisition of Shanghai Gaoyi Energy Science & Technology Co., Ltd. ("Gaoyi")

On 22 October 2007, the Group acquired a 55% equity interest in Gaoyi, a private limited company located in Shanghai, Mainland China. Gaoyi is engaged in providing property ancillary services. The purchase consideration for the acquisition was in the form of cash amounted to RMB2,750,000.

From the date of acquisition, results of Gaoyi have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2007.

39. DISPOSAL OF SUBSIDIARIES

On 5 December 2007, the Group entered into an equity transfer agreement with Shanghai Zendai Wudaokou Property Development Co., Ltd. to dispose of its 95% equity interests in Hainan New World Property Development Co., Ltd. ("Hainan New World") and Hainan Huaqiao Huiguan Property Development Co., Ltd. ("Hainan Huaqiao Huiguan"), two wholly-owned subsidiaries, at an aggregate consideration of RMB105,984,000. Subsequent to the completion of the equity transfer, the remaining 5% equity investments in Hainan New World and Hainan Huaqiao Huiguan were accounted for as financial assets under the caption of available-for-sale investments as set out in note 22.

	Notes	**2007 RMB'000**
Net assets:		
Property and equipment	15	**233**
Properties under development		**82,541**
Prepayments, deposits and other receivables		**1,364**
Cash and bank balances		**191**
Accrued liabilities and other payables		**(18,757)**
Tax payables		**(3)**
		65,569
Less: the remaining 5% equity investments transferred to available-for-sale investments		**(3,279)**
Net assets disposed of		**62,290**
Goodwill impaired on disposal	18	**2,942**
Gain on disposal of subsidiaries	6	**40,752**
Satisfied by cash		**105,984**

39. DISPOSAL OF SUBSIDIARIES (CONTINUED)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007 RMB'000
Cash consideration	**105,984**
Cash and bank balances disposed of	**(191)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**105,793**

40. DISPOSAL OF JOINTLY-CONTROLLED ENTITIES

On 12 December 2007, the Group entered into an equity transfer agreement with Shanghai Junzhan Co., Ltd. to dispose of its 50% equity interest in Shanghai Yasheng Property Development Co., Ltd. ("Yasheng") and Shanghai Shungang Property Development Co., Ltd. ("Shungang"), two jointly-controlled entities, at an aggregate cash consideration of RMB127,000,000, of which RMB52,000,000 has not been received as at 31 December 2007.

The book value of the net assets disposed of amounted to RMB33,386,000. The difference between the total consideration and the book value of the net assets disposed of amounted to RMB93,614,000 was credited to other gains directly as set out in note 6.

41. PARTIAL DISPOSAL OF A SUBSIDIARY WITHOUT LOSING CONTROL

On 26 November 2007, the Group disposed of its 25% equity interest in Zhejiang Forte Property Development Co., Ltd. ("Zhejiang Forte"), a wholly-owned subsidiary, to a third party at an aggregate cash consideration of RMB464,000,000, of which RMB232,000,000 has not been received as at 31 December 2007.

The book value of the net assets disposed of amounted to RMB108,793,000. The difference between the total consideration and the book value of the net assets disposed of amounted to RMB355,207,000 was credited to other gains directly as set out in note 6.

42. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 16 to the financial statements, under operating lease arrangements, with leases negotiated for terms ranging from one to eight years.

At 31 December 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**7,273**	4,164	**—**	—
In the second to fifth years, inclusive	**10,527**	9,884	**—**	—
After five years	**628**	475	**—**	—
	18,428	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 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**11,257**	10,215	**8,898**	6,752
In the second to fifth years, inclusive	**17,390**	3,349	**8,898**	—
After five years	**—**	2,700	**—**	—
	28,647	16,264	**17,796**	6,752

43. 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	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised, but not contracted for investment	**—**	340,100	**—**	—
Contracted, but not provided for:				
– investments	**536,398**	58,858	**—**	58,858
– properties under development	**5,542,565**	2,137,491	**—**	—
	6,078,963	2,536,449	**—**	58,858

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		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
In respect of property, plant and equipment:				
– Contracted, but not provided for	**18,170**	7,234	**16,522**	7,234

