FORTE 复地®
FOR BETTER LIVING

ANNUAL REPORT 2008

STOCK CODE:02337

Shanghai Forte Land Co.,Ltd.

Contents

Tianjin | Forte · Tianjin Centre

Corporate Profile

Shanghai Forte Land Co., Ltd. ("Forte" or the "Company"), together with its subsidiaries collectively known as the "Group", has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 02337) since 6 February 2004. The Company is headquartered in Shanghai, the PRC.

Adhering to the "For Better Living" motto, the Company develops high value living, working and leisure space for China's new urban middle class. Existing projects span international metropolises such as Shanghai and Beijing, regional centers such as Tianjin, Wuhan, Chongqing, Chengdu, Xi'an and Changchun, and Yangtze River Delta cities such as Hangzhou, Nanjing and Wuxi.

Corporate and Shareholder Information

Corporate Information

Board of Directors

Executive Directors
Mr. Guo Guangchang *(chairman)*
Mr. Fan Wei *(president)*
Mr. Wang Zhe

Non-Executive Directors
Mr. Ding Guoqi *(resigned on 5 September 2008)*
Mr. Chen Qiyu *(appointed on 27 October 2008)*
Mr. Feng Xiekun

Independent Non-Executive Directors
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming
Ms. Wang Meijuan

Committees

Audit Committee
Ms. Wang Meijuan *(chairwoman)*
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming

Remuneration Committee
Mr. Guo Guangchang *(chairman)*
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming

Nomination Committee
Mr. Fan Wei *(chairman)*
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming
Ms. Wang Meijuan

Strategy Committee
Mr. Guo Guangchang *(chairman)*
Mr. Fan Wei
Mr. Charles Nicholas Brooke
Mr. Zhang Hongming

Supervisory Committee
Mr. Zhang Guozheng *(chairman)*
Mr. Sun Wenqiu
Mr. Liu Zhangxi
Mr. Ma Suxiang
Mr. Shen Guoliang

Authorized Representatives
Mr. Fan Wei
Mr. Wang Zhe

Company Secretary
Ms. Lo Yee Har Susan

Board Secretary
Ms. Zhang Qian

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
2 East Fuxing Road
Shanghai 200010
PRC
Tel: (8621) 6332 0055/6332 2337
Fax: (8621) 6332 5018
Email: forte@forte.com.cn

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 as to Hong Kong Law
Herbert Smith LLP

Legal Advisor as to PRC Law
Chen & Co. Law Firm

Hong Kong H Share Registrar
Computershare Hong Kong Investor Services Limited
Rooms 1806-1807
18th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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

Shareholder Information

Interim results announcement 2008
19 August 2008

Annual results announcement 2008
3 March 2009

Last day for lodging transfer
22 May 2009

Suspension of share registration
23 May 2009 to 23 June 2009

Annual General Meeting ("AGM")
23 June 2009

Proposed final dividend for 2008
RMB0.02 per share (pre-tax)

Stock code

- **Stock Exchange** 02337
- **Reuters** 02337.HK
- **Bloomberg** 02337 HK

Number of shares in the public float with nominal value of RMB0.20 each listed on the Stock Exchange as at 31 December 2008
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

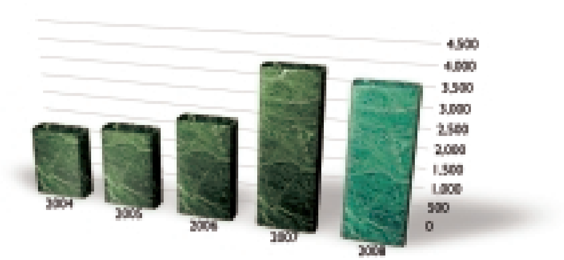
Financial Highlights

For the year ended 31 December 2008

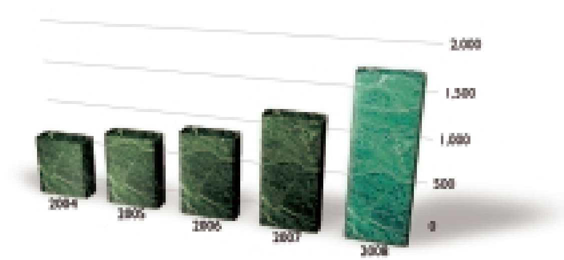
RMB million

	2004	2005	2006 (restated)	2007	**2008**
Turnover	1,826	2,057	2,505	3,977	**3,733**
Gross profit	704	845	962	1,252	**1,773**
Gross margin	38.6%	41.1%	38.4%	31.5%	**47.5%**
Earnings before interest and tax	715	890	973	1,328	**931**
Net profit attributable to equity holders of the Company	450	561	481	711	**102**
Net margin	24.6%	27.2%	19.2%	17.9%	**2.7%**
Earnings per share (RMB)	0.210	0.241	0.194	0.281	**0.040**
Total assets	6,533	9,813	11,480	18,323	**19,962**
Equity attributable to equity holders of the Company	2,747	3,432	4,521	5,085	**5,285**
Return on equity ("ROE")	16.4%	16.3%	10.6%	14.0%	**1.9%**
Asset turnover rate	33.6%	25.2%	23.3%	26.7%	**19.5%**
Net assets per share (RMB)	1.245	1.458	1.788	2.011	**2.090**
ROE (Average)	25.9%	18.1%	12.1%	14.8%	**2.0%**
Number of shares as at the end of the period (million shares)	2,207	2,353	2,529	2,529	**2,529**
Weighted average number of shares (million shares)	2,207	2,329	2,481	2,529	**2,529**

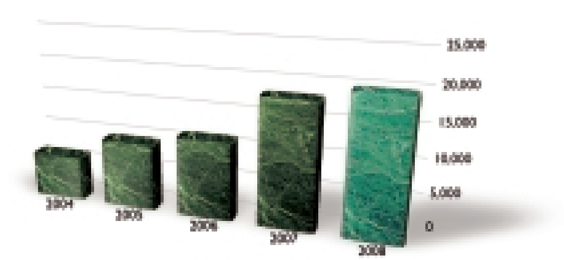
Turnover (RMB million)



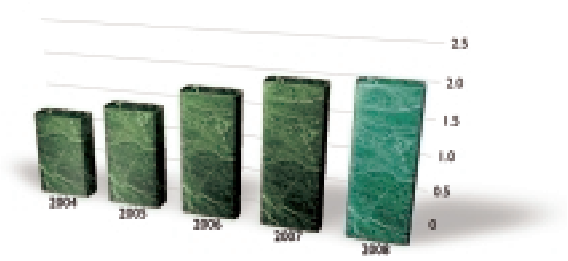
Gross Profit (RMB million)



Total Assets (RMB million)



Book Value per Share (RMB)



Project Overview

No.	City	Project Name	Address	Approximate Total GFA (sq.m.)	Interest Attributable to the Company	Remarks
1	Shanghai	Forte Time	No.910 Quyang Road, Hongkou District, Shanghai	149,595	75.00%	Completed and in occupation
2		Yi He Hua Cheng (Phase 3A, 3B)	No.479 East Wuwei Road, Putuo District, Shanghai	72,344	50.00%	Completed and in occupation
3		Yi He Hua Cheng (Phase 3C)	No.479 East Wuwei Road, Putuo District, Shanghai	105,359	50.00%	Newly commenced
4		Allen Poem (Phase 2B)	Lane 599 Lai Ting South Road, Qingpu District, Shanghai	19,057	100.00%	Construction in process
5		Jinshan Chempark	Block 0018, Shanyang Town Jinshan District, Shanghai	86,999	100.00%	Newly commenced
6		Steel Union (Phase 2)	No.1578 Youyi Road, Baoshan District, Shanghai	110,874	50.00%	Newly commenced
7		Fudun Garden (Phase A1)	Lane883, Jiuting Street Songjiang District, Shanghai	50,992	100.00%	Newly commenced
8		Silver Spring Garden (East)	Lane 399 Dushi Road, Minhang District, Shanghai	155,209	100.00%	Newly commenced
9		Xindu International	Yongxing Road / Gongxing Road Zhabei District, Shanghai	120,195	60.00%	Newly commenced
10		Golden City (D)*	Yuqiao Road / Yushui Road Pudong New District, Shanghai	128,124	40.00%	Newly commenced
11	Beijing	Peking House (D1-D3, A10)	No.21 Xidawang Road, Chaoyang District, Beijing	47,184	100.00%	Completed and in occupation
12		Peking House (D4)	No.21 Xidawang Road, Chaoyang District, Beijing	40,561	100.00%	Construction in process
13		Value Stream (Phase 1A)	Changxing Chuang, Xiaotangshan Town, Changping District, Beijing	32,625	100.00%	Completed and in occupation
14		Value Stream (Phase 1B, 2)	Changxing Chuang, Xiaotangshan Town, Changping District, Beijing	66,405	100.00%	Construction in process
15		Innateness (Phase 1)	F2 Area, South East Area, Xicheng District, Beijing	20,188	100.00%	Completed and in occupation
16		Innateness (Phase 2)	F2 Area, South East Area, Xicheng District, Beijing	46,015	100.00%	Construction in process
17		Innateness (Phase 3)	F2 Area, South East Area, Xicheng District, Beijing	16,710	100.00%	Newly commenced
18		International Apartment, Fosun International Centre	No.30,32 Zhongfang Road, Chaoyang District, Beijing	103,205	100.00%	Construction in process
19		Marriott Hotel*	Zhandong Road, Dongcheng District, Beijing	130,664	37.00%	Construction in process
20	Tianjin	Tianjin Centre	Nanjing Road Heping District, Tianjin	151,903	75.00%	Construction in process
21	Nanjing	Nanjing Graceful Oasis (Phase A5-2, B, C2-2)	No.59 Puzhu North Road, Pukou District, Nanjing	236,267	40.95%	Construction in process

