Interim Report 2008

SHANGHAI FORTE LAND CO.,LTD.

Stock Code:2337

FORTE 复地®
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Chinese Well-known Trademark

Contents

Corporate Information

Executive Directors
Guo Guangchang
Fan Wei
Wang Zhe

Non-Executive Directors
Ding Guoqi (resigned on 5 September 2008)
Feng Xiekun

Independent Non-Executive Directors
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Chen Yingjie
Zhang Hongming
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Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
China Construction Bank
The Bank of East Asia
Standard Chartered Bank

Stock Code
2337

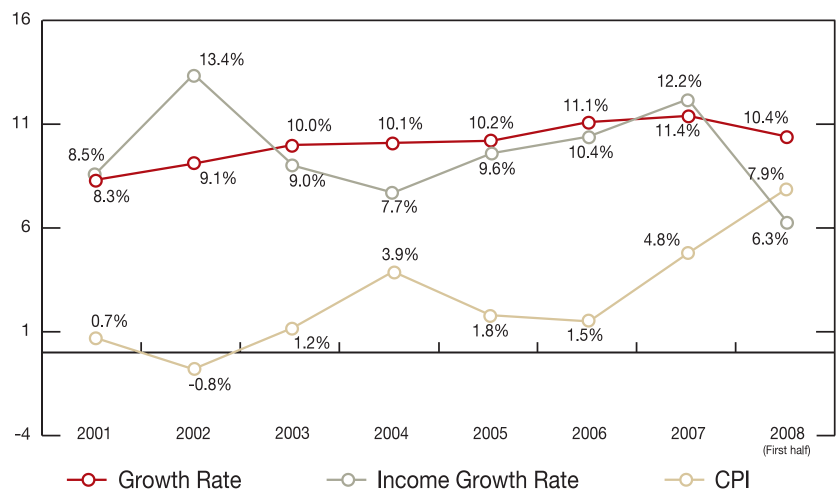
The Board of Directors (the "Board") of Shanghai Forte Land Co., Ltd. (the "Company" or "Forte") is pleased to announce its unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 (the "Period", the "Reporting Period") (the "Interim Results"). The Interim Results have been reviewed and confirmed by the Audit Committee of the Company.

MARKET REVIEW

Overview

In the first half of 2008, the PRC economy experienced complicated situation. Various economic indications signalled the risk of economic hardship such as high inflation, decrease in corporate profits, and decline in the export growth. In addition, the stock market fell across the board. The central government was hovering between the two contrary objectives, "anti-inflation" and "anti-depression".

Comparison of increase in major macro-economic indicators with previous years (2001 – 2008 (First half))



Source: National Statistics Bureau

As far as the real estate market is concerned, the central government has not introduced further intervening policies since the fourth quarter last year under the circumstance that the market had responded promptly to the stringent measures aiming to suppress short-term speculations in the second half of 2007. The central bank maintained mortgage rate when it increased the interest rate twice in the third and fourth quarters last year.

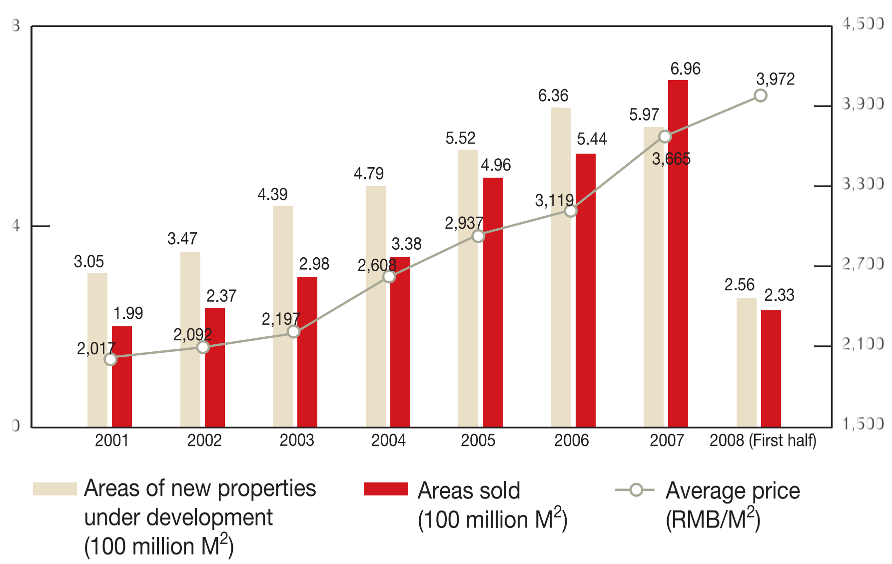
MARKET REVIEW (Continued)

Overview (Continued)

With stabilizing policies, the real estate market showed sign of recovery in March and April this year. However, such recovery was soon interrupted by the macro-economic environment with consecutive negative news. In the first half of 2008, prices of the PRC real estate market faced a downturn with prices decreased and transacted volume slumped in some local real estate markets. The uncertainties of the policies resulted in a rather conservative forecast of the real estate market in the short to medium term by various investors and the wait-and-see attitude of self-use buyers. Decisions in purchasing properties were therefore delayed.

The real estate market, which underwent a market correction in the first half year, possessed the following distinct characteristics. In terms of regions, the severe disparities in respect of market performance in the first-tier cities rapidly expanded to second-tier cities. Second-tier cities with prices increasing at excessively high pace and with apparent signs of speculative activities saw a significant decline whereas those tracked moderate trend in housing price in the past two years remained stable in both transacted volume and prices. In terms of projects, the performance of high-end projects in prime locations and medium-end housing targeting at first-time home buyers were active. Large cross-regional property development enterprises, although generally experienced a decline in their transacted volume, still had relatively sufficient funds whereas small and medium property development enterprises faced severe survival crisis.

The supply, demand and price of commodity housing in the PRC (2001 – 2008 (First half))



Source: National Statistics Bureaun (Currency: RMB)

MARKET REVIEW (Continued)

Overview (Continued)

In the second half of 2008, whether the market will rebound or not will mainly depend on whether there will be any improvement in the international and domestic economics, as well as relevant corresponding policies. If the real estate market continues to decline, the central government is likely to introduce appropriate policies to restore part of the purchasing demand for real estate to avoid a further decline of the economy which is caused by the continuing downturn of the real estate market.

Regional markets

With an overall decrease of transacted volume in the first half of 2008, the various local real estate markets saw obvious price disparities. Some maintained upward trend, some slightly increased, some adjusted in a stable manner, and some decreased. The main reasons of the price disparities were contributed by the discrepancies in the development pace, the degree of short-term investment activities, and the unbalanced level of supply and demand in the short term.

1. **Shanghai**

The supply of residential land in Shanghai has been tight since 2005. The growth of investments for property development have been hovering at low levels, leading to a 11.7% decrease in new residential property supplies in Shanghai in the first half of this year as compared to the same period of last year. On the other hand, the transacted volume of residential properties, which were affected by macro-economic environment, hit a record low in the first half year since 2006. Nonetheless, the residential property prices continued to rise.