44. CONTINGENT LIABILITIES

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

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Notes	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Guarantees given to banks in connection with banking facilities granted to third parties		**—**	221,500	**—**	221,500
Guarantees given to banks in connection with banking facilities granted to its customers	(a)	**2,261,983**	1,325,788	**—**	—
Guarantees given to banks in connection with banking facilities granted to its related companies	(b)	**—**	75,000	**2,044,350**	1,647,230
		2,261,983	1,622,288	**2,044,350**	1,868,730

(a) As at 31 December 2007, the Group provided guarantees of approximately RMB2,261,983,000 (2006: RMB1,325,788,000), 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 will be released when the customers pledge their real estate certificates as securities to the banks for the mortgage loans granted by the banks. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) As at 31 December 2007, the Company guaranteed banking facilities of its subsidiaries in the amount of RMB2,044,350,000 (2006: RMB1,647,230,000).

45. 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	2007 RMB'000	2006 RMB'000 (Restated)
Recurring transactions			
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (note (a))	Operating lease in respect of office buildings leased by the Company from the related company (notes (b) (d))	**—**	8,102
Shanghai Fosun Property Management Co., Ltd. (note (a))	Operating lease in respect of office buildings leased by the Company from the related company (notes (b) (d))	**8,898**	—
	Property management services provided to the related company (notes (b))	**2,027**	—
Shanghai Foreal Property Management Co., Ltd. (note (a))	Property management services provided by the related company (note (b))	**7,507**	7,616
Beijing Yuquanxincheng Property Development Co., Ltd. (note (a))	Sales agency services provided by the related company (note (b))	**—**	782
Shanghai Fuxin Property Development Co., Ltd. (note (a))	Construction supervisory services provided to the related company (note (c))	**1,176**	—
	Sales agency services provided to the related company (note (c))	**3,500**	—

45. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transactions	2007 RMB'000	2006 RMB'000 (Restated)
Recurring transactions (Continued)			
Yangzte Tianjin Limited Co., Ltd. (note (a))	Loan provided by the related company (note (h))	**—**	99,716
	Notional interest (note (h))	**5,027**	331
Wuxi Forte Real Estate Development Co., Ltd. (note (a))	Consulting services provided to the related company (note (e))	**3,309**	3,990
	Entrusted loan provided by the related company (note (g))	**—**	93,000
	Notional interest (note (g))	**4,354**	3,022
Fosun High Technology (note (a))	LAT indemnity receivable from the holding company (note (f))	**73,062**	117,746
Fosun High Technology (note (a))	Acquisition of additional equity interests in subsidiaries from the holding company	**—**	4,832
	Entrusted bank loan provided by the holding company (note (j))	**1,750,000**	—
	Interest expenses of entrusted bank loan provided by the holding company (note (j))	**23,476**	—

45. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transactions	**2007 RMB'000**	2006 RMB'000 (Restated)
Recurring transactions (Continued)			
Shaanxi Jianqin (note (a))	Entrusted bank loan provided to the related company (note (k))	**220,000**	—
	Interest income of entrusted bank loan provided to the related company (note (k))	**174**	—
	Shareholder loan provided to the related company (note (l))	**150,000**	—
Changchun Zhaoji (note (a))	Shareholder loan provided to the related company (note (l))	**89,200**	—
Non-recurring transactions			
Shanghai Petrochemical Xindi Real Estate Co., Ltd. (note (a))	Entrusted loan provided by the related company (note (i))	**—**	3,200

(I) Notes:

(a) Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (formerly Shanghai Fosun Industrial Co., Ltd., "SFPG") and Shanghai Fosun Property Management Co., Ltd. are subsidiaries of Fosun High Technology, the parent company. Fosun International Ltd. ("FIL") is the immediate holding company of Fosun High Technology. Shanghai Furui Property Management Co., Ltd. ("Furui"), Shanghai Fuxin Property Development Co., Ltd. ("Fuxin"), Beijing Yuquanxincheng Property Development Co., Ltd. ("Yuquan"), Changchun Zhaoji and Shanghai Petrochemical Xindi Real Estate Co., Ltd. which was liquidated in year 2006 are associates of the Group. Wuxi Forte Real Estate Co., Ltd. and Shaanxi Jianqin are jointly-controlled entities of the Group. Yangzte Tianjin Limited is a shareholder of a subsidiary, Tianjin Forte.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Notes: (Continued)

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

(c) The directors consider that the income of construction supervisory and sales agency services, sales agency services provided to related companies were determined based on prices available to third-party customers of the related companies.