No.	City	Project Name	Address	Approximate Total GFA (sq.m.)	Interest Attributable to the Company	Remarks
22		Nanjing Graceful Oasis (Phase A6-1, E1)	No.59 Puzhu North Road, Pukou District, Nanjing	25,392	40.95%	Newly commenced
23		Nanjing Graceful Oasis (Phase A4-2, A5-1, B1, B2, C1-1, C1-2, C2-1, D)	No.59 Puzhu North Road, Pukou District, Nanjing	259,703	40.95%	Completed and in occupation
24		Ronchamp Villa (Phase 3C)	No.88 Fucheng Xi Road, Nanjing	8,123	100.00%	Completed and in occupation
25	Hangzhou	Invaluable City (Phase 1)	Hanghai Road, East Shitang Road, Yuhang District, Hangzhou	99,785	75.00%	Construction in process
26		Invaluable City (Phase 2, 3)	Hanghai Road, East Shitang Road, Yuhang District, Hangzhou	190,137	75.00%	Newly commenced
27		Garden Trade Center	Moganshan Road, Gongshu District, Hangzhou	160,418	100.00%	Construction in process
28	Wuxi	Park Town (Phase 2A)	No.99 Zhenghe Main Road, Huishan District, Wuxi	58,270	50.00%	Completed and in occupation
29		Park Town (Phase 3)	No.99 Zhenghe Main Road, Huishan District, Wuxi	57,369	50.00%	Newly commenced
30	Chongqing	Uptown (Phase A2)	No.81 Jinyu Main Road, Jingkai District, Chongqing	57,708	100.00%	Completed and in occupation
31		Beauty Villa	No.81 Jinyu Main Road, Jingkai District, Chongqing	154,400	100.00%	Newly commenced
32	Wuhan	International East Lake (Phase 1A, 1B)	No.147, Zhongbei Road Wuchang District, Wuhan	140,126	70.00%	Newly commenced
33	Xi'an	Yotown (Phase 1)	Yuhua Town Gaoxin District, Xi'an	138,274	95.00%	Newly commenced
34	Changchun	Jingyue International (C)	Boxue Road Jingyue Development District, Changchun	66,996	100.00%	Newly commenced
	Total			**3,307,175**		

* Transfer of equity ownership in project companies for Golden City (D) and Marriott Hotel City Wall is being processed.

Chairman Guo Guangchang

Dear Shareholders:

On behalf of the board of the directors of the Company (the "Board"), I am pleased to present the annual report of Shanghai Forte Land Co., Ltd. for the year ended 31 December 2008 for review by shareholders.

In 2008, Forte's results were adversely affected by a deteriorating global economy and a worsening Chinese real estate industry. For the full year, Forte's audited turnover and net profit attributable to shareholders were RMB3,733,255,000 and RMB101,655,000 respectively, representing decreases of 6.1% and 85.7% from the previous year, respectively.

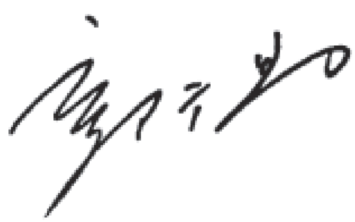
Two main factors influencing China's short term real estate trends underwent a directional change in 2008. Firstly, the government's stance towards the real estate market went from restrictive control to moderately supportive; secondly, the macro-economic environment went from rising CPI led overheating at the beginning of the year to a steady decline over the second half of the year. Despite these challenges, the cornerstones of China's real estate market's long term growth: industrialization, urbanization and demographics have not been altered during this phase of consolidation.

Looking ahead to 2009, we expect the government to be more proactive and more direct in its support of the real estate market's recovery. However, with the US and European economy mired in recession, and domestic demand unable to supplant export as the new engine of economic growth in the short term, China's economy is unlikely to recover quickly. Nevertheless, large scale government spending is expected to curb the downturn in the first half of the year. Therefore, in a soft economy, while China's real estate market will improve somewhat in 2009 from the second half of 2008, it will overall still face serious challenges.

Looking at 2009 from a more constructive angle, adversity breeds opportunity: we expect to see reallocation of resources, rewriting of rules and a change in psychology by all market participants (consumer, corporate and government). For the real estate development industry and other related companies, the ongoing financial turmoil means a series of both long term and short term opportunities. The decline in the price of commodities will materially lower companies' development costs; plunging asset prices and the exit of underperforming companies will result in stronger and better positioned firms obtaining key resources at lower costs and expanding market share, but most importantly, the government is earnestly pushing ahead with reforms in key sectors such as healthcare, education and social security. While the process may require time and patience, it will ultimately help transform China's economy and release built up domestic demand. Because of these opportunities, more than ever, we are optimistic of the long term growth prospects of China's real estate market.

Chance favors the prepared mind. Unlike the past two years where the Company's primary operational focus was risk control, in 2009 Forte will actively seek out and capitalize on opportunities provided by the current volatile market. We will closely monitor changing market signals and quickly adjust sales strategies accordingly in order to increase asset turnover. Further, we will broaden financing channels, increase contact with local government agencies and pay close attention to all types of acquisition and consolidation opportunities to complete the Company's national footprint and optimize management framework by relentless improvement. In 2009, we believe that our aforementioned efforts will allow Forte to solidify its market position during this round of consolidation and enable the Company to advance quickly during the next growth phase and continue to maximize shareholder value.

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
3 March 2009


Shanghai | Forte · Forte Time

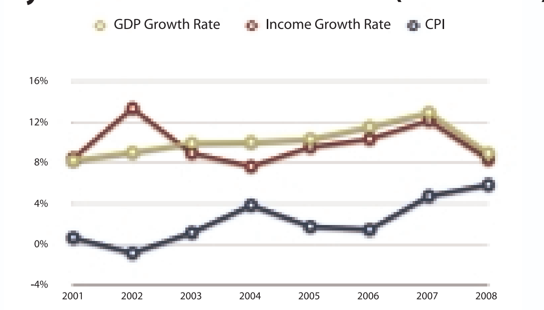
President Fan Wei

Market Overview

During the first half of 2008, corporate profitability, export and stock market indices were already sending out negative signals. As CPI maintained its upward bias, combating inflation continued to be the government's top economic policy directive. In the late third quarter of 2008, as the global economic environment suddenly deteriorated, China's economy experienced its sharpest slowdown in 30 years.

Under these circumstances, the government clarified its policy stance; it announced large cuts in interest rates, a RMB4 billion stimulus package and a series of other support policies including key industry revitalization plans. However, these measures did not lead to an immediate improvement in economic data. For the full year of 2008, growth in GDP, government income, household income and import/export levels were the lowest in years. December CPI and PPI readings came in at 1.2 and -1.1 respectively, showing early signs of deflation.

Key macroeconomic indicators (2001-2008)



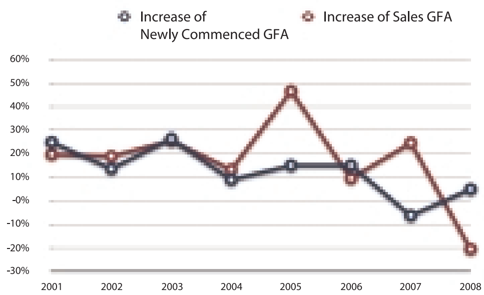
Source: National Statistics Bureau

In 2008, China's real estate sector was significantly influenced by changes in economic fundamentals, policy directives and consumer behavior.

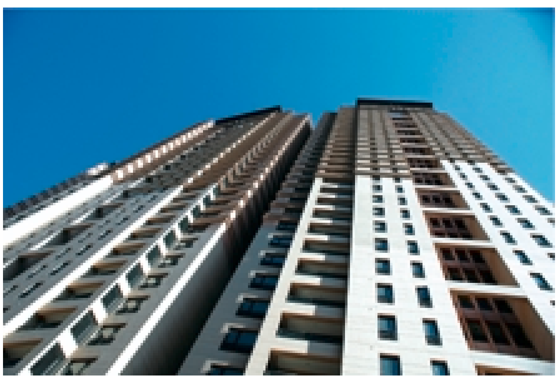
During the first half of 2008, the government did not announce further restrictive policies, thereby allaying buyers' concerns over uncertainties surrounding short term policy direction. Market sentiment improved in March and April as transaction volumes and prices steadily recovered, however entering the second half of the year, economic activity slowed sharply. Consumers not only became more pessimistic of economic prospects, but also for the first time in several years, lowered their expectations of future income growth and employment opportunities. The government for the first time since 2005 announced its backing of the development of the real estate sector, and implemented several support measures. Nonetheless, the market was unable to avoid a downward spiral with both transaction volumes and unit prices falling. In November and December of 2008, after the government announced a multitude of market rescue policies, transaction volumes recovered slightly, but unit prices continued to fall.

Newly Commenced and Sales Volume of Residential Commodity Housing in China (2001-2008)

Unit: 100 mil sq.m.

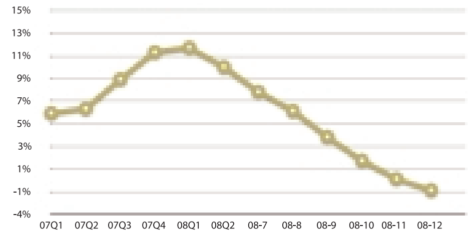


Source: National Statistics Bureau



Shanghai | Forte · Forte Time

Price Increase of Residential Commodity Housing in 70 Cities (2007-2008)



Source: National Statistics Bureau

Looking ahead to 2009, while existing policies are conducive to market recovery, the timing and magnitude of the recovery will depend on whether macro-economic conditions have bottomed, thereby improving supply-demand dynamics. We believe that the economic impact of the government ‘s investment in various sectors will not be felt until the second half of 2009, demand for Chinese products from Europe and the US will not quickly recover, and increase in personal consumption will depend on the domestic economy’s successful structural transformation. Investment, export and consumption will not be able to support a strong economic recovery this year, and as such, in 2009, China’s real estate market will operate under an unprecedented weak economy. In addition, inventory build-up from 2008 and lack of funding support from international and domestic investment institutions will further hinder any recovery this year. The likely scenario for 2009 is that the real estate market will further consolidate at the current level while exploring opportunities for improvement, transaction volumes will recover from last year's levels, but may not be higher than those of 2007; unit prices will still face downward pressure, but to a lesser extent (while government policies once acted as an emergency brake on the overheating market, it will now provide a firewall to insulate the market from further deterioration).