The supply, demand and price of commodity housing in Shanghai in the first half of 2008

Project	Shanghai Value/Volume	Shanghai Growth Rate
GDP (RMB 100 million)	6,530.73	10.3%
Per capita disposable income of urban and township residents (RMB)	13,912	13.3%
Approved pre-sale areas of commodity residential properties (10,000 M^2)	618.04	-11.7%
Areas of commodity residential properties sold (10,000 M^2)	524.63	-49.8%
Average selling price of commodity residential properties (RMB/M^2)	14,104	41.9%

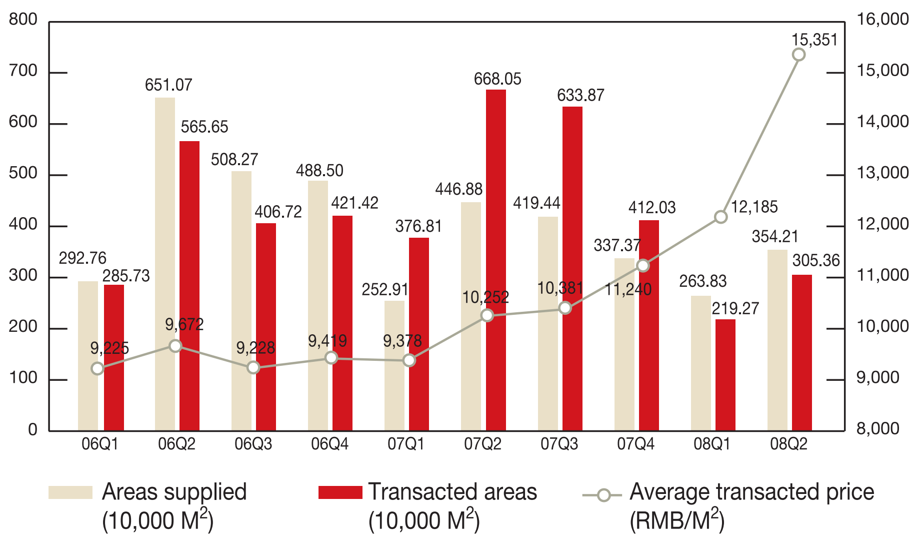
MARKET REVIEW (Continued)

Regional markets (Continued)

1. **Shanghai** (Continued)

It shall be noted that from March to June, amidst the downturn symbolized by the withdrawal of investments by the investors and the postponement of purchases of self-use properties, the monthly transacted volume of the Shanghai residential market still maintained at approximately 1 million sq.m. This indicates that Shanghai market was supported by very strong demand. On the other hand, the supply of new residential properties maintains at approximately 3 million sq.m. per day since the beginning of this year, and will be difficult to increase in the short term. Once the strong demand for self-use housing which accumulated for the past six months picks up due to an improvement in the macro-economic environment, the unbalanced level of supply and demand will soon recover, driving a surge in property market prices.

The supply, demand and price of commodity housing in Shanghai in each quarter of the year from 2006 to 2008 (First half)



Source: www.fangdi.com.cn (網上房地產), Shanghai Property Exchange Centre (Currency: RMB)

MARKET REVIEW (Continued)

Regional markets (Continued)

2. **Beijing**

Contrary to the situation of insufficient supply in property market over the past two years, new residential property supply in Beijing has a year-on-year growth of 22% since the beginning of this year as compared to the same period of last year. The downturn of the transacted volume in the downtown area further strengthened the wait-and-see sentiment in the market, resulting in a drop of transacted volume of residential properties in the other areas of the city. In terms of price, all areas experienced a slight increase during the first half year. However, as the proportion of transacted volume of high-end residential properties in the overall market declined, the average price of the properties in the city in the first half year remained stable compared to second half of last year.

The supply, demand and price of commodity housing in Beijing in the first half of 2008

Project	Beijing Value/Volume	Beijing Growth Rate
GDP (RMB 100 million)	4,972.80	11.0%
Per capita disposable income of urban and township residents (RMB)	12,546	11.6%
Approved pre-sale areas of commodity residential properties (10,000 M^2)	655.89	22.1%
Areas of commodity residential properties sold (10,000 M^2)	454.89	-42.6%
Average selling price of commodity residential properties (RMB/M^2)	12,895	29.2%

Source: Beijing Statistics Bureau, Property Exchange Centre (Currency: RMB)

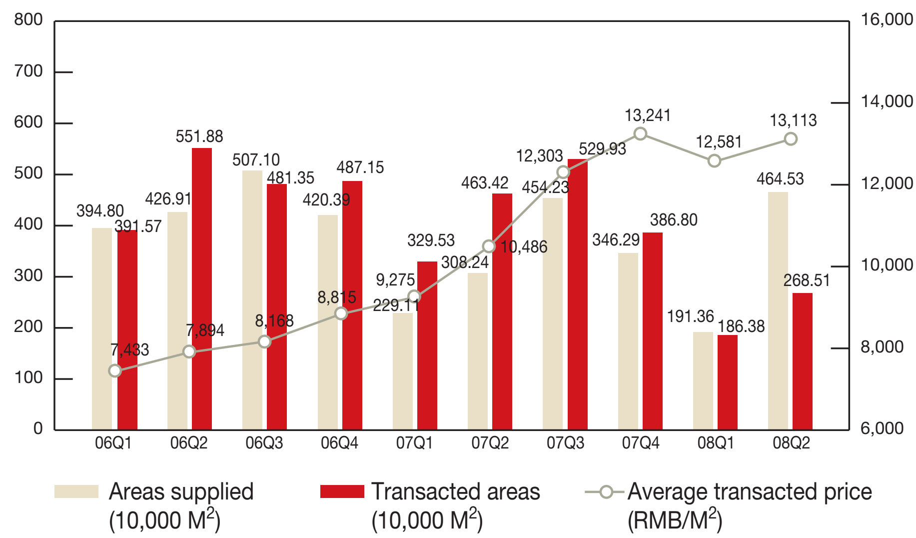
It shall be noted that amidst the general downturn, some projects which are adjacent to the railway traffic and target at middle-class buyers who are first-time home buyers can achieve sales at a faster pace if the price is set no higher than the current prevailing average price in the regional market. This demonstrates a more positive attitude than neutral towards the short-term price trend in a price-dropping bear market for medium-end products which are regarded as the cornerstone of the market.

MARKET REVIEW (Continued)

Regional markets (Continued)

2. **Beijing** (Continued)

The supply, demand and price of commodity housing in Beijing in each quarter of the year from 2006 to 2008 (First half)



Source: Beijing Property Exchange Centre (Currency: RMB)

3. **Tianjin, Chongqing**

Due to the macro-economic environment, the boom in the Tianjin residential market which has lasted for more than one year was interrupted in the first half of this year, resulting in an approximately 28% decline in the transacted volume. Meanwhile, the average transacted price continued to stay high due to the successive launch of projects in the downtown area in the first half of this year, representing a 28% increase over the same period of last year. The overall performance was therefore fairly moderate.

The surge in the residential property prices in Tianjin over the past year was due to the significant underestimation of property prices and the established position of Tianjin as a financial centre in the north of China. At the same time, almost no overseas and domestic short-term investment funds were injected into the market during this period. This differentiates Tianjin from the first-tier cities like Beijing, Shenzhen and Shanghai. Based on the aforementioned difference, we are of the view that Tianjin will soon recover from of the current transacted volume downturn and re-establish its position in the surging market once the macro-economic environment improves.