(d) On 16 May 2007, 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 5,005.84 square meters. Under the new office tenancy agreement, Shanghai Fosun Property Development 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 January 2007.

(e) The directors consider that the income for consulting services provided to the related companies was determined based on prices available to third-party customers.

(f) This relates to tax indemnity receivable from the holding company, as set out in note 10.

(g) The entrusted loan in the amount of RMB93,000,000 is provided by Wuxi Forte and is interest-free, unsecured and repayable by 2012, as set out in note 31. The corresponding notional interest computed with reference to prevailing interest rate for the year ended 31 December 2007 amounted to approximately RMB4,354,000.

(h) The loan in the amount of RMB99,716,000 is provided by Yangzte, a minority shareholder of Tianjin Forte, and is interest-free, unsecured and repayable by 2010, as set out in note 31. The corresponding notional interest computed with reference to the prevailing interest rate for the year ended 31 December 2007 amounted to approximately RMB5,027,000.

(i) The 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.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Notes: (Continued)

(j) On 25 October 2007, the Group and FIL entered into a financial assistance agreement, pursuant to which, i) FIL and Fosun High Technology would provide the Group entrusted bank loans not exceeding RMB2,000,000,000 which are unsecured and repayable within one year; and ii) bank guarantees in the aggregate amount of RMB1,300,000,000, free of charges. As at 31 December 2007, entrusted bank loans amounted to RMB1,750,000,000 bearing an interest rate of 8.748% per annum was provided by Fosun High Technology, and is repayable on 27 October 2008. The interest expenses on these entrusted bank loans amounted to RMB23,476,000 for the year ended 31 December 2007. Based on letters received from FIL, the directors of the Company are in the opinion that the entrusted bank loans will be extended till 27 April 2009.

(k) The entrusted bank loan in the amount of RMB220,000,000 was provided by the Group as set out in note 23(b), and the relevant interest income for the year ended 31 December 2007 amounted to RMB174,000.

(l) Shareholder loans in the amount of RMB150,000,000 and RMB89,200,000 were provided by the Group to Shaanxi Jianqin and Changchun Zhaoji as set out in notes 20 and 23, respectively.

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

According to the agreement set out in note (j), Fosun High Technology and FIL would provide the Group with bank guarantees of RMB1,300,000,000. As at 31 December 2007, part of the Group's short-term bank loans amounting to i) HK$290,000,000 (equivalent to RMB271,550,000) and RMB740,000,000 were guaranteed by FIL; and ii) RMB126,000,000 was guaranteed by Fosun High Technology, respectively.

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

	2007 **RMB'000**	2006 RMB'000
Short-term employee benefits	**7,858**	7,851
Pension scheme contributions	**191**	168
Total compensation paid to key management personnel	**8,049**	8,019

Further details of directors' emoluments are included in note 9 to the financial statements.

46. POST BALANCE SHEET EVENTS

After the balance sheet date, the market price of the Group's listed equity investment, which was designated as available-for-sale financial asset as set out in note 22 showed a significant decrease. As at 8 March 2008, the fair value of this listed equity investment approximately amounted to RMB152,880,000, decreased by RMB49,378,000 compared with its fair value as at the balance sheet date.

47. COMPARATIVE AMOUNTS

As further explained in note 4.1 to the financial statements, due to the voluntary change in accounting policy during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 March 2008.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2007 annual general meeting ("AGM") of Shanghai Forte Land Co., Ltd. (the "Company") will be held at 10:00 a.m. on 12 June 2008 (Thursday) at the conference room of the Company, Fuxing Business Building, 2 Fuxing Road East, Shanghai, the People's Republic of China (the "PRC") for the purposes of considering and, if thought fit, passing the following resolutions:

I. As ordinary resolutions:

1. To consider and approve the report of the board of directors (the "Board") of the Company for the year ended 31 December 2007.

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2007.

3. To consider and approve the audited financial statements and the report of the auditors for the year ended 31 December 2007.