1) Shanghai

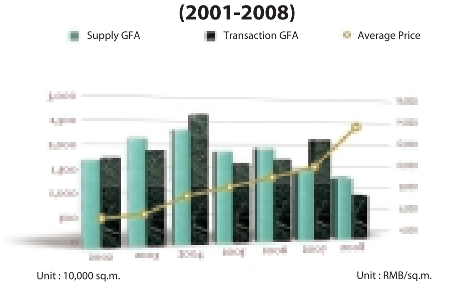
Due to tight land supplies, newly available for sale GFA (gross floor area) in Shanghai totaled 12,700,000 sq.m. in 2008, a 12.8% decrease from 2007 (the second lowest since 2002). Transaction volume totaled 8,970,000 sq.m., a decrease of 56.9% from last year, and the first time since 2001 that it has fallen below the 10,000,000 sq.m. mark. Weighted average prices of commercially launched residential projects increased 32.5% from 2007 to 2008, primarily because prices increased significantly during the latter part of 2007, thereby resulting in 2008 prices reaching their peak and moving downward, while still showing significant year on year increases during the first half, and 30% overall increase from 2007 statistics.

Factors underlying Shanghai's volatility in 2008 are representative of the changes taking place in China's real estate market. Impacted by the second home mortgage interest rate increases announced in the fourth quarter of 2007, 2008 first quarter residential transaction volumes fell, but prices remained stable; during the second quarter of 2008, transaction volumes recovered mildly and prices increased. The negative economic backdrop shattered the short lived recovery in the third quarter, transaction volumes fell to historical lows and prices dropped across all districts. During the final two months of 2008 however, buoyed by support policies, volumes recovered slightly, but were still below average levels of previous years while prices continued to fall.

Shanghai | Forte · Steel Union

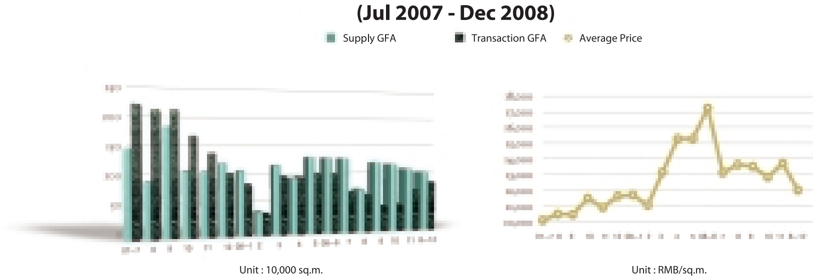
Shanghai | Forte · Jinshan Chempark

Demand, Supply and Price Trends of Commodity Residential Housing in Shanghai (2001-2008)



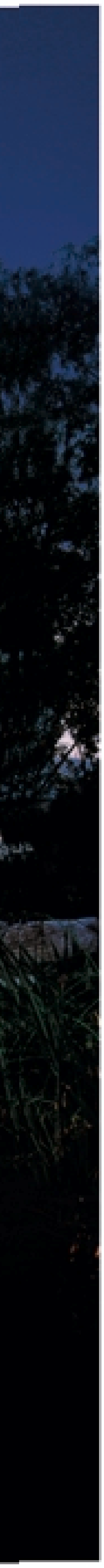
Source: Shanghai Property Exchange Centre

Demand, Supply and Price Trend of Commodity Residential Housing in Shanghai (Jul 2007 - Dec 2008)



Source: Shanghai Property Exchange Centre


Beijing | Forte · Value Stream



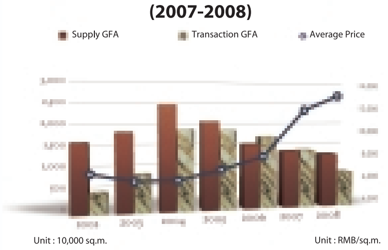
We believe that in 2009, the Shanghai market will not only outperform the national average, but also become the prime indicator of a nationwide recovery. Firstly, Shanghai's residential land supply in 2008 totaled only 1,000,000 sq.m., the lowest in ten years, thereby setting the stage for even tighter supply for the primary housing market over the next few years. Secondly, Shanghai's accumulated inventory from the past two years is limited, so if future transaction volumes can be maintained and moderately increased from levels at the end of 2008, then existing inventory can be quickly depleted. Thirdly, the 2010 Shanghai World Expo and the likely selection of Pudong as the site for a new Disney theme park will propel real estate demand and sentiment in the area and by extension, all of Shanghai in the near term. Fourthly, demand from the middle class will be the primary engine that drives recovery in China's real estate market. The buying power of the middle class will undoubtedly propel recovery huge-scale in the Shanghai market, leading the way for its peer cities.

2) Beijing

In 2008, the volume of newly launched available for sale residential GFA was down 6.1% from the previous year, the lowest in four years. Similar to other cities, residential transaction volume has also fallen significantly year on year, down 51.9% to levels unseen since 2003, prior to the start of the last real estate bull market. 2008 average selling prices for residential units were up 12.1% from those of 2007.

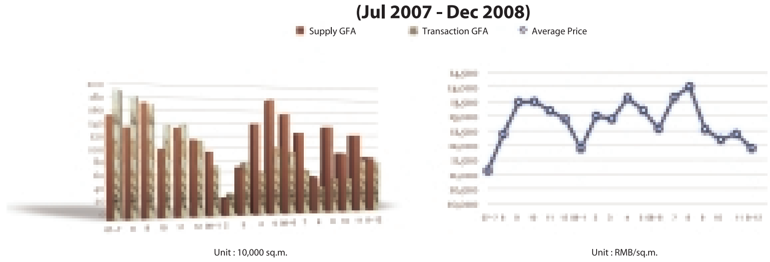
The economic slowdown coincided with the closing of the 2008 Olympic Games, Beijing's real estate market leading all regions with the largest percentage appreciation in 2007, was particularly hard hit by these two factors and declined the most during the third quarter of 2008. Both transaction volume and price fell quickly: first in upscale projects in areas benefiting from speculation surrounding the Olympic Games, such as Chaoyang, Wangjing and Zhongguanchun and gradually spreading to mid-level projects in new areas favored by buyers in previous years. By November and December of 2008, transaction volumes had recovered somewhat, but prices continued to decline.

Demand, Supply and Price Trend of Commodity Residential Housing in Beijing (2007-2008)



Source: Beijing Property Exchange Centre

Demand, Supply and Price Trend of Commodity Residential Housing in Beijing (Jul 2007 - Dec 2008)



Source: Beijing Property Exchange Centre

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Chongqing | Forte · Beauty Villa

We believe that in 2009, barring extremely positive news, Beijing's real estate market will continue the bottoming process begun during the end of 2008. Downward pricing pressure will remain while transaction volumes will fluctuate within a small range. The market may react positively in the second half as pricing stabilizes, led by a recovery in confidence among the middle classes.

3) Tianjin, Chongqing

In 2008, the volume of newly launched available for sale residential projects fell 15% from the previous year and transaction volumes fell 50% from the previous year, down to that of just before 2006. Prices rose moderately higher during the first half of 2008, but reversed course turning moderately lower during the second half. The 2008 full year average selling price was 13.4% above that of 2007. However, November and December of 2008 registered lower selling prices than the previous year. Tianjin was also affected by the economic slowdown. Furthermore, lack of product differentiation (new launches concentrated in the city center without buffering from mid-level projects in suburban areas with mature transport and living infrastructure) limited Tianjin's volume recovery after the market bottomed in the second half, unlike Beijing and Shanghai. As the central government has targeted Tianjin as a high growth area, and the city itself has allocated a tremendous amount of resources in upgrading its industry layout and infrastructure, we believe Tianjin's real estate market, similar to that of Shanghai in the mid 1990's will have the best growth potential in China for the next ten years.

In 2008, Chongqing's newly launched volume and transaction volume were down 25% and 35%, respectively, from the previous year. Price was stable during the first half, but declined steadily in the second half, falling below comparable 2007 levels, but the overall full year average selling price in 2008 was still 23% above that of 2007. On a positive note, as price was adjusting downward, volume responded favorably: transaction volume in December of 2008 was twice that of August of 2008, the lowest for the year. At the same time, 2008 residential transaction volume exceeded total new supply, reversing the oversupply situation that had been plaguing the local market in previous years. Additionally, residential land supply was down 71% compared to 2007, a trend that will likely continue for the next two years.

Hangzhou | Forte · Invaluable City

Wuxi | Forte · Park Town

2008 Tianjin, Chongqing commodity housing market information

Category	Tianjin Value	Tianjin Growth Rate	Chongqing Value	Chongqing Growth Rate
GDP (billion RMB)	635.44	16.5%	509.67	14.3%
Per capita disposable income (RMB)	19,423	18.7%	14,368	14.1%
GFA approved for pre-sale (million sq.m.)	8.46	-13.8%	6.78	-24.5%
GFA sold (million sq.m.)	5.00	-49.5%	9.82	-34.4%
Average Selling Price (RMB/sq.m.)	6,917	13.4%	4,871	22.7%

Sources: Statistics Bureau and Property Exchange Centers of Tianjin and Chongqing

4) Other cities

Eastern China: Hangzhou, Nanjing, Wuxi

Hangzhou saw both transaction volume and price decline in the second half of 2008. The relaxed land supply policies of the past few years contributed to high new launch volumes in 2008. As a result, Hangzhou did not experience a year end recovery after the government announced a series of support policies. For the full year 2008, Hangzhou's new launch residential volume was up 38% year on year, transaction volume fell 50% and the average selling price was up 37%. We believe that, because inventory takes time to be absorbed and new supplies are still abundant, demand hurt by a provincial economy and driven primarily by export led manufacturing and trade sectors, is unlikely to recover. In 2009, Hangzhou's residential market may face further possible downward adjustments, but high quality products will maintain good growth.