MARKET REVIEW (Continued)

Regional markets (Continued)

3. **Tianjin, Chongqing** (Continued)

The supply, demand and price of commodity housing in Tianjin and Chongqing in the first half of 2008

	Tianjin		Chongqing*	
Project	Value/Volume	Growth Rate	Value/Volume	Growth Rate
GDP (RMB 100 million)	2,951.88	16.3%	2,104.76	15.2%
Per capita disposable income of urban and township residents (RMB)	8,934	16.0%	7,452	14.4%
Approved pre-sale areas of commodity residential properties (10,000 M^2)	519.95	9.9%	371.19	-19.3%
Areas of commodity residential properties sold (10,000 M^2)	260.82	-28.1%	468.48	-25.9%
Average selling price of commodity residential properties (RMB/M^2)	7,094	28.4%	4,132	35.3%

Source: Housing and land administration bureaus and property exchange centers in Tianjin and Chongqing (Currency: RMB)

* Data of Chongqing is for commodity housing; no data is available on commodity residential properties

Notwithstanding that Chongqing experienced an earlier market correction than other municipalities directly under the jurisdiction of the central government such as Shanghai and Beijing in October last year, the market correction of Chongqing residential market is relatively mild in the first half of this year. With the remaining overall excessive supplies from the past and the impact of the Wenchuan earthquake in May, the 26% decrease in transacted volume of residential properties in Chongqing in the first half year is nevertheless lower than other municipalities directly under the jurisdiction of the central government. The surge in volume and prices in the Chongqing market commenced from last July and August, leading to a relatively significant increase in the average price for the property in the city in the first half of 2008 over the same period of last year.

As the prices are evidently lower than average, there is not much room for the prices in Chongqingto drop in the coming half year. In the short term, major risks facing the Chongqing market still come from excessive supply in regional areas. Meanwhile, poor living facilities will continue to curb the growth for demand of self-use housing in these areas.

MARKET REVIEW (Continued)

Regional markets (Continued)

4. Nanjing, Hangzhou, Wuhan, Chengdu, Xi'an, and Wuxi

The extremely low transacted volume in some newly developed suburb residential areas under the macro-economic environment has resulted in a 50% drop in the transacted volume of the entire residential property market in Nanjing. The strong transacted volume and prices of the residential properties in the downtown area drive the overall average prices in Nanjing in the first half year up to 25% over the same period of last year. The trend of the emerging medium-end residential market which located outside the downtown area is still uncertain in the short term.

Strong wait-and-see sentiment has suppressed the buyer's investment in outer suburbs which has been experiencing rapid increases in supply since the beginning of this year. This resulted in a nearly 50% drop in the overall transacted volume in Hangzhou in the first half year. The average price of residential properties in Hangzhou in the first half year achieved an enormous year-on-year increase of 43.8%, sparked by the sustained excessive demand over supply in respect of residential properties in the downtown area. Once the macro-economic environment stabilizes and the real estate market recovers, property investors from Zhejiang who are once active in the nationwide market will first target Hangzhou and will lead to a rebound in the transaction volume in the Hangzhou market.

The supply, demand and price of commodity housing in Nanjing, Hangzhou, and Wuhan in the first half of 2008

	Nanjing		Hangzhou*		Wuhan	
Project	Value/Volume	Growth Rate	Value/Volume	Growth Rate	Value/Volume	Growth Rate
GDP (RMB 100 million)	1,768.90	13.0%	2,158.54	12.4%	1,833.09	15.6%
Per capita disposable income of urban and township residents (RMB)	12,448	14.6%	12,979	9.1%	8,668	14.8%
Approved pre-sale areas of commodity residential properties (10,000 M^2)	347.01	-11.4%	174.50	4.8%	383.05	-21.6%
Areas of commodity residential properties sold (10,000 M^2)	249.42	-50.7%	114.54	-47.2%	239.50	-57.8%
Average selling price of commodity residential properties (RMB/M^2)	6,216	24.9%	13,254	43.8%	5,155	28.7%

Source: Housing and land administration bureaus, property exchange centres in Nanjing, Hangzhou, and Wuhan

* The data for Hangzhou only includes the downtown area; Yuhang and Xiaoshan are excluded

MARKET REVIEW (Continued)

Regional markets (Continued)

4. **Nanjing, Hangzhou, Wuhan, Chengdu, Xi'an, and Wuxi** (Continued)

   Propelled by domestic short-term investment funds, the Wuhan market experienced rapid growth over the past two years but saw a significant downward correction during the recent half year. The trading of medium-end residential properties in the surrounding urban areas, which once experienced striking rise in prices, was inactive with prices dropping to various extents. In contrast, several traditional high-end projects in prime locations, despite their rising but stable prices, were still popular among local buyers seeking better living conditions and long-term investors, and recorded relatively stable transacted volume.

   The Chengdu market, which has been a healthy and stable market, borne the brunt by the new round of control measures implemented in the first quarter last year more mildly than the other provincial capitals. However, since the Wenchuan earthquake in May, sales of residential properties in Chengdu shrunk, resulting in a year-on-year decline of approximately 43% in transacted areas of residential properties throughout the first half year. The impact caused by the earthquake was temporary. With the introduction of various favourable polices by the central government, the impact of the earthquake will diminish gradually, which will stimulate a rebound in the transaction volume of residential properties in the Chengdu residential property market. At the same time, it will also attract investments in Chengdu from various domestic industries, thus expedite the pace for industrial upgrade in Chengdu and promote employment and consumption, which will in turn drive the development of the commercial property markets such as office buildings and hotels.

   A sudden decline in the transacted volume in the Xi'an property market after the earthquake resulted in approximately 20% drop in the transacted areas of residential properties in the first half year over the same period of last year. With the rapid diminishing of the psychological impact of the earthquake on local buyers in the second half year, we expect that the local market will restore to its previous situation characterized by moderate correction, i.e., slowly rising prices with the transacted volume maintained at a level slightly lower than that of the same period of last year. The situation of insufficient new residential property supplies since the beginning of this year will persist in the second half year. Once the macro-economic environment turns to a different direction, it might become an incentive stimulating property prices to break through the current slowly rising trend.

MARKET REVIEW (Continued)

Regional markets (Continued)

4. **Nanjing, Hangzhou, Wuhan, Chengdu, Xi'an, and Wuxi** (Continued)

The supply, demand and price of commodity housing in Chengdu, Xi'an, and Wuxi in the first half of 2008

Project	Chengdu Value/Volume	Chengdu Growth Rate	Xi'an Value/Volume	Xi'an Growth Rate	Wuxi Value/Volume	Wuxi Growth Rate
GDP (RMB 100 million)	1,746.17	11.2%	936.56	16.1%	2,147.82	13.6%
Per capita disposable income of urban and township residents (RMB)	8,365	16.5%	7,802	18.1%	12,100	12.3%
Approved pre-sale areas of commodity residential properties (10,000 M^2)	486.10	-4.3%	499.35	-4.9%	199.88	30.2%
Areas of commodity residential properties sold (10,000 M^2)	275.07	-42.5%	281.58	-20.4%	131.51	-22.3%
Average selling price of commodity residential properties (RMB/M^2)	5,922	24.9%	4,341	22.4%	5,786	26.0%

Source: Housing and land administration bureaus, property exchange centres in Chengdu, Xi'an, and Wuxi (Currency: RMB)

With the absence of large scale of short-to-medium-term speculative funds entering into the Wuxi market in the past two years, the city experienced a slower property price increase than other cities in east China. Since the beginning of this year, new residential property supplies grew rapidly in the suburbs with insufficient infrastructure. This has undoubtedly exacerbated the wait-and-see sentiment amidst the current gloomy macro-economic environment. Accordingly, the transacted volume of residential properties in the Wuxi market in the first half year dropped by 22% year on year. In the second half year, the situation characterized by excessive supply and improper structure will continue to plague the Wuxi market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2008, international financial markets were volatile and the pace of domestic economic growth in China has slowed down significantly. Prices were stable in the overall real estate market of China with easing prices in certain segments, and the turnover volume shrunk significantly. During the first half of this year, no sign of relaxation was seen in the policies of macroeconomic controls. Uncertainties in the macroeconomic trend and the corresponding policies have affected the confidence of housing purchasers, rendering the forecasts of the real estate market made by various investors for the short to medium term rather conservative. Nonetheless the prospect of the real estate market in China remained positive in the medium to long term.