4. To consider and approve the re-election of retiring Directors and authorise the Board to determine their remuneration.

   The Directors standing for re-election are as follows:

   Directors

   Mr. Guo Guangchang, aged 40, graduated from Fudan University with a master degree in business administration. Mr. Guo is a senior engineer and the Chairman of the Board of Directors of the Company and one of the co-founders of Fosun High Technology, and is primarily responsible for the overall strategic planning, management and business development of Fosun High Technology. Mr. Guo is a Deputy to the Tenth and Eleventh National People's Congress of the People's Republic of China and a member of the Ninth National Committee of the Chinese People's Political Consultative Conference, and was appointed a policy consultant to the Shanghai municipal government from 2001 to 2002. Mr. Guo was named one of Shanghai's "Ten most outstanding youths" in 1998. In 2002, Mr. Guo was elected deputy chairman of Shanghai Federation of Industry and Commerce. In 2004, Mr. Guo was elected chairman of Shanghai Zhejiang Chamber of Commerce. In 2003, Mr. Guo was named as one of the "Ten leaders in future economy of China" and "Ten new private entrepreneurs in 2003". In 2004, Mr. Guo was named as one of the "CCTV Personalities of the China Economy for the Year 2004". In 2005, Mr. Guo obtained the nationwide "Outstanding Entrepreneur in Private Sector on Staff Caring" award. In 2006, Mr. Guo was named "Entrepreneur of Industry and Commerce" in the "Ernst & Young Entrepreneur of the Year Award".

Save as disclosed in the annual report of the Company (the "Annual Report"), Mr. Guo is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Apart from the interests set out on page 53 of the Annual Report, Mr. Guo has no other interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Guo will be determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. Mr. Guo's appointment will last for a period of three years. Mr. Guo is subject to the provisions of his service agreement and the provisions of the Articles of Association of the Company (the "Articles").

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Listing Rules"), nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Fan Wei, aged 38, graduated from Fudan University with a bachelor degree in engineering and is an engineer. He is an executive Director and the president of the Company. Mr. Fan is one of the co-founders of Fosun High Technology. Mr. Fan is a vice chairman of the Shanghai Real Estate Association, a deputy chief council member of the Real Estate Research Centre of the Shanghai Academy of Social Sciences and chairman of the Housing Industry Association of Shanghai Federation of Industry and Commerce. In 2005, he obtained the "Top 100 Property Entrepreneurs in China in 2005" award and was named the "Outstanding Young Entrepreneur of Shanghai in the Property Sector" in the first session of the award.

Save as disclosed in the Annual Report, Mr. Fan is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Apart from the interests set out on page 53 of the Annual Report, Mr. Fan has no other interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Fan will be determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. Mr. Fan's appointment will last for a period of three years. Mr. Fan is subject to the provisions of his service agreement and the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Wang Zhe, aged 37, is the vice-president and the chief financial officer of the Company. He graduated from the Institute of World Economy at Fudan University in the PRC with a bachelor´s degree in 1992 and obtained a master´s degree in International Finance from the Department of International Finance at Fudan University in 1999. In 1999, he became a qualified economist. Mr. Wang has worked for the Agricultural Bank of China and Shanghai Pudong Development Bank prior to joining the Company in 2002. Mr. Wang was appointed as an executive Director on 21 March 2008.

Save as disclosed in the Annual Report, Mr. Wang is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Wang has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Wang will be determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments if necessary. Mr. Wang is subject to the provisions of his service agreement and the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Ding Guoqi, aged 38, graduated from the Shanghai University of Finance and Economics with a bachelor degree in accounting. Mr. Ding is an accountant and a non-executive Director of the Company. Mr. Ding was appointed as manager of the finance department of Shanghai Jinshan Petrochemical Construction Company, the financial controller of Fosun High Technology and the financial controller of the Company. He is currently an executive director and General Manager of Finance of Fosun International Limited.

Save as disclosed in the Annual Report, Mr. Ding is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Ding has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Fu will be determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. Mr. Ding's appointment will last for a period of three years. Mr. Ding is subject to the provisions of his service agreement and the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Feng Xiekun, aged 56, is a non-executive Director of the Company. Mr. Feng was the deputy head of the Shanghai Changning District Housing and Land Administration Bureau, the deputy head of the Shanghai Changning District Construction Authority and the manager of the Shanghai Changning District Municipal Construction Company. Mr. Feng is currently the chairman of the Shanghai Xinchangning (Group) Company Limited.