Due to a large number of speculators, Nanjing's market overheated in 2007. In 2008, it was among the first in the Eastern China region to experience both volume and price contraction. By the fourth quarter of 2008, due to both government support policies and large price discounts given by developers, transaction volume in Nanjing experienced a slightly stronger recovery than other cities. For the full year 2008, Nanjing's new launch residential volume and transaction volume were down 9% and 54%, respectively, year on year, but the average selling price was 18% higher than 2007. A sizable unsold

Wuhan | Forte · International East Lake

inventory accumulated in 2008, and oversupply of land in 2006 and 2007 will lead to overall supply demand imbalance in the city outskirts in 2009. However, supply demand dynamics will remain tight in the city center, while real estate prices are still relatively low compared to the rest of the region. These two factors could help Nanjing exit this phase of consolidation.

In 2008, Wuxi's real estate market experienced a smaller contraction compared to other cities in Eastern China, primarily because the rate of price increase in Wuxi for the past few years was lower than those of other cities. Furthermore, Wuxi did not significantly benefit from its proximity to larger neighboring cities and local investment demand for real estate has traditionally been low. In 2008, new launch residential volume and transaction volume were down 5% and 43%, respectively, year on year, but the average selling price was 16% higher than that of 2007. Similar to Nanjing, Wuxi in the short term will continue to be pressured by existing inventory and new launches. However projects in new areas on the city's outskirts , which have benefited from infrastructure building in the past two years remain affordable, and will continue to draw buyers from the city center.

2008 Hangzhou, Nanjing, Wuxi commodity housing market information

	Hangzhou		Nanjing		Wuxi	
Category	Value	Growth Rate	Value	Growth Rate	Value	Growth Rate
GDP (billion RMB)	478.12	11.0%	377.50	12.1%	441.95	12.4%
Per capita disposable income (RMB)	24,104	11.1%	23,123	13.8%	23,605	13.0%
GFA approved for pre-sale (million sq.m.)	3.84	37.6%	8.39	-9.3%	4.88	-4.9%
GFA sold (million sq.m.)	2.10	-49.4%	4.85	-53.7%	2.78	-43.2%
Average Selling Price (RMB/sq.m.)	14,556	36.5%	6,515	17.8%	5,763	15.7%

Sources: Statistics Bureau and Property Exchange Centers of Hangzhou, Nanjing and Wuxi

Central, Western and Northeastern China: Wuhan, Chengdu, Xi'an, Changchun

Wuhan

Speculative fervor swept through Wuhan in 2007. Buyers rushed in and prices for upscale projects rose quickly and sharply. In 2008, as activities of speculators in Wuhan gradually reduced, the real estate market began to correct, especially during the second half, the price of the upscale segment properties declined sharply. Developers offered discounts on projects throughout the city, yet transaction volume was still only half of previous year's levels. Large amounts of land have flooded the market over the last few years and the volume of projects to be developed in the future, particularly in 2009, is expected to be significant. Furthermore, as Wuhan is still in the early stages of large scale development, local buying is limited and the middle class population is relatively small, therefore we expect end market oversupply to continue in 2009.

Chengdu

Chengdu's real estate market was stable prior to 2008. The Sichuan earthquake in May 2008 disrupted Chengdu's orderly development. Buyers delayed their purchases and there were even isolated cases of people moving away from the city, adversely impacting the local real estate market. Notwithstanding support policies announced by central and local government agencies, transaction volume plunged, forcing developers to slash prices. Recovery in buyer confidence will take time and as financial turmoil has yet to run its course, much uncertainty still surrounds Chengdu's real estate market in 2009.

Xi'an

Large scale development of Xi'an's real estate market began in 2005, a late start relative to other cities in China, but the market was healthy as there were proportionally fewer speculators. Even as housing prices leapt, relative to comparable cities in China, Xi'an's real estate was still inexpensive. The Sichuan earthquake in May 2008 also impacted Xi'an, specifically buyers were concerned over the viability of high-rise residential units. Because the city's land supply has grown exponentially over past

Changchun | Forte · Jingyue International

Xi'an | Forte · Yotown

2008 Wuhan, Chengdu, Xi'an and Changchun commodity housing market information

	Wuhan		Chengdu		Xi'an		Changchun	
Category	Value	Growth Rate	Value	Growth Rate	Value	Growth Rate	Value	Growth Rate
GDP (billion RMB)	396.01	15.1%	390.10	12.1%	219.00	15.6%	258.80	17.0%
Per capita disposable income (RMB)	16,712	16.4%	16,943	14.1%	15,207	20.1%	15,003	17.1%
GFA approved for pre-sale (million sq.m.)	10.38	31.1%	8.84	-23.4%	12.81	48.1%	4.90	10.8%
GFA sold (million sq.m.)	5.38	-47.1%	5.29	-51.0%	6.01	-32.3%	3.59	-21.0%
Average Selling Price (RMB/sq.m.)	4,852	7.4%	5,810	10.1%	4,455	18.1%	3,689	17.3%

Sources: Statistics Bureau and Property Exchange Centers of Wuhan, Chengdu, Xi'an and Changchun

years, new launch volume of residential units was substantial in 2008, even surpassing that of first tier cities such as Beijing and Shanghai. Nonetheless, transaction volume in Xi'an, adversely affected by a challenging sales environment, was down a third from last year. In 2009, assuming the macro-economy does not deteriorate further, Xi'an will be the first to see volume recovery. However, as industry competition is still fierce, isolated cases of large scale discounts by developers are possible.

Changchun

Changchun, in Northeastern China, has benefited from China's regional revitalization strategy. In recent years, the economy in Northeastern China has grown quickly. Due to its economic structure, the Northeast, compared to other coastal areas in China, was relatively insulated from the fallout of global financial turmoil. Overall, Changchun's real estate market was healthy and local and in-province customers were the primary buyers, with few outside speculators. As such, price appreciation in Changchun lagged behind other major cities in China. On the other hand, the absence of speculation has also helped Changchun avoid the significant correction in the real estate market experienced by other cities. In 2009, Changchun will see an increase in new project launches, but overall, it will remain one of the least volatile real estate markets in China.

Business Review

In 2008, the Group's results were adversely impacted by the intensification of the global economic turmoil and downturn of the real estate market in the PRC. Major achievements of the Group during the Reporting Period are reflected in the following:

Project Developments

Over the Reporting Period, there were 34 projects under development (including joint ventures and associates in which the Group owns equity interests). Total gross floor area ("GFA") of these projects was approximately 3,307,175 sq.m., of which a total GFA of approximately 2,393,126 sq.m. was attributable to the Company, representing an increase of approximately 41.1% compared to the same period last year (2007: GFA attributable to the Company of 1,695,641 sq.m.).

Of the projects described above, 15 projects with a total GFA of approximately 1,547,156 sq.m were new, of which a total GFA of approximately 1,173,922 sq.m. was attributable to the Company, representing an increase of 76.1% compared to the same period last year (2007: GFA attributable to the Company of 666,487 sq.m.).

Of the projects described above, nine projects with a total GFA of approximately 705,741 sq.m were completed, of which a total GFA of approximately 449,680 sq.m. was attributable to the Company, representing a decrease of 7.2% compared to the same period last year (2007: GFA attributable to the Company of 484,582 sq.m.).

Land Bank

Over the Reporting Period, in accordance with the Group's development strategy and industrial policies, the Group acquired additional land primarily by participating in government tenders and auctions and acquiring equity interests of other companies. The Group secured a total of four projects with a total saleable GFA of approximately 1,430,000 sq.m., of which a total GFA of 1,270,000 sq.m. was attributable to the Company, representing a decrease of 54% compared to the same period last year (2007: GFA attributable to the Company of 2,750,000 sq.m.).

Land newly acquired in 2008

No.	City	Project Name	Approximate Total GFA (sq.m.)	Interest Attributable to the Company	Approximate Attributable Total GFA (sq.m.)	Usage
1	Wuxi	Wuxi Jinquan Project	326,863	50.00%	163,431	Residential
2	Chengdu	Chengdu Project	200,000	100.00%	200,000	Commercial
3	Shanghai	Shanghai Quecheng Project	40,050	100.00%	40,050	Commercial
4	Changchun	Jingyue International	862,226	100.00%	862,226	Residential
	Total		**1,429,139**		**1,265,707**	

In addition to the Group's existing land bank, as of 31 December 2008, the Group acquired total land with a planned GFA of approximately 10,380,000 sq.m., located in 11 cities, namely Shanghai, Beijing, Tianjin, Nanjing, Hangzhou, Wuxi, Chongqing, Wuhan, Xi´an, Chengdu and Changchun. The nationwide scale and sustainable development strategy will contribute to the stable growth of the Group's core business and profits in the coming years.

Land Bank and Construction Projects for the year ended 31 December 2008 (Unit: Sq.m.)

	Total		Under Construction		Planning	
City	In total	Attributable to Forte	In total	Attributable to Forte	In total	Attributable to Forte
Shanghai	2,011,247	1,205,997	776,809	543,740	1,234,438	662,257
Beijing	415,517	333,199	403,559	321,241	11,958	11,958
Tianjin	151,903	113,927	151,903	113,927	—	—
Nanjing	1,135,048	493,511	261,659	107,149	873,389	386,362
Hangzhou	580,588	475,545	450,340	377,859	130,248	97,686
Wuxi	703,677	351,839	57,369	28,685	646,308	323,154
Chongqing	625,948	625,948	154,400	154,400	471,548	471,548
Wuhan	1,064,490	745,143	140,126	98,088	924,364	647,055
Xi'an	2,634,289	1,441,450	138,274	131,360	2,496,015	1,310,090
Chengdu	200,000	200,000	—	—	200,000	200,000
Changchun	862,226	862,226	66,996	66,996	795,230	795,230
Total	**10,384,933**	**6,848,785**	**2,601,435**	**1,943,445**	**7,783,498**	**4,905,340**

* Land not yet under construction includes those projects that have signed land transfer contracts or obtained government approval, but have not yet obtained a State Land Usage Certificate

The current land bank of the Group is sufficient for the Group´s development over the next three to five years, and this will provide a solid foundation for the Group's long-term growth.