Major achievements of the Group during the Reporting Period are reflected in the following aspects:

PROJECT DEVELOPMENTS

During the Reporting Period, there were 34 projects (including projects of associated companies in which the Group has interests) under development with total gross floor area ("GFA") of approximately 2,276,393 sq. m., in which a total GFA of 1,540,789 sq. m. was attributable to the Company, representing an increase of approximately 29.4% as compared to the same period of last year (2007 interim: total GFA 1,190,660 sq. m. was attributable to the Company).

Developed Projects in the first half of 2008

Region	Approximate Total GFA (sq. m.)
Shanghai	683,896
Beijing	503,972
Tianjin	151,903
Hangzhou	260,203
Nanjing	503,045
Wuxi	58,270
Chongqing	57,708
Wuhan	57,396
Total	2,276,393

Among these projects, there were seven newly developed projects with total GFA of approximately 525,947 sq. m., in which the total GFA of 324,504 sq. m. was attributable to the Company, representing an increase of approximately 43.2% as compared to the same period of last year (2007 interim: total GFA 226,600 sq. m. was attributable to the Company).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PROJECT DEVELOPMENTS (Continued)

Among these projects, there were three completed projects available for occupation with total GFA of approximately 79,555 sq. m., in which the total GFA of 43,383 sq. m. was attributable to the Company, representing a decrease of approximately 68.7% as compared to the same period of last year (2007 interim: total GFA 138,507 sq. m. was attributable to the Company).

LAND BANK

During the Reporting Period, the Group increased its land bank through various ways such as participating in land tenders and auctions, and acquisitions of equity interests pursuant to the Group's business strategies and industry background. During the Reporting Period, the Group acquired three projects, with a total saleable GFA of approximately 570,000 sq. m., in which the total GFA of approximately 400,000 sq. m. was attributable to the Company, representing a decrease of approximately 46.7% as compared to the same period of last year (2007 interim: total GFA 750,000 sq. m. was attributable to the Company).

Land bank acquired in the first half of 2008

City	Name of Project	Approximate Total GFA (sq.m.)	Interest attributable to the Company (%)	Remarks	Total GFA attributable to the Company (sq.m.)
Wuxi	Wuxi Jinquan Project	326,863	50.00	residential	163,431
Chengdu	Chengdu Project	200,000	100.00	commercial	200,000
Shanghai	Shanghai Quecheng Project	40,050	100.00	commercial	40,050
	Total	566,913			403,481

Remarks: As at 30 June 2008, the project company for the Wuxi Jinquan Project is still in the process of establishment.

In addition to the existing land bank of the Group (including projects of associated companies in which the Group has interests), as at 30 June 2008, the total planned GFA of the Group's land bank amounted to approximately 10,070,000 sq. m.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LAND BANK (Continued)

Land bank and projects under construction (as at 30 June 2008)

Region	Total		Under Construction		Planning	
	In total	Attributable to Forte	In total	Attributable to Forte	In total	Attributable to Forte
Shanghai	2,142,684	1,299,617	611,552	395,966	1,531,132	903,651
Beijing	508,719	426,401	496,761	414,443	11,958	11,958
Nanjing	1,402,874	607,983	503,045	210,794	899,829	397,189
Wuxi	761,947	380,973	58,270	29,135	703,677	351,838
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	57,396	40,177	1,007,094	704,966
Chongqing	683,656	683,656	57,708	57,708	625,948	625,948
Chengdu	200,000	200,000	—	—	200,000	200,000
Xi'an	2,577,462	1,376,494	—	—	2,577,462	1,376,494
Total	10,074,323	6,309,740	2,196,838	1,497,407	7,877,485	4,812,333

The current land bank of the Group is sufficient to satisfy its development needs for the next three to five years, and thereby provides solid foundation for the Group's long-term rapid development.

PROPERTY SALES

During the Reporting Period, the Group's total GFA sold was approximately 241,536 sq. m. (including projects of associated companies in which the Group has interests), in which the total GFA sold attributable to the Company was approximately 148,979 sq. m., representing a decrease of approximately 44.5% (2007 interim: total GFA sold attributable to the Company was 268,106 sq. m.). That the overall turnover volume of the real estate market in China fell significantly in the first half year has resulted in the decrease in the sales performance of the Company.

Total GFA sold by contract in the first half of 2008

Region	Approximate GFA (sq. m.)
Shanghai	66,783
Beijing	26,649
Tianjin	4,248
Hangzhou	32,770
Nanjing	86,343
Wuxi	6,755
Wuhan	1,397
Chongqing	16,591
Total	241,536

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PROPERTY BOOKED

During the Reporting Period, the Group's GFA carried forward (GFA booked) amounted to 66,047 sq. m., in which the GFA carried forward attributable to the Company amounted to 43,652 sq. m., representing a decrease of approximately 65.3% as compared to the same period of last year (2007 interim: GFA carried forward attributable to the Company was 125,626 sq. m.). Since the Group had less number of completed projects in the first half year, this resulted in the decrease of GFA carried forward for the Reporting Period.

As at 30 June, 2008, the GFA sold and not carried forward was approximately 548,588 sq. m. and the GFA sold and not carried forward attributable to the Company amounted to 340,225 sq. m.

FUTURE PROSPECTS

- Promote project sales and accelerate inflows of funds

  For the second half of the year, the Group will organize and arrange sales promotions, widen the customer base, and set reasonable prices for various projects according to the actual conditions of the markets at various locations to accelerate project sales and inflows of funds.

- Accelerate the development of our existing land banks

  The Group is positive on the fundamentals of the real estate market in China. It will continue to accelerate the development of existing land bank to ensure those more newly commenced projects will meet the pre-sale standards by next year and increase the saleable area to be prepared for the market recovery next year.

- Capture opportunities to increase land banks by persistently being a prudent and optimistic

  For the second half of the year, on the basis of accelerating sales and the development of existing projects, the Group will continue to monitor the market and capture opportunities to increase new land bank at the right time.

- Strengthen the co-operation with foreign investors and other domestic enterprises to expand the channels of funding

  For the second half of the year, the Group will continue to seek new co-operation opportunities with foreign investors and other domestic enterprises to expand the channels of funding and to explore new projects. The Group will also continue to pursue the plan of offering A shares.