Save as disclosed in the Annual Report, Mr. Feng is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Feng has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Feng does not receive any emoluments for acting as a Director of the Company. Mr. Feng's appointment will last for a period of three years. Mr. Feng is subject to the provisions of his service agreement and the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Charles Nicholas Brooke, aged 66, graduated from the University of London. He is an independent non-executive Director of the Company. He is currently the Chairman of Professional Property Services Limited, headquartered in Hong Kong, which provides a wide range of property advisory services across the Asia-Pacific region. He is a Fellow of and the former President of the Royal Institution of Chartered Surveyors. Currently, he is the Chairman of the Hong Kong Science and Technology Parks Corporation and is an Independent Non-Executive Director of the Hong Kong Cyberport Management Company Limited, and is a member of the Hong Kong Harbourfront Enhancement Committee, the Chairman of the Hong Kong Coalition of Service Industries and a member of the Election Committee responsible for the selection of the Chief Executive of the HKSAR. Mr. Brooke also sits as a Non-executive Director on the Boards of a number of companies including Majid Al Futtaim Properties, one of Middle East's leading developers for shopping centres, VinaLand Limited, the first Vietnam property fund to be listed on the AIM Board of the London Stock Exchange and China Central Properties Limited which was also listed on the London AIM Board. In 1999, he was awarded the Bronze Bauhinia Star by the Chief Executive of the HKSAR Government.

Save as disclosed in the Annual Report, Mr. Brooke is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Brooke has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Brooke will be determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. Mr. Brooke's appointment will last for a period of three years. Mr. Brooke is subject to the provisions of his service agreement and the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Chen Yingjie, aged 59, graduated from Fudan University. He is an independent non-executive Director of the Company. Mr. Chen was a visiting scholar at the Chinese University of Hong Kong. He is currently an associate professor of the School of Management at Fudan University, specializing in financial analysis and corporate financial management. He has received the Class Three National Award for Scientific and Technological Improvements, Class One Award for Scientific and Technological Improvements from the National Education Committee and the Class Three Shanghai Scientific and Technological Improvements Award.

Save as disclosed in the Annual Report, Mr. Chen is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Chen has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Chen will be determined with reference to of industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. Mr. Chen's appointment will last for a period of three years. Mr. Chen is subject to the provisions of his service agreement and the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Zhang Hongming, aged 62, an independent non-executive Director of the Company. Mr. Zhang is currently the councilor of the Shanghai Municipal People's Government, the head, professor and doctorate student instructor of the Urban Studies and Real Estate Research Centre of the Shanghai Academy of Social Sciences, a member of The Chinese People's Political Consultative Conference, a member of the Specialist Committee of the Ministry of Construction of the People's Republic of China, vice president of the Real Estate Industry Research Centre of the Shanghai Academy of Social Sciences, chief editor of the magazine "China Real Estate Research", vice president of Shanghai Real Estate Economics Association and vice president of the Shanghai Real Estate Industry Association.

Save as disclosed in the Annual Report, Mr. Zhang is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Zhang has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Zhang will be determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. Mr. Zhang's appointment will last for a period of three years. Mr. Zhang is subject to the provisions of his service agreement and the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Ms. Wang Meijuan, aged 44, graduated from the Shanghai University of Finance and Economics, a Certified Public Accountant in the PRC. She is an independent non-executive Director of the Company. She was formerly a lecturer of the Department of Management of the Shanghai Institute of Building Materials and a senior manager of Da Hua Certified Public Accountants. She is currently the deputy general manager of the risk control headquarters of Hai Tong Securities Co., Ltd..

Save as disclosed in the Annual Report, Ms. Wang is not related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Ms. Wang has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Ms. Wang will be determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. Ms. Wang's appointment will last for a period of three years. Ms. Wang is subject to the provisions of her service agreement and the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

5. To consider and approve the re-election of retiring Supervisors and authorise the Board to determine their remuneration.