Property Sales

During the Reporting Period, the Group achieved aggregate sales of approximately 540,314 sq.m. (including joint ventures in which the Group owns equity interests). Total sales attributable to the Company was approximately 356,407 sq.m., representing a decrease of approximately 34.4% compared to the same period last year (2007: GFA sales attributable to the Company of 543,289 sq.m.).

The Group actively expanded its property development business into 11 cities in the PRC. During the Reporting Period, project pre-sales had begun in nine cities in the PRC.

Total GFA Sold by Contract in 2008

No	City	Name of Project	Contract Sales GFA (sq.m.)	Interest Attributable to the Company
1	Shanghai	Forte Time	16,661	75.00%
2		Elegant Garden (Phase 3)	16,060	100.00%
3		Yi He Hua Cheng (Phase 3B, 4)	31,826	50.00%
4		Silver Spring Garden (Phase 1, 2)	7,159	100.00%
5		Aroma Riverside Garden	9,897	88.00%
6		Golden City	70,231	40.00%
7		Other projects	5,047	—
8	Beijing	Value Stream (Phase 1, 2)	12,558	100.00%
9		Peking House	14,181	100.00%
10		Innateness	14,357	100.00%
11		International Apartment	4,636	100.00%
12		Yi Garden*	46,676	100.00%
13		Spring Town (Phase 1)	202	30.00%
14		Spring Town*	21,358	30.00%
15	Tianjin	Tianjin Centre	4,699	75.00%
16	Nanjing	Nanjing Graceful Oasis (Guimeisong)	25,576	40.95%
17		Nanjing Graceful Oasis (Linjiang Garden)	6,751	40.95%
18		Nanjing Graceful Oasis (Liumeisong)	33,445	40.95%
19		Nanjing Graceful Oasis (Liuzhou Garden)	64,532	40.95%
20		Ronchamp Villa	1,405	100.00%
21	Hangzhou	Invaluable City (Phase 1, 2)	37,502	75.00%
22	Wuxi	Park Town (Phase 1)	15,047	50.00%
23	Chongqing	Uptown (Phase 1, 2)	44,458	100.00%
24	Wuhan	Cui Wei New City	6,066	60.00%
25		International East Lake	24,181	70.00%
26	Changchun	Jingyue International	5,803	100.00%
	Total		**540,314**	

* Yi Garden and Spring Town are Class I developments

Property Booked

In 2008, GFA delivered (GFA booked) amounted to 550,765 sq.m.. GFA booked attributable to the Company amounted to 361,051 sq.m., representing a decrease of approximately 33.7% compared to the same period last year (2007: GFA booked attributable to the Company of 544,405 sq.m.).

In 2008, GFA sold but not yet booked amounted to 362,670 sq.m.. GFA sold but not yet booked attributable to the Company amounted to 230,274 sq.m., representing a decrease of approximately 2.1% as compared to the same period last year (2007: GFA sold but not yet booked attributable to the Company of 235,264 sq.m.).

Projects booked in 2008

No	City	Name of Project	Booked Sales GFA (sq.m.)	Interest Attributable to the Company
1	Shanghai	Yi He Hua Cheng (Phase 3, 4)	50,614	50.00%
2		Forte Time	99,083	75.00%
3		Silver Spring Garden (Phase 1, 2)	7,159	100.00%
4		Aroma Riverside Garden	9,897	88.00%
5		Other projects	5,047	—
6	Beijing	Peking House	12,486	100.00%
7		Value Stream (Phase 1)	29,345	100.00%
8		Innateness	15,280	100.00%
9		Yi Garden*	46,676	100.00%
10		Spring Town (Phase 1)	202	30.00%
11		Spring Town*	21,358	30.00%
12	Nanjing	Ronchamp Villa	1,405	100.00%
13		Nanjing Graceful Oasis	203,032	40.95%
14	Wuxi	Park Town (Phase 1)	654	50.00%
15	Chongqing	Uptown (Phase 1, 2)	42,460	100.00%
16	Wuhan	Cui Wei New City	6,066	60.00%
	Total		**550,765**	

* Yi Garden and Spring Town are Class I developments

Property Agency and Sales Planning

During the Reporting Period, Shanghai Resources Property Consultancy Co., Ltd. ("Resources Consultancy"), a wholly-owned subsidiary of the Group, sold a total GFA, not developed by the Group, of approximately 369,080 sq.m., representing a decrease of 14.28% as compared to the same period last year (2007: 430,586 sq.m.).

Future Prospects

Operating Environment

In 2008, the real estate market was adversely impacted by the external economic environment, and increasingly, home buyers were choosing to wait. Across all regions in China, pre-sale volume and total proceeds decreased sharply over the comparable period in 2007, particularly in the Pearl River Delta region. Since October last year, the central government and local authorities have promulgated numerous policies to stimulate the market. The government has shifted its focus from restricting, to actively encouraging market activities and has emphasized that the real estate industry is one of the pillar industries of China's economy.

However, the impact of international financial turmoil still persists in 2009. It is difficult to reverse the economy's downward trend in the short term. Nonetheless, the effects of stimulus policies, in particular measures such as substantial investment plans, export support, consumption encouragement, and relaxation of credit restrictions, are now being felt. It is expected that China's economy will halt its decline and grow at a relatively stable pace over the second half of 2009.

Business Strategies

- ***Promote the sale of existing projects***

  Targeted pricing strategies, sales and marketing efforts for different regions and different types of properties to achieve cash flow through sales.

- ***Implement a sound product positioning plan***

  Appropriate project positioning is a precondition to promoting sales, cost control and improving efficiency. Consolidate and utilize internal and external resources to achieve proper product positioning.

- ***Strengthen cost and quality control and ensure project progress***

  Strictly control project cost, actively monitor construction progress and follow-up with cost analyses and strengthened quality supervision.

- ***Opportunistic land banking***

  Take advantage of suitable opportunities for industry consolidation and acquire new projects based on the Group´s financial position.

- ***Continue to raise funds***

  Endeavour to promote issuance of the domestic corporate bond proposed last year to enhance capital strength.

Financial Analysis

1. *Turnover and Operating Results*

   In 2008, the Group recorded a total turnover of approximately RMB3,733,255,000, a decrease of 6.1% as compared with that of RMB3,976,647,000 in 2007. The decrease was mainly due to a reduction of booked GFA by 29.1% in the current year.

   The Group's gross profit in 2008 was approximately RMB1,773,282,000, representing an increase of 41.6% as compared to approximately RMB1,252,392,000 in 2007. The Group's gross profit margin during the year was 47.5%, an increase of 16% as compared to 31.5% in 2007, which was mainly attributable to the fact that the majority of the turnover was generated by the projects Forte International, Yi He Hua Cheng Phase 3 and Peking House which accounted for 48.1% of the combined booked GFA of the year with relatively higher gross profit margin.

   Among these major projects, i) Forte International is located in the central district of Shanghai, the land of which was acquired in the previous year. The pre-sale of Forte International was mainly achieved in 2007 and 2008 when the market price was higher. The higher selling price together with the lower cost resulted in a gross profit margin substantially higher than the average level in the market; ii) Yi He Hua Cheng and Peking House were mainly low-density properties, therefore the selling price was considerably higher than the average price. Meanwhile the lower cost of the projects was attributable to the fact that the land of these two projects was acquired in previous years.

   In 2008, profit attributable to equity holders of the Company was approximately RMB101,655,000, representing a decrease of 85.7% as compared to approximately RMB711,050,000 in 2007, which was mainly due to the following reasons: i) an impairment loss of approximately RMB190,226,000 was made in 2008 due to the significant decline in the market value of available for sale equity investments in Shanghai Zendai; ii) an inventory impairment provision of approximately RMB80,456,000 was made for certain properties such as Shihua International, Chongqing Uptown and Villa Espana Estilo De Vila; iii) the additional LAT provision increased by approximately RMB160,167,000 as compared with that of 2007, since most of the properties were low-density houses with higher gross profit margins in the current year; iv) no non-recurring profits such as gain on disposal of equity interest incurred in current year; v) the Group further expanded the development scale in 2008 and the administrative expenses increased accordingly.

   Based on the total weighted number of Shares of the Group of 2,529,306,000 Shares in current year, earnings per share was RMB0.04.

An analysis of the Group's turnover in the core business is as follows:

	2008 RMB'000
Sale of properties	3,857,386
Property agency income	47,801
Property sales planning and advertising income	6,167
Property management income	19,734
Construction supervisory and consultancy income	9,234
Rental income from investment properties	7,230
Other	944
Less: Business tax and government surcharges	215,241
Revenue	3,733,255

2. *LAT prepayments and provisions*

In 2008, pursuant to tax notices issued by the relevant local tax authorities, the Group made a LAT prepayment of the amount of approximately RMB45,164,000 at rates ranging from 1% to 3% on proceeds of the sale and pre-sale of properties. Meanwhile, in 2008, the Group made an additional LAT provision in the amount of approximately RMB432,415,000 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 58.8% as compared to RMB272,248,000 in 2007. Pursuant to the deed of tax indemnity entered into by the Group and Shanghai Fosun High Technology (Group) Company Limited ("Fosun High Technology"), the indemnity of LAT from Fosun High Technology in respect of the additional LAT provision made by the Group in 2008 was approximately RMB59,441,000.

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 2008, the total assets of the Group amounted to approximately RMB19,961,664,000, in which current assets accounted for approximately RMB9,847,588,000. Total liabilities amounted to approximately RMB14,111,465,000. Current liabilities amounted to approximately RMB7,759,353,000 and non-current liabilities amounted to approximately RMB6,352,112,000. The equity attributable to equity holders of the Company amounted to approximately RMB5,284,587,000.