- Refine the Group's internal operation system and policies and enhance the efficiency of operations

  For the second half of the year, the Group will continue to refine its nation-wide system and policies to ensure smooth and efficient internal operations and management of the Company. At the same time, the Group will enhance the development of non-residential property projects and strengthen the formation of its operational teams in order to secure the sound development of non-residential property projects.

FINANCIAL ANALYSIS

1. Revenue and Operating Results

During the interim period of 2008, the Group recorded a total turnover of approximately RMB1,033,117,000, representing a decrease of 22.7% as compared to RMB1,335,775,000 for the same period in 2007. The fall in turnover was mainly attributed to a reduction by 64.1% in the amount of booked GFA from projects consolidated into the accounts of the current period.

The Group's gross profit during the interim period in 2008 was approximately RMB624,364,000, representing an increase of 55.1% as compared to RMB402,673,000 for the same period in 2007. Gross profit margin for the period was 60.4%, increased by 30.3% as compared to 30.1% for the same period in 2007. The increase in gross profit margin was mainly attributable to the major projects booked in the current period, of which part of the products were low-density residences selling at prices notably higher than the average prices of properties in the region, whereas development costs in respect of such products were calculated on the average of the GFA; in addition, since the land for these two projects were acquired in earlier years and the development costs were apportioned according to the GFA, hence the costs of these two projects were also lower.

During the interim period of 2008, profit attributable to equity holders was approximately RMB35,981,000, representing a decrease of 42% as compared to RMB62,071,000 for the same period in 2007, which was mainly attributable to the reasons as follows: (1) higher gross profit margin for the current period and most products were non-ordinary housing units, resulted in higher charges for additional LAT provisions of approximately RMB165,016,000 which increased by RMB87,830,000 as compared to the same period of last year; (2) the income from principal operations reflected only the operating conditions of prior years, whereas the business scale of the Group expanded further in the first half of 2008, therefore the relevant administrative expenses and selling and distribution costs increased significantly as compared to the same period of last year; (3) the profit during the Period mainly generated from those non-wholly-owned subsidiaries of the Group, therefore, profit attributable to minority interests was approximately RMB96,940,000, representing an increase of RMB41,565,000 for the same period in 2007.

Based on the total weighted number of shares of the Group of 2,529,306,000 shares during the Period, earnings per share was RMB0.014.

FINANCIAL ANALYSIS (Continued)

1. Revenue and Operating Results (Continued)

An analysis of revenue by principal business operations of the Group during the year is as follows:

	30 June 2008 RMB'000
Sale of properties	1,048,625
Property agency income	32,524
Property sales planning and advertising income	2,106
Property management income	6,546
Construction supervisory and consultancy income	1,279
Rental income from investment properties	3,532
Less: Business tax and government surcharges	61,495
Revenue	1,033,117

2. LAT prepayments and provisions

During the interim period of 2008, pursuant to tax notice issued by the relevant local tax authorities, the Group made LAT prepayments of approximately RMB18,765,000 at rates ranging from 1% to 3% on proceeds of the sale and pre-sale of properties. Meanwhile, during the interim period of 2008, the Group made an additional LAT provision in the amount of approximately RMB165,016,000 in respect of the relevant properties 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 113.8% as compared to RMB77,186,000 for the same period in 2007. 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 provisions made by the Group during the interim period of 2008 was approximately RMB46,831,000.

3. Financial resources, liquidity and liabilities

During the Period, the Group's liquidity maintained at a healthy level, and its financial resources were also allocated in a reasonable manner. As at 30 June 2008, the total assets of the Group amounted to approximately RMB20,374,026,000, in which current assets accounted for approximately RMB10,683,086,000. Total liabilities amounted to approximately RMB14,653,847,000, in which current liabilities amounted to approximately RMB8,622,292,000 and non-current liabilities amounted to approximately RMB6,031,555,000. The equity attributable to equity holders of the Company amounted to approximately RMB5,080,410,000.

FINANCIAL ANALYSIS (Continued)

3. Financial resources, liquidity and liabilities (Continued)

As at 30 June 2008, the Group's cash and bank deposits amounted to approximately RMB2,701,981,000. The Group has sufficient working capital for its operation, with sound liquidity of assets and solvency.

During the Period, the capitalised interest was approximately RMB278,245,000, representing an increase of RMB191,242,000 as compared with that of the prior period, which was mainly attributable to the increasing interest rate and the significant increase in the scale of bank loans and other borrowings.

4. Pledge of assets

As at 30 June 2008, properties under development with total book value of approximately RMB3,929,662,000, self-owned properties with total book value of approximately RMB9,950,000, investment properties with total book value of RMB466,000,000 and financial assets available for sale with total book value of RMB113,973,000 were pledged to financial institutions for the guarantee of bank loans of the Group. The corresponding bank loans amounted to RMB3,088,060,000.

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 30 June 2008, the balance of guaranteed amount provided was approximately RMB2,758,130,000.

As at 30 June 2008, the Company provided guarantee in respect of a loan of RMB300,000,000 issued by the Dongcheng Branch of the Industrial and Commercial Bank of China Limited in Beijing to Beijing Hehua for a term of eight years with several liabilities.

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 30 June 2008 apart from the intra-group liabilities.

6. Commitments

As at 30 June 2008, the Group has irrevocable operating leases commitments of approximately RMB30,446,000, of which approximately RMB15,990,000 shall be paid within one year, approximately RMB14,456,000 shall be paid in two to five years (inclusive).

As at 30 June 2008, the Group has commitments approximately RMB5,350,091,000 capital projects contracted but not provided for.

OTHER INFORMATION

DIVIDEND

The Board resolved not to declare any interim dividend for the Reporting Period.

As the application of the proposed A share public offering is pending approval, in order not to affect such application, the directors of the Company recommended that interim dividend of 2008 shall not be distributed (2007 interim: RMB0.025 per share).

EMPLOYEES

As at 30 June 2008, the Group has a total of 2,210 employees (2007 interim: 1,695 employees). The number of employees with a bachelor degree or above was 866, representing approximately 39.2% of the Group's total employees. The number of employees aged below 40 was 1,858, representing approximately 84.1% of the Group's total employees. The number of technicians was 662, representing approximately 30.0% of the Group's total employees. The number of operational management staff was 535, representing approximately 24.2% of the Group's total employees.