The Supervisors standing for re-election are as follows:

Supervisors

Mr. Zhang Guozheng, aged 42, graduated from the Chinese University of Hong Kong with a master degree in professional accounting. He is a Supervisor of the Company. Mr. Zhang was a lecturer of Shanghai University of Finance and Economics specializing in cost accounting and industrial accounting, etc. He had been appointed to the positions of manager, senior manager and deputy general manager in the finance departments of the Thai Chia Tai Group Ek-Chor Industry (Holdings) Co., Ltd. and its subsidiaries, the audit director and the financial controller of Bright Dairy & Food Co., Ltd. Mr. Zhang is currently the deputy general manager and general manager of the finance department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Save as disclosed in the Annual Report, Mr. Zhang is not related to any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Zhang has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Zhang was determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. There is no service agreement between the Company and Mr. Zhang. Mr. Zhang is subject to the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Sun Wenqiu, aged 40, graduated from the Shanghai University of Finance and Economics with a master degree and is a Senior Accountant. He is a Supervisor of the Company. Mr. Sun was a teacher of the Nanjing Military Resources Management Institute. He was also appointed to the positions of finance manager, deputy chief accountant, chief accountant and manager of the securities investment department of the Shanghai Oriental Pearl (Group) Co., Ltd. He is currently the vice president of Shanghai Oriental Pearl (Group) Co., Ltd.

Save as disclosed in the Annual Report, Mr. Sun is not related to any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Sun has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Sun was determined with reference to industry standards and prevailing market conditions. The Remuneration Committee will review the level of directors' remuneration from time to time and make recommendation to the Board for adjustments, if necessary. There is no service agreement between the Company and Mr. Sun. Mr. Sun is subject to the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

Mr. Liu Zhangxi, aged 68, graduated from the University of Science and Technology of China. He is a Supervisor of the Company. Mr. Liu was appointed as an engineer and director of the technology office at the Jiuquan Satellite Launch Centre. Mr. Liu was a deputy director of the office of the Government's Science and Technology Commission of Putuo District in Shanghai as well as the head of the Institute Division and vice-chairman of the Shanghai Putuo District Science and Technology Association. He was also the general manager of Shanghai Xidatang Technological Investment and Development Company Limited. He is currently the deputy secretary of the CCP of Fosun High Technology.

Save as disclosed in the Annual Report, Mr. Liu is not related to any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Liu has no interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance.

The emolument of Mr. Liu was determined with reference to industry standards and prevailing market conditions. There is no service agreement between the Company and Mr. Liu. Mr. Liu is subject to the provisions of the Articles.

There is no other information required to be disclosed pursuant to any requirements under Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules, nor are there any other matters that must be brought to the attention of the shareholders of the Company.

6. To consider and approve the re-appointment of Ernst & Young as the international auditor and Ernst & Young Hua Ming as the PRC auditor of the Company, and to authorise the Board to determine their remuneration.

II. As special resolution:

7. For the purpose of increasing the flexibility and efficiency in operation, to grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20% of the Domestic Shares in issue and additional H Shares not exceeding 20% of the H Shares in issue and authorise the Board to make corresponding amendments to the Articles as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares:

"**IT IS RESOLVED THAT:**

(1) an unconditional general mandate be granted to the Board to allot, issue and otherwise deal with shares in the share capital of the Company, whether Domestic Shares or H Shares, and to make or grant offers, agreements, and options in respect thereof, subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements or options which might require the exercise of such powers after the end of the Relevant Period;

(b) the aggregate nominal amount of shares, whether Domestic Shares or H Shares, allotted, issued and otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued and otherwise dealt with by the Board pursuant to such mandate shall not exceed (i) 20% of the aggregate nominal amount of Domestic Shares in issue; and (ii) 20% of the aggregate nominal amount of H shares in issue; in each case as at the date of this resolution; and

(c) the Board shall only exercise its power under such mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and provided all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC authorities are obtained; and

(2) contingent on the Board resolving the issue of shares pursuant to sub-paragraph (1) of this resolution, the Board be authorised to:

(a) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of new shares, including but not limited to, the class and number of shares to be issued, the issue price, the period of issue and the number of new shares to be issued to existing shareholders (if any);

(b) to determine the use of proceeds and to make all necessary filings and registrations with the relevant PRC, Hong Kong and other authorities; and

(c) following the increase of the registered capital of the Company in accordance with the actual increase of capital by issuing shares pursuant to sub-paragraph (1) of this resolution, to register the increase of the registered capital of the Company with the relevant authorities in the PRC and to make such amendments to the Articles as it thinks fit so as to reflect the increase in the registered capital of the Company.