As at 31 December 2008, the Group's cash and bank deposits amounted to approximately RMB1,213,089,000. The Group has sufficient working capital for its operation, liquidity of assets and solvency is healthy.

4. *Pledge of assets*

   As at 31 December 2008, properties under development with total book value of approximately RMB3,937,313,000, self-owned properties of approximately RMB7,960,000, investment properties with total book value of approximately RMB429,000,000 and available-for-sale financial assets with total book value of approximately RMB 61,380,000 were pledged to financial institutions for the guarantee of bank loans to the Group. The corresponding bank loans from the financial institutions amounted to approximately RMB3,702,442,000.

5. *Contingent liabilities*

   The Group provided bank guarantees in favour of its customers in respect of mortgage loans provided by the banks to such customers for purchases of the Group's properties. These guarantees will expire upon the submission of the relevant property ownership certificates to the mortgagee bank by the relevant customers. As at 31 December 2008, the remaining amount of bank guarantees provided amounted to approximately RMB1,938,549,000.

   As at 31 December 2008, the Company and Shanghai Home Value Holding (Group) Co., Ltd. ("Shanghai Home Value") provided guarantees in respect of a loan amounted to RMB900,000,000 with a term of eight years ("Loan"), of which, the maximum guarantees provided by the Company was RMB441,000,000. The Loan was secured by the pledge of properties owned by Beijing Hehua.

   Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding loan capital, bank overdrafts, and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities outstanding as at 31 December 2008.

6. *Commitments*

   As at 31 December 2008, the Group has irrevocable operational leases of approximately RMB18,946,000, of which RMB13,996,000 must be repaid within one year and RMB4,950,000 should be repaid with in two to five years (inclusive).

   As at 31 December 2008, the Group has approximately RMB4,530,952,000 capital projects contracted but not provided for.

Dividends

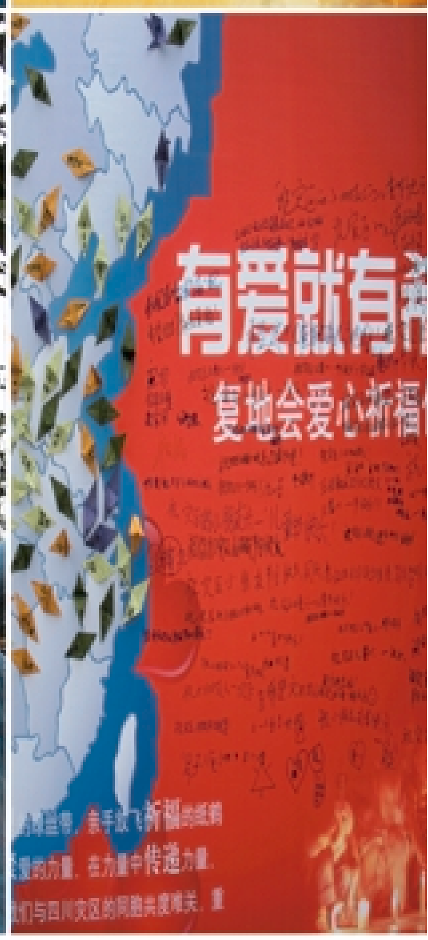
The directors of the Company (the "Directors") recommend the payment of a final dividend in 2008 of RMB0.02 per share (pre-tax), to be distributed subject to approval by shareholder resolution at the forthcoming AGM.

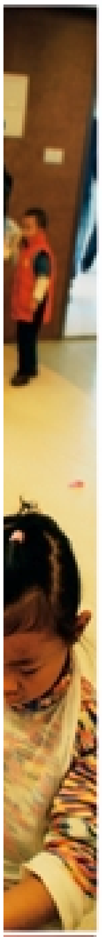
Employees and Remuneration Policy

As at 31 December 2008, the Group had a total of 1,970 employees (2007: 1,979 employees).

The Group determines its remuneration policy based on information provided by well-known consultancy firms, prevailing industry practices, inflation, operational efficiencies and the performance of individual staff members. The Group provides management and staff with continuing education and training to improve their technical skills and knowledge.


家装生活


复地会爱心祈福



The activities of the Forte Club in 2008 were as follows:

January-November	Catering for every need, want, desire —— Shanghai, Beijing, Chongqing, Hangzhou
January-December	Going Green for China —— Shanghai, Beijing, Chongqing, Hangzhou, Nanjing, Wuxi, Wuhan
March-April	Plant A Tree Campaign —— Shanghai, Beijing, Wuhan, Chongqing
May	Wenchuan Sichuan Aid Project —— Shanghai, Beijing, Chongqing, Hangzhou, Nanjing, Wuxi, Wuhan
June-July	Environmental Awareness Drive —— Shanghai, Beijing Chongqing, Hangzhou, Nanjing, Wuxi, Wuhan
June-December	Creating and Maintaining Idyllic Living Spaces —— Shanghai, Beijing, Chongqing, Hangzhou, Nanjing, Wuhan, Xi'an

1	2	3
4	5	6

1. 「Wenchuan Sichuan Aid Project」 Shanghai Forte Sunny City Children's Day Community Activity
2. 「Going Green for China」 Beijing Forte Value Steam Community Activity
3. 「Catering for every need, want, desire」 Shanghai Forte Silver Spring Town Nutrition Month
4. 「Creating and Maintaining Idyllic Living Spaces」 Shanghai Forte International Interior Decoration Show
5. 「Plant A Tree Campaign」 Wuhan Forte Club members Tree Planting Activity
6. 「Wenchuan Sichuan Aid Project」 Signing of the Praying Wall

Customer Service

During the reporting period, the Group, under a complete customer service management system, with improving customer satisfaction as the central goal, strived to think from the customer's perspective, to continue to improve the quality of customer service. And customers responded positively to our attentive and detailed services, Overall, customer satisfaction improved 6%, customer loyalty improved 8%, and Forte's brand prestige has meaningfully increased.

Directors

Executive Directors

Mr. Guo Guangchang, 41, graduated from Fudan University with a master degree in Business Administration. Mr. Guo is a senior engineer and the chairman of the Board 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 PRC 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 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 elected chairman of Shanghai Zhejiang Chamber of Commerce and 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, 39, 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, 38, executive Director, 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 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.

Non-executive Directors

Mr. Ding Guoqi, 39, 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, vice president and general manager of Finance of Fosun International Limited. Mr. Ding was appointed vice president of Fosun International Limited in March 2009. Mr. Ding resigned as a non-executive Director of the Company on 5 September 2008.

Mr. Chen Qiyu, 36, is a non-executive Director of the Company. Mr Chen received a bachelor degree in genetics and genetic engineering from Fudan University in 1993 and an Executive Master degree in Business Administration from China Europe International Business School in 2005 and became an engineer. He is the vice chairman and general manager of Shanghai Fosun Pharmaceutical (Group) Company Limited ("Fosun Pharmaceutical Group"). Mr. Chen joined Fosun Pharmaceutical Group in 1994 and worked as chief financial officer, secretary to the board of directors, and deputy general manager of Fosun Pharmaceutical Group etc. Prior to joining the Group, Mr. Chen worked in the research and development department of Shanghai RAAS Blood Product Co., Ltd.. Mr. Chen is deputy chairman of Shanghai Society of Genetics, vice general manager of Shanghai Licensed Pharmacist Association, vice president of Shanghai Pharmaceutical Industry Association and vice chairman of the Fourth Council of China Medicinal Biotech Association. Mr. Chen was appointed as a non-executive Director on 27 October 2008.

Mr. Feng Xiekun, 57, 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, 67, 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 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 Hong Kong Special Administrative Region ("HKSAR"). Mr. Brooke also sits as a non-executive director on the boards of directors 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 Government of HKSAR.

Mr. Chen Yingjie, 60, 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, 63, an independent non-executive Director of the Company. Mr. Zhang is currently a 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' Urban Economics Research Bureau, a member of The Chinese People's Political Consultative Conference, a member of the Specialist Committee of the Ministry of Construction of the PRC, 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" and vice president of Shanghai Real Estate Economics Association.

Ms. Wang Meijuan, 45, 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. Zhang Guozheng, 43, graduated from the Chinese University of Hong Kong with a master degree in professional accounting. He is the chairman of the Company's Supervisory Committee. Mr. Zhang was a lecturer of Shanghai University of Finance and Economics. 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 Fosun Pharmaceutical Group. Mr. Zhang was appointed as the chairman of the Supervisor Committee on 16 June 2008.

Mr. Ma Suxiang, 53, a postgraduate from the Civil and Economic Law School of China University of Political Science and Law and is an accountant and a supervisor 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. Sun Wenqiu, 41, 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, 69, 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 senior engineer, a standing member of Shanghai's Putuo District's 9th Political Consultative Committee, 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, 52, 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, 50, is the company secretary of the Company. Ms. Lo is a fellow 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 Stock Exchange.

Board Secretary

Ms. Zhang Qian, 46, graduated from Shanghai Academy of Social Sciences, Secretary to the Company's Board. In 1996, she was certified as a Board Secretary by the Shanghai Stock Exchange. She was previously employed by Shanghai Hu Chang Special Steel Co., as the representative of its board of director's securities business. She has also worked for Shanghai Fudan Forward S&T, Ltd. as the representative of its board of director's securities business, as well as the director of the Department of Securities Investment. Ms. Zhang was also the deputy general manager of Shanghai Fudan Forward Startup Investment, Ltd.

Senior Management

Mr. Zhang Hua, 43, graduated from Tongji University, Executive President. He is an Engineer as well as a Certified Real Estate Appraiser. He previously worked for the Production and Infrastructure Department of Shanghai No. 2 Commerce Bureau and Shanghai Shanglian Real Estate Co., Ltd. He was the deputy manager of Shanghai Puhua Real Estate Development Co., Ltd., the general manager of Shanghai Forte Zhibao Real Estate Development Co., Ltd. and the general manager of Shanghai Northern Region of the Company. Mr. Zhang became the Company's Executive President in February of 2009.