SHARE CAPITAL

Shareholding structure of the Company as at 30 June 2008:

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

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

OTHER INFORMATION (Continued)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the following shareholders (who are neither Directors nor chief executives of the Company) had 5% or more beneficial interest or short positions in the issued shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"):

Name of shareholders	Class of shares	Number of shares	Percentage in the relevant class of share capital	Percentage in total share capital
Fosun High Technology	Domestic Shares	1,458,963,765 (L) (Note 1)	99.00%	57.68%
Fosun International Limited ("Fosun International")	Domestic Shares	1,458,963,765 (L) (Note 2)	99.00%	57.68%
	H Shares	118,492,000 (L)	11.23%	4.68%
Fosun Holdings Limited	Domestic Shares	1,458,963,765 (L) (Note 3)	99.00%	57.68%
	H Shares	118,492,000 (L)	11.23%	4.68%
Fosun International Holdings Ltd.	Domestic Shares	1,458,963,765 (L) (Note 4)	99.00%	57.68%
	H Shares	118,492,000 (L)	11.23%	4.68%
Fosun Pharmaceutical	Domestic Shares	267,217,615 (L)	18.13%	10.56%
Shanghai Fosun Pharmaceutical (Group) Company Limited ("Fosun Pharmaceutical (Group)")	Domestic Shares	267,217,615 (L) (Note 5)	18.13%	10.56%

OTHER INFORMATION (Continued)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN SHARES AND UNDERLYING SHARES (Continued)

Name of shareholders	Class of shares	Number of shares	Percentage in the relevant class of share capital	Percentage in total share capital
JPMorgan Chase & Co.	H Shares	54,683,000 (L)	5.18%	2.16%
		54,315,000 (P)	5.15%	2.15%
Platinum Asset Management Limited	H Shares	86,256,000 (L)	8.17%	3.41%
T. Rowe Price International, Inc. on behalf of our advisory clients	H Shares	84,818,000 (L)	8.03%	3.35%
The Hamon Investment Group Pte Limited	H Shares	86,423,344 (L)	8.19%	3.42%
The Bank of New York Mellon Corporation	H Shares	53,006,000 (L)	5.02%	2.10%

Notes:

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

2. Fosun High Technology is wholly owned by Fosun International. Fosun International is deemed to be interested in 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 77.66% share interests in Fosun International.

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 267,217,615 shares held by Fosun Pharmaceutical.

6. (L) and (P) represent long position and lending pool respectively.

OTHER INFORMATION (Continued)

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, 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 The Stock Exchange of Hong Kong Limited (the "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 otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Director	Class of shares	Nature of Interest	Number of shares	Percentage in total shares capital
Guo Guangchang	Domestic Shares	Corporate	1,458,963,765	99.00%
	H Shares	Corporate	118,492,000	11.23%

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

CODE OF CORPORATE GOVERNANCE PRACTICES

The directors of the Company are of the opinion that the Company has complied with the provisions set out in the Code of Corporate Governance Practices in Appendix 14 of the Listing Rules during the Reporting Period.

OTHER INFORMATION (Continued)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors. After specific enquiries have been made by the Company, all directors have confirmed that they have complied with the required standards set out in such code of conduct throughout the Reporting Period.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee of the Company consisted of four members. All of them were independent non-executive directors of the Company.

The major duties of the Audit Committee of the Company were to audit and supervise the financial reporting procedures and internal control system of the Company. It also provides advices and suggestions to the Board.

This interim results for the six months ended 30 June 2008 are unaudited, but have been reviewed by Ernst & Young. The Audit Committee of the Company has reviewed this interim report.

PUBLICATION OF INTERIM REPORT

The interim report of the Company will be despatched to shareholders of the Company and will be available at the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.forte.com.cn).

OTHERS

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

By order of the Board of Directors
Guo Guangchang
Chairman

Shanghai, the PRC, 19 August 2008

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June 2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
REVENUE	4	**1,033,117**	1,335,775
Cost of sales		**(408,753)**	(933,102)
Gross profit		**624,364**	402,673
Other income and gains	4	**34,435**	27,847
Selling and distribution costs		**(121,098)**	(106,962)
Administrative expenses		**(141,959)**	(99,517)
Other expenses		**(6,716)**	(1,666)
Operating profit		**389,026**	222,375
Finance costs	5	**(19,348)**	(2,735)
Share of profits and losses of:			
Jointly-controlled entities		**2,909**	8,176
Associates		**(616)**	4,444
PROFIT BEFORE TAX	6	**371,971**	232,260
Tax	7	**(239,050)**	(114,814)
PROFIT FOR THE PERIOD		**132,921**	117,446
Attributable to:			
Equity holders of the Company		**35,981**	62,071
Minority interests		**96,940**	55,375
		132,921	117,446
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– BASIC (RMB)	8	**0.014**	0.025

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2008

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited, restated)
NON-CURRENT ASSETS			
Property and equipment		**141,248**	128,113
Investment property	9	**466,000**	456,000
Properties under development	10	**5,898,528**	6,009,593
Goodwill		**27,422**	27,422
Investments in jointly-controlled entities		**640,291**	377,330
Investments in associates		**404,346**	406,519
Available-for-sale investments	11	**126,297**	205,787
Loan receivables		**220,000**	220,000
Prepayments	12	**1,505,709**	1,427,278
Deferred tax assets		**261,099**	195,103
Total non-current assets		**9,690,940**	9,453,145
CURRENT ASSETS			
Cash and cash equivalents		**2,701,981**	2,379,169
Pledged deposits		**3,472**	2,250
Income tax recoverable		**136,790**	114,073
Trade receivables	13	**184,268**	280,828
Prepayments, deposits and other receivables		**378,237**	1,358,749
Amounts due from related companies		**511,584**	368,403
Amount due from the holding company		**46,831**	190,808
Completed properties held for sale		**675,545**	746,538
Properties under development	10	**6,044,378**	3,428,916
Total current assets		**10,683,086**	8,869,734

INTERIM CONSOLIDATED BALANCE SHEET (Continued)

30 June 2008

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited, restated)
CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	14	**3,308,784**	5,301,976
Trade payables	15	**750,844**	921,406
Advances from customers		**3,272,452**	2,610,633
Accrued liabilities and other payables		**292,918**	351,411
Tax payable		**824,724**	838,416
Amounts due to related companies		**172,570**	391,544
Total current liabilities		**8,622,292**	10,415,386
NET CURRENT ASSETS/(LIABILITIES)		**2,060,794**	(1,545,652)
TOTAL ASSETS LESS CURRENT LIABILITES		**11,751,734**	7,907,493
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	14	**5,617,720**	1,886,700
Loans from related companies		**147,355**	147,719
Deferred tax liabilities		**266,480**	263,487
Total non-current liabilities		**6,031,555**	2,297,906
Net assets		**5,720,179**	5,609,587
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**505,861**	505,861
Reserves		**4,574,549**	4,579,110
		5,080,410	5,084,971
Minority interests		**639,769**	524,616
Total equity		**5,720,179**	5,609,587

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

		Attributable to equity holders of the Company									
	Note	Issued capital RMB'000	Share premium account RMB'000	Available-for-sale investment revaluation reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008		505,861	2,624,510	(46,863)	193,099	481,302	50	1,327,012	5,084,971	524,616	5,609,587
Changes in fair value of available-for-sale investments		—	—	(81,673)	—	—	—	—	(81,673)	—	(81,673)
Exchange realignment		—	—	—	—	—	6,008	—	6,008	—	6,008
Profit for the period		—	—	—	—	—	—	35,981	35,981	96,940	132,921
Disposal of equity interest in a subsidiary		—	—	—	—	—	—	—	—	(1,075)	(1,075)
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	62,838	62,838
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	(43,550)	(43,550)
Indemnity receivable of land appreciation tax ("LAT") from holding company	7	—	—	—	46,831	—	—	—	46,831	—	46,831
Tax effect of LAT indemnity		—	—	—	(11,708)	—	—	—	(11,708)	—	(11,708)
At 30 June 2008		505,861	2,624,510	(128,536)	228,222	481,302	6,058	1,362,993	5,080,410	639,769	5,720,179