For the purpose of this resolution:

"**Domestic Shares**" means ordinary shares in the share capital of the Company, with a nominal value of RMB0.20 each or ordinary shares with a nominal value of RMB1.00 each after the consolidation of the shares, which are subscribed for and credited as fully paid up in Renminbi by PRC nationals and/or PRC incorporated entities;

"**H Shares**" means the overseas-listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB0.20 each or ordinary shares with a nominal value of RMB1.00 each after the consolidation of the shares, which are subscribed for and traded in Hong Kong dollars;

"**Relevant Period**" means the period from the passing of this resolution until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting is required to be held pursuant to the Articles or other applicable laws; or (iii) the date on which the authority granted under this resolution is revoked or varied by a special resolution passed by the shareholders of the Company at a general meeting.

By order of the Board of Directors
Guo Guangchang
Chairman

Shanghai, PRC
24 April 2008

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

Notes:

(1) The register of shareholders of the Company will be closed from 13 May 2008 (Tuesday) to 12 June 2008 (Thursday) (both days inclusive), during which period no transfer of shares will be registered. Shareholders who intend to attend and vote at the AGM must deliver their instruments of transfer together with the relevant share certificates to the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on 9 May 2008 (Friday) for share transfer registration.

(2) According to the Articles, the resolutions will be decided by a show of hands unless a poll is demanded before or after any vote by a show of hands. A poll may be demanded by (i) the chairman of the general meeting; or (ii) at least two shareholders entitled to vote, present in person or by proxy; or (iii) one or more shareholders present in person or by proxy representing not less than 10% of all shares carrying voting rights at the general meeting.

(3) Any shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy does not need to be a shareholder of the Company. Where a shareholder of the Company appoints more than one proxy, his proxies may only vote in a poll.

(4) The form of proxy for use by shareholders of the Company and a notarised copy of power of attorney or other authority if such proxy is signed by a person on behalf of the appointor pursuant to a power of attorney or other authority must be delivered to the Company's principal place of business in the PRC (for Domestic Shares) or the Company's H Share Registrar in Hong Kong (for H shares) at least than 24 hours before the time scheduled for holding the AGM.

The address and details of the Company's principal place of business in PRC are as follows:

5th-7th Floor
Fuxing Business Building
2 Fuxing Road East
Shanghai 200010
The People's Republic of China
Tel: (8621) 6332 0055
Fax: (8621) 6332 5018

The address and details of the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, are as follows:

Room 1806-1807
18th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel: (852) 2862 8628
Fax:(852) 2529 6087

(5) Shareholders who intend to attend the AGM in person or by proxy are required to return the reply slip by hand, by post or by fax to the secretariat of the board of directors at the Company's principal place of business in the PRC (for holders of the Domestic Shares) and to the Company's H Share Registrar in Hong Kong (for holders of the H shares) on or before 22 May 2008 (Thursday) (i.e. 20 days prior to the date of convening the AGM) for information purpose.

(6) A vote given in accordance with the terms of the proxy form shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or the withdrawal of the authority under which the proxy was executed, or the shares in respect of which the proxy is given have been transferred, provided no notice in writing with respect to these matters has been received by the Company prior to the commencement of the AGM.

(7) A shareholder or his/her/its proxy shall produce proof of identity when attending the AGM. If a legal person shareholder appoints its proxy to attend the meeting, such proxy shall produce its proof of identity and a copy of the resolution of the board of directors or other governing body of such legal person shareholder appointing such proxy to attend the meeting.

(8) In accordance with the Articles, where two or more persons are registered as the joint holders of any shares, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend the AGM and exercise all the voting rights attached to such shares at the AGM, and this notice shall be deemed to have been duly served to all joint holders of such shares.

(9) The AGM is expected to last for about half a day. Shareholders of the Company and their respective proxies attending the AGM shall be responsible for their own transportation and accommodation expenses.