Mr. Zhang Lin, 50, graduated from Tongji University, Vice President. Mr. Zhang was previously 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 Shenzhen Design Institute of the mechanical engineering department.

Mr. Cao Zhidong, 38, graduated from Jiaotong Univeristy with a doctorate in Management, Senior Economist, Vice President. Mr. Cao was previously a lecturer of the Institute of Construction and Kinetic Studies of Shanghai Jiaotong University and was appointed as the project director of the PRC national social security and insurance symposium consultation project. Mr. Cao was also 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 Human Resources director, director and supervisor of its various subsidiaries.

Mr. Zhang Weigang, 51, graduated from Shanghai Normal University, Vice President. Mr. Zhang was previously the 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.

Mr. Liu Yicheng, 61, graduated from Harbin Normal University, Vice President. He is a Senior Professional Manager of Chinese Real Estate industry, a deputy in Shanghai's Eleventh People's Congress. He was previously the general manager of Shanghai Agricultural, Industrial & Commercial Group's Dongwang Company, Chairman of Shanghai Nongkou Real Estate Company and Vice Chairman & President of Shanghai Agricultural, Industrial and Commercial Group.

Mr. Bo Wei, 45, graduated from Tongji University, Senior Engineer, Vice President. Mr. Bo was previously the director and senior engineer of Shanghai Construction Design Institute, Deputy Manager of Shanghai Hongji Real Estate Corp., Deputy Manager of Shanghai Xinyiyuan Technology Development Inc. Ltd. (Shanghai Sunshine Group), Deputy Manager, Chief Engineer of Shanghai Pengxin Real Estate Development Corp.

Mr. Wang Ning, 41, graduated from Shanghai University of Finance and Economics, Vice President. Mr. Wang was previously the manager in the finance department of Shanghai Vanke Property Management Co., Ltd., and the manager of the sales department, the manager of the planning department of Shanghai Vanke Real Estate Co, Ltd. Mr. Wang resigned his position in January 2009.

The Board of the Company hereby presents the corporate governance report of the Company for the year ended 31 December 2008.

Corporate Governance Commitment

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

During the year, the Company 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 (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 as a whole.

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 standard 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 2008.

The Board of Directors

As of the year ended 31 December 2008, the Board comprised nine Directors, and they were:

Executive Directors:	Mr. Guo Guangchang *(chairman)* Mr. Fan Wei *(president)* Mr. Wang Zhe
Non-Executive Directors:	Mr. Ding Guogi *(resigned on 5 September 2008)* Mr. Chen Qiyu *(appointed on 27 October 2008)* 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 June 2011).

Chairman and President

According to Appendix 14 of the Listing Rules, code provision A.2.1, "the roles of chairman and chief executive officer should be separate and should not be performed by the same individual".

The chairman of the Board of the Company 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 four regular meetings. Individual attendance rates are as follows:

	Guo Guangchang	Fan Wei	Wang Zhe	Chen Qiyu	Feng Xiekun	Chen Yingjie	Zhang Hongming	Wang Meijuan	Charles Nicholas Brooke
	100%	100%	100%	25%	100%	100%	100%	100%	100%

Major issues such as corporate governance systems, financial monitoring systems, internal control systems and the 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 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 ensure that such account statements truly and fairly reflect the Group's financial status, performance and cash flow. All non-executive Directors and independent non-Executive Directors hold the appropriate academic or professional expertise and management experience. They provide professional and independent advice to the Board and help to protect the interests of the Company and shareholders as a whole.

Audit Committee

As of the year ended 31 December 2008, the audit committee of the Company comprised four members, and they were:

Ms. Wang Meijuan *(chairwoman)*
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming

All of the members of the audit committee of the Company ("Audit Committee") were independent non-executive Directors.

The audit committee of the Company ("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 trustworthiness of the financial information of the Group, as well as providing suggestions and advice to the Board.

During the year, the audit committee of the Company convened two meetings and all members attended the meetings. At the meetings, the audit committee of the Company discussed the interim and final results of the Company and reviewed and discussed with the auditors the financial position of the Company.

Remuneration Committee

As of the year ended 31 December 2008, the remuneration committee of the Company ("Remuneration Committee") comprised four members, and they were:

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 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 year, the Remuneration Committee held one meeting. All members of the Remuneration Committee attended the meeting. The Remuneration 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 in accordance with the terms of the service contracts, reasonable and did not add undue burden to the Company's finances.

Nomination Committee

As of the year ended December 2008, the nomination committee of the Company ("Nomination Committee") comprised five members, and they were:

Mr. Fan Wei *(chairman)*
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming
Ms. Wang Meijuan

During the year, the Nomination Committee held one meeting. All members of the Nomination Committee attended the meeting.

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

Strategy Committee

As of the year ended 31 December 2008, the strategy committee of the Company ("Strategy Committee") comprised four members, and they were:

Mr. Guo Guangchang *(chairman)*
Mr. Fan Wei
Mr. Charles Nicholas Brooke
Mr. Zhang Hongming

The Strategy Committee discussed the strategic planning for the development of the Company in the medium and long term in a timely manner.

The independence of independent non-executive Directors

As of the year ended 31 December 2008, all independent non-executive Directors had made confirmations of their independence to the Company in accordance with the guidelines of the Listing Rules.

Supervisory Committee

As of the year ended 31 December 2008, the supervisory committee of the Company ("Supervisory Committee") comprised five members, and they were:

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

During the year, the Supervisory Committee held four meetings. All members of the Supervisory Committee attended the meetings.

The supervisors of the Company are diligent and have duly fulfilled their duties and have effectively supervised the finances of the Company as well as the legality and compliance regarding duties that should 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 independence, Ernst & Young and Ernst & Young Hua Ming were not retained for other non-audit work during the year.

The Board has passed a resolution appointing Ernst & Young and Ernst & Young Hua Ming as the Company's auditor, for a term until the next annual general meeting. This appointment will only be effective upon the approval of the shareholders in the AGM.

As of the year ended 31 December 2008, the remuneration paid to the external auditors was RMB3,120,000. (For the year 2007: RMB3,514,000)

Internal Controls

The Board has responsibility for maintaining a sound and reliable internal control system and to evaluate its effectiveness through examination by the Audit Committee so as to safeguard the interests of shareholders and the assets of the Group. The internal control system is a crucial element of the Company's risk management, which affects the ability of the Company to meet its performance targets. Therefore, the Company reviews its internal control system from time to time to ensure its effectiveness.

The president of the Group, within the limits of the Board's authority, oversees the Group's operations and management. The Group manages its internal control by establishing a complete structural framework, systematic management guidelines and strict oversight of power, to ensure that the Group's operations are both safe and under control.

The Group has established a complete structural framework, with layered management and control, implemented at different levels of power, especially with regard to contract approval and disbursements, to ensure proper and effective operations.

The Group has implemented a complete internal control mechanism and operation flow guidelines and each internal department operates according to preset guidelines to ensure orderly operations.

The Group's finances are operated under a vertical model, managed by the finance department at the Group's headquarters. A centralized vertical model ensures that financial transactions flow safely and effectively.

The Group has set up an independent internal audit department, which performs semi-annual audits on the Company and its subsidiaries. The audited areas include finance, cash disbursement, project budgeting and payment, the contract bidding process, power delegation and separation and internal management. Issues not covered during the internal audit process are a priority of the Group's management. The relevant department or subsidiary from which the issue originated will be required to address them immediately.

During the year, the Group complied with the Appendix 14 of the Listing Rules code provision C.2.1. and conducted thorough evaluation of the effectiveness of the internal control system. The evaluation covered financial control, operational control, regulatory control and risk management.

The Board is 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 relationships and communication with its shareholders and investors as well as enhance the Company's transparency. All legally required announcements were regularly published on the Company's website www.forte.com.cn, in which a news centre and an investors' column were established to regularly publish press releases, and The Stock Exchange of Hong Kong Limited website www.hkex.com.hk. In addition, the Company's management held regular meetings with securities analysts and investors. The Company is confident that the abovementioned are able to provide investors with a clear and direct understanding of the Company's business developments.

2008 Investor conferences

Month	Conference
January	UBS 2008 Greater China Conference
March	Shanghai Forte 2007 Annual Results Announcement Asia Roadshow
April	JP Morgan 2008 China Investment Forum
May	Citi HK/China 2008 Mini Conference, CLSA China Forum, Macquarie Capital China Property Conference
June	The 6th BOCI Investor Conference, Everbright Securities Property Conference, UBS China A share Conference
July	CLSA China Property Corporate Access Day, Morgan Stanley 2nd Regional Property Day
August	Shanghai Forte 2008 Interim Result Hong Kong Roadshow
September	UBS 2008 China Property Day

Annual general meeting

The last annual general meeting of the Company was held on 12 June 2008 and its related polling results and details were announced on 12 June 2008.

The Company's next annual general meeting will be held on Tuesday, 23 June 2009. Notice of the annual general meeting will be published and dispatched in accordance with the requirements of the Listing Rules.

Closure of register of members

The Company's register of members will be closed between Saturday, 23 May 2009 to Tuesday, 23 June 2009 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and be eligible to attend and vote 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 Room 1806-1807, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 pm, on Friday, 22 May 2009.

The Board of the Company presents its report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

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 2008 and the financial position of the Company and the Group at that date are set out in the financial statements recorded up to 31 December 2008.

The Directors recommend a final dividend of RMB0.02 per ordinary share (pre-tax) to sharesholders of the Company (including holders of domestic shares and holders of H shares) whose names appear on the register of members of the Company as at 23 June 2009 (Tuesday). Cheques for the final dividend will be despatched to the shareholders of the Company around 29 July 2009 (Wednesday). This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

According to the articles of association of the Company, all dividends payable to shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to holders of the Company's H Shares shall be paid in Hong Kong dollars. The exchange rate to be adopted shall be the average closing rate of the five working days preceding the date of declaration of dividend as announced by the People's Bank of China.