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2008

	Attributable to equity holders of the Company									
	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	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
Exchange realignment	—	—	—	—	50	—	—	50	—	50
Profit for the period	—	—	—	—	—	62,071	—	62,071	55,375	117,446
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	400	400
Acquisition of minority interests	—	—	—	—	—	—	—	—	(1,000)	(1,000)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(101,453)	(101,453)
Final dividend declared	—	—	—	—	—	—	(101,172)	(101,172)	—	(101,172)
Indemnity receivable of LAT from the holding company	—	—	22,108	—	—	—	—	22,108	—	22,108
Tax effect of LAT indemnity	—	—	(7,296)	—	—	—	—	(7,296)	—	(7,296)
At 30 June 2007	505,861	2,624,510	143,695	388,918	50	833,650	—	4,496,684	312,808	4,809,492

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	**(1,319,310)**	560,734
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(131,576)**	(253,433)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING ACTIVITIES	**(1,450,886)**	307,301
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**1,773,698**	(32,603)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**322,812**	274,698
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,379,169**	1,160,476
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,701,981**	1,435,174
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances (excluding pledged deposits)	**2,701,981**	1,435,174

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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, "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 Group is 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 Fosun High Technology, which is incorporated in the PRC; the intermediate holding company of the Group is Fosun International, 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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with International Accounting Standard ("IAS") 34 " Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of certain new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and Interpretations), as set out in notes 2.3 and 2.4, respectively.

2.3 ADOPTION OF NEW AND REVISED IFRSs

During the six months ended 30 June 2008, the following new and revised IFRSs came into effect.

IFRIC-11	IFRS 2-Group and Treasury Share Transactions
IFRIC-12	Service Concession Arrangements
IFRIC-14	IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

2.4 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 interim condensed consolidated financial statements.

IAS 1 (Revised)	Presentation of Financial Statements[3]
IAS 23(Revised)	Borrowing Costs[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 28 (Revised)	Investments in Associates[1]
IAS 31 (Revised)	Interests in Joint Ventures[1]
IAS 32 & IAS 1 Amendments	Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation[3]
IAS 39 Amendments	Financial Instruments: Recognition and Measurement[3]
IFRS 1 & IAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
IFRS 2 Amendments	Share-based Payment - Vesting Conditions and Cancellations[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 8	Operating Segments[3]
IFRIC-13	Customer Loyalty Programmes[2]
IFRIC-15	Agreements for the Construction of Real Estate[3]
IFRIC-16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effective for financial years beginning on or after 1 July 2009
[2] Effective for financial years beginning on or after 1 July 2008
[3] Effective for financial years beginning on or after 1 January 2009
[4] Effective for financial years beginning on or after 1 October 2008

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

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 rise 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.

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.

3. SEGMENT INFORMATION

The Group's revenue and contribution to profit from operating activities for the six months ended 30 June 2008 were mainly derived from property development in the PRC. The principal assets employed by the Group are located in the PRC. Accordingly, no segment analysis by business or geographical segment is provided.

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of properties	**1,048,625**	1,364,488
Rental income from investment property	**3,532**	2,069
Property agency income	**32,524**	37,197
Property sales planning and advertising income	**2,106**	3,985
Property management income	**6,546**	3,318
Construction supervisory and consulting income	**1,279**	1,159
	1,094,612	1,412,216
Less: Business tax and government surcharges	**(61,495)**	(76,441)
Total revenue	**1,033,117**	1,335,775

4. REVENUE, OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants	**11,422**	15,373
Bank interest income	**3,172**	643
Interest income for loan receivables	**5,463**	—
Miscellaneous rental income	**1,970**	860
Others	**2,408**	2,163
	24,435	19,039
Gains		
Gain on a fair value adjustment of investment property	**10,000**	5,000
Gain on a fair value adjustment of derivative instruments – transactions not qualifying as hedges	**—**	3,808
	10,000	8,808
Other income and gains	**34,435**	27,847

5. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total interest expenses	**301,176**	89,738
Less: interest capitalised	**(278,245)**	(87,003)
Interest expenses, net	**22,931**	2,735
Exchange gain	**(3,858)**	—
Bank charges and others	**275**	—
Total finance costs	**19,348**	2,735

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	**408,753**	933,102
Staff costs	**99,200**	58,516
Depreciation	**9,630**	7,843
Loss on disposal of items of property and equipment	**144**	427

7. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Period.

The major components of tax expenses for the six months ended 30 June 2008 and 2007 are as follows:

		For the six months ended 30 June	
		2008	2007
		RMB'000	RMB'000
	Notes	**(Unaudited)**	(Unaudited)
Current tax			
– Income tax in the PRC	(1)	**137,918**	118,969
– LAT in the PRC	(2)	**175,843**	89,763
Deferred tax		**(74,711)**	(93,918)
Total tax charge		**239,050**	114,814

(1) In accordance with the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, the provision for PRC current income tax has been based on a statutory rate of 25% of the assessable profit of the Group for the six months ended 30 June 2008 (six months ended 30 June 2007: 33%), except for certain subsidiaries of the Group in the PRC, which are taxed at preferential rates of 15%, 18% and 20%, respectively.

(2) According to tax notice issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 1% to 3% on proceeds of the sale and pre-sale of properties from 2004. Prior to the year end of 2006, except for this amount paid to the local tax authorities, no further provision for LAT had been made. The directors considered that the relevant tax authorities would be unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

7. TAX (Continued)

For six months ended 30 June 2008, based on the latest understanding of LAT regulations from tax authorities, the Group made an additional LAT provision in the amount of RMB165,016,000 (six months ended 30 June 2007: RMB77,186,000) in respect of properties sold during six months ended 30 June 2008 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

In 2004, upon the reorganisation and the listing of the Company, the Company and Fosun High Technology 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 30 June 2008, the indemnity of LAT receivable from the holding company after netting off potential income tax saving amounted to RMB46,831,000 (31 December 2007: RMB190,808,000), and the deferred tax liability arising thereon amounted to RMB59,410,000 (31 December 2007: RMB47,702,000). This LAT indemnity after netting off the corresponding tax liability was credited to capital reserve directly.

(3) The share of tax attributable to jointly-controlled entities and associated companies amounting to RMB1,832,000 (six months ended 30 June 2007: RMB878,000) and RMB790,000 (six months ended 30 June 2007: RMB2,342,000), respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the interim condensed income statement.

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

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company for the Period of approximately RMB35,981,000 (six months ended 30 June 2007: RMB62,071,000) and the weighted average number of 2,529,306,000 (six months ended 30 June 2007: 2,529,306,000) ordinary shares in issue during the Period.

Diluted earnings per share amount for the six months ended 30 June 2007 and 2008 have not been disclosed as no diluting events existed during these periods.

9. INVESTMENT PROPERTY

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Carrying amount at beginning of period	**456,000**	446,000
Gain from fair value adjustment	**10,000**	10,000
Carrying amount at end of period	**466,000**	456,000

The Group's investment property is situated in Beijing, the PRC.

The Group's investment property was revalued on 30 June 2008 at RMB466,000,000 (31 December 2007: RMB456,000,000) by Sallmanns (Far East) Limited, independent professionally qualified valuers, at market value 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, management agreement or any similar arrangement that could serve to affect the values of the properties. The investment property is leased to third parties under operating leases.

10. PROPERTIES UNDER DEVELOPMENT

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Land costs	**8,420,015**	6,999,910
Construction costs	**2,757,573**	1,946,381
Capitalised financial costs	**765,318**	492,218
	11,942,906	9,438,509
Portion classified as current assets	**(6,044,378)**	(3,428,916)
	5,898,528	6,009,593

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

11. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Unlisted equity investments, at cost	**3,529**	3,529
Listed equity investment, at fair value	**122,768**	202,258
	126,297	205,787

As at 30 June 2008, 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 9.23% 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.

12. PREPAYMENTS

Payments are in respect of the following:

(a) Prepayment for the proposed acquisition of an equity interest in Shanghai Quecheng Real Estate Co., Ltd.

On 25 January 2008, Shanghai Forte Investment Management Co., Ltd. ("Forte Investment"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shandong Yatai Industrial Co., Ltd. ("Shandong Yatai") and KINCORP Investment Limited ("KINCORP") in respect of the acquisition of 100% equity interest in Shanghai Quecheng Real Estate Company ("Shanghai Quecheng"), for a total purchase consideration of RMB148,000,000.

As at 30 June 2008, the Group fully advanced RMB148,000,000 to Shanghai Quecheng. Pending finalization of this equity transfer, Shanghai Quecheng entered into a land use right certificate mortgage agreement with Forte Investment and pledged its land use right to Forte Investment.

(b) 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 (the "Agreement"), pursuant to which (i) the Group conditionally agreed to inject an aggregate amount of US$7,600,000 (equivalent to RMB60,000,000) by way of contribution to the registered capital of Beijing Hehua; (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 will increase their investment in Beijing Hehua in the proportion of 50% each by way of shareholder loans.

12. PREPAYMENTS (Continued)

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

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

On 14 July 2008, the Group entered into a supplemental agreement with Home Value, pursuant to which (i) the proposed acquisition interest was increased from 33% to 37% with the consideration unchanged and (ii) the Group and Home Value agreed to invest in the project by proportionate of 37%:63% replacing the original 50%:50% respectively, as stipulated in the cooperative agreement.

As at 30 June 2008, the Group advanced RMB741,400,000 (31 December 2007: RMB851,400,000) to Beijing Hehua, include the capital injection of RMB60,000,000 as set out in the Agreement.

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

On 20 December 2007, Forte Investment 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 30 June 2008, the Group advanced RMB616,309,000 (31 December 2007: RMB575,878,000) to Shanghai Vanke. The remaining capital commitment not paid as at 30 June 2008 amounted to RMB355,967,000 is set out in note 17.

13. TRADE RECEIVABLES

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

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Undue	**184,268**	280,828

14. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Notes	**30 June 2008 RMB'000 (Unaudited)**	31 December 2007 RMB'000 (Audited)
Bank loans:	(1)		
Secured		**3,088,060**	2,300,150
Unsecured		**2,605,968**	2,033,750
		5,694,028	4,333,900
Other borrowings:	(2)		
Unsecured		**3,232,476**	2,854,776
Total bank loans and other borrowings		**8,926,504**	7,188,676
Portion classified as current liabilities		**(3,308,784)**	(5,301,976)
Non-current portion		**5,617,720**	1,886,700

14. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

Notes:

(1) The Group's bank loans are secured by the pledge of the following:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Pledged deposits	**—**	2,250
Available-for-sale investment	**113,973**	—
Investment property	**466,000**	456,000
Property and equipment	**9,950**	—
Properties under development	**3,929,662**	3,550,027
	4,519,585	4,008,277
The bank loans bear interest at rates per annum in the range of	**4.30% to 8.69%**	4.30% to 8.13%

(2) Other borrowings

The other borrowings bear interest at rates per annum in the range of	**7.47% to 9.84%**	5.02% to 9.84%

15. TRADE PAYABLES

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

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within six months	**436,172**	441,564
More than six months, but within one year	**74,917**	323,474
Over one year	**239,755**	156,368
	750,844	921,406

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property under operating lease arrangements, with leases negotiated for terms ranging from one to eight years.

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

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	**7,399**	7,273
In the second to fifth years, inclusive	**10,316**	10,527
After five years	**628**	628
	18,343	18,428

(b) As lessee

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

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

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	**15,990**	11,257
In the second to fifth years, inclusive	**14,456**	17,390
	30,446	28,647

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 (b), the Group had the following capital commitments at the balance sheet date:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Contracted, but not provided for:		
Investment	**355,967**	536,398
Property and equipment	**52,946**	—
Properties under development	**4,941,178**	5,542,565
	5,350,091	6,078,963

18. CONTINGENT LIABILITIES

The Group had the following contingent liabilities:

	Note	**30 June 2008 RMB'000 (Unaudited)**	31 December 2007 RMB'000 (Audited)
Guaranteed banking facilities of:			
Beijing Hehua's bank loan	(1)	**300,000**	—
Qualified buyers' mortgage loans		**2,758,130**	2,261,983
		3,058,130	2,261,983

(1) On 9 January 2008, Beijing Hehua entered into a bank loan agreement with the Industrial and Commercial Bank of China ("ICBC"), pursuant to which, the Company provided Beijing Hehua with bank guarantees in respect of a long-term bank loan amounting to RMB300,000,000. This bank loan bears an interest rate of 7.83% per annum and is repayable on 8 January 2016.

19. RELATED PARTY TRANSACTIONS

(a) During the Period, the Group had the following material transactions with related parties:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Recurring transactions		
Holding company:		
LAT indemnity receivable	**46,831**	22,108
Entrusted bank loans payable	**250,000**	—
Interest expenses on entrusted bank loans	**83,045**	—
Associates:		
Property management service fee	**4,276**	2,384
Sales agency service income	**296**	—
Construction supervisory service income	**—**	600
Advertising service income	**—**	1,477
Jointly-controlled entity:		
Interest income for an entrusted bank loan	**10,926**	—
Shareholder loans provided	**266,400**	—
Notional interest on loan from related company	**2,636**	2,249
Project consulting service income	**1,772**	1,805
Sales agency service income	**345**	—
Other related parties:		
Operating lease fee	**4,595**	4,449
Operating lease income	**1,339**	1,005
Notional interest on loan from related company	**2,702**	2,479

(b) Entrusted bank loans and guarantees provided by related parties of the Group

According to financial assistance agreement entered into by the Group and FIL on 25 October 2007, Fosun High Technology and FIL would provide the Group with (i) entrusted bank loans not exceeding RMB2,000,000,000 which are unsecured, repayable within one year and bearing an interest rate of 8.748% per annum and (ii) bank guarantees in the aggregate amount of RMB1,300,000,000 free of charge.

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Entrusted bank loans and guarantees provided by related parties of the Group (Continued)

Pursuant to a supplemental agreement entered into by the Group and FIL on 13 March 2008, Fosun High Technology and FIL agreed to extend the entrusted bank loans to 23 October 2010.

As at 30 June 2008, the Group´s short-term bank loans amounting to HK$490,000,000 (equivalent to RMB430,808,000) and RMB740,000,000 were guaranteed by FIL.

In the opinion of the directors, except for the tax indemnity receivable from the holding company and the shareholder loans provided to jointly-controlled entities, all related party transactions as set out above were conducted on normal commercial terms.

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**8,752**	2,140
Pension scheme contributions	**101**	158
Total compensation paid to key management personnel	**8,853**	2,298

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform to the current period's presentation.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2008.