Summary financial information

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

Property, equipment and investment property

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

Principal properties under development

Details of the principal properties under development by 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 35 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 2008, so far as the directors are aware, the following persons or entities (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
	H shares	325,710,000(L)	30.86	12.88
Fosun Holdings Limited	Domestic shares	1,458,963,765(L)*(Note 3)*	99.00	57.68
	H shares	325,710,000(L)	30.86	12.88
Fosun International Holdings Ltd.	Domestic shares	1,458,963,765(L)*(Note 4)*	99.00	57.68
	H shares	325,710,000(L)	30.86	12.88
Shanghai Fosun Pharmaceutical Development Company Limited ("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	55,658,000(L)	5.27	2.20
	H shares	55,658,000(P)	5.27	2.20
T. Rowe Price International, Inc. on behalf of our advisory clients	H shares	84,818,000(L)	8.03	3.35

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 78.24% equity interest 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") and ("P") denote a long position and lending pool respectively.

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

As at 31 December 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 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 is 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	Class of shares	Nature of interest	Number of shares	Approximate percentage in the relevant class of share capital
Guo Guangchang	Domestic shares	Corporate	1,458,963,765	99.00%
	H shares	Corporate	325,710,000	30.86%

(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%
	Fosun Holdings Limited	Corporate	1	100%
	Fosun International Limited	Corporate	5,024,555,500	78.24%
Fan Wei	Fosun International Holdings Ltd.	Individual	5,000	10%

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 of the Company 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 2008 the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the articles of association of the Company, amounted to RMB3,580,597,000 (including the proposed final dividends and the share premium which may be distributed by way of bonus shares).

Charitable contributions

During the year, the Group made charitable contributions totaling RMB3,553,000.

Major customers and suppliers

The five largest customers and the five largest construction contractors made up 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 nor any of their associates or any shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers and five largest contractors.

Directors

The Directors of the Company during the year were:

Executive Directors:
Mr. Guo Guangchang *(chairman)*
Mr. Fan Wei *(president)*
Mr. Wang Zhe

Non-executive Directors:
Mr. Ding Guoqi *(resigned on 5 September 2008)*
Mr. Chen Qiyu *(appointed on 27 October 2008)*
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 of the Company, the term of each Director's service contract is three years (expiring in June 2011).

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

Directors', Supervisors' and senior management's biographies

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

Directors' and Supervisors' service contracts

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

None of the Directors or supervisors of the Company 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 with reference to Directors' duties and responsibilities.

Directors' and Supervisors' interests in contracts

No Director or supervisor of the Company 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 of the Company 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 of the Company had any interest in a business which competes or may compete with the businesses of the Group.

Connected transactions

For the year ended 31 December 2008, the Company had the following connected transactions and complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected transactions during the year

For the year ended 31 December 2008, the Company did not enter into any new connected transactions.

Below is a summary of the continuing connected transaction of the Group for the year ended 31 December 2008 which is 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 a total floor area of 5,000 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 under 15% per year.

During the year, the rent payable by the Company under the Office Tenancy Agreement is RMB2.81 per sq.m. per day plus an additional RMB2.11 per sq.m. per day in management fees and other utility expenses. The Company has paid an annual rent and management fees of approximately RMB8,982,678.96 to Fuxin Property.

Fuxin Property is a subsidiary of Fosun High Technology which is a controlling shareholder of the Company. Accordingly, Fuxin Property is regarded a connected person of the Company under the Listing Rules.

Ernst & Young, the auditors of the Company, have also reviewed the continuing connected transactions described above and confirmed in a letter to the Directors 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 corporate bonds in the PRC

On 11 September 2008, 12 September 2008 and 27 October 2008, the Board announced that the Board recommended issuing domestic corporate bonds in the PRC, for a total amount not exceeding RMB1,900,000,000. The Company held an extraordinary general meeting and class meeting on 27 October 2008, to consider issuance of domestic corporate bonds in the PRC. On 9 April 2009, China Securities Regulatory Commission has conditionally approved our application, 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 2008, the Company was in compliance with the code provisions 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 International Financial Reporting Standards ("IFRSs") were audited by Ernst & Young and the Company's financial statements prepared in accordance with PRC Generally Accepted Accounting Principles ("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 auditor and Ernst & Young Hua Ming as the domestic auditor of the Company for 2009.

ON BEHALF OF THE BOARD

Guo Guangchang
Chairman

Shanghai, the PRC
3 March 2009

Report of the Supervisory Committee

Dear Shareholders:

During the reporting period, 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 five members. During the reporting period, the Committee has convened two Committee meetings.

During the second half of 2008, members of the Committee reviewed the establishment and implementation of the Company's internal control system. Afterwards, the Committee issued a case report and offered suggestions to improve the system. At the same time, the Committee began reviewing Steel Union, a subsidiary of the Company.

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

The Committee confirms that it has reviewed and approved the Company's 2008 Annual Report, 2008 Annual Results Announcement and 2008 Annual Profits Allocation Resolution, and has reviewed and approved (i) the 2008 financial statements and a preliminary draft of the audit report prepared in accordance with the PRC GAAP and (ii) the 2008 financial statements and a preliminary draft of the audit report 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 concludes 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 and that they had not 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 scope, make further efforts to strengthen its supervision, and continue to explore new and effective ways of supervision, so as to maximize the Group's value and protect the shareholders' best interests.

By order of the Supervisory Committee

Zhang Guozheng
Chairman of the Supervisory Committee

Shanghai, the PRC
3 March 2009

To the shareholders of Shanghai Forte Land Co., Ltd.
(Established 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 53 to 144, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 ("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, in accordance with Section 141 of the Companies Ordinance, 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 2008 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 Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

3 March 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	5	**3,733,255**	3,976,647
Cost of sales		**(1,959,973)**	(2,724,255)
Gross profit		**1,773,282**	1,252,392
Other income and gains	5	**50,446**	537,376
Selling and distribution costs		**(287,970)**	(284,148)
Administrative expenses		**(263,142)**	(204,413)
Other expenses	7	**(335,985)**	(10,274)
Finance costs	8	**(44,421)**	(15,140)
Share of profits and losses of:			
Jointly-controlled entities		**(6,354)**	5,406
Associates		**1,222**	31,270
PROFIT BEFORE TAX	6	**887,078**	1,312,469
Tax	10	**(645,472)**	(551,487)
PROFIT FOR THE YEAR		**241,606**	760,982
Attributable to:			
Equity holders of the Company	11	**101,655**	711,050
Minority interests		**139,951**	49,932
		241,606	760,982
DIVIDENDS			
Interim	12(a)	**—**	63,233
Proposed final	12(b)	**50,586**	—
		50,586	63,233
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY – Basic (RMB)	13	**0.040**	0.281

Balance Sheets

31 December 2008

	Notes	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
NON-CURRENT ASSETS					
Property and equipment	15	**202,187**	128,113	**6,278**	6,701
Investment properties	16	**429,000**	456,000	**—**	—
Properties under development	17	**6,718,930**	6,009,593	**29,678**	34,500
Goodwill	18	**35,719**	27,422	**—**	—
Other intangible assets	19	**5,780**	—	**—**	—
Investments in subsidiaries	20	**—**	—	**1,858,120**	1,842,020
Interests in jointly-controlled entities	21	**629,232**	377,330	**134,342**	134,342
Interests in associates	22	**256,278**	406,519	**187,560**	237,560
Available-for-sale investments	23	**77,018**	205,787	**250**	250
Loan receivables	24	**220,000**	220,000	**—**	—
Prepayments	25	**1,156,383**	1,427,278	**—**	—
Deferred tax assets	26	**383,549**	195,103	**—**	—
Total non-current assets		**10,114,076**	9,453,145	**2,216,228**	2,255,373
CURRENT ASSETS					
Cash and cash equivalents	27	**1,213,089**	2,379,169	**26,834**	42,331
Pledged deposits	27	**19,449**	2,250	**—**	—
Income tax recoverable		**95,684**	114,073	**—**	—
Trade receivables	28	**185,189**	280,828	**221**	276
Prepayments, deposits and other receivables	29	**569,331**	1,358,749	**12,834**	96,718
Amounts due from related companies	30	**454,759**	368,403	**7,166,736**	6,034,666
Amount due from holding company	30	**59,441**	190,808	**59,441**	190,808
Completed properties for sale		**987,604**	746,538	**14,249**	16,733
Properties under development	17	**6,263,042**	3,428,916	**—**	—
Total current assets		**9,847,588**	8,869,734	**7,280,315**	6,381,532

		Group		Company	
	Notes	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	31	**2,507,736**	5,301,976	**812,000**	2,616,000
Trade payables	33	**1,275,421**	921,406	**20,145**	20,398
Advances from customers		**2,110,091**	2,610,633	**—**	—
Accrued liabilities and other payables		**447,005**	351,411	**21,146**	26,040
Tax payable		**1,191,732**	838,416	**5,814**	7,827
Amounts due to related companies	34	**227,368**	391,544	**2,014,892**	1,984,546
Total current liabilities		**7,759,353**	10,415,386	**2,873,997**	4,654,811
NET CURRENT ASSETS / (LIABILITIES)		**2,088,235**	(1,545,652)	**4,406,318**	1,726,721
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,202,311**	7,907,493	**6,622,546**	3,982,094
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	31	**5,938,232**	1,886,700	**1,938,000**	—
Loans from related companies	32	**152,193**	147,719	**76,118**	71,026
Deferred tax liabilities	26	**261,687**	263,487	**62,562**	47,702
Total non-current liabilities		**6,352,112**	2,297,906	**2,076,680**	118,728
Net assets		**5,850,199**	5,609,587	**4,545,866**	3,863,366
EQUITY					
Equity attributable to equity holders of the Company:					
Issued capital	35	**505,861**	505,861	**505,861**	505,861
Reserves	36	**4,728,140**	4,579,110	**3,989,419**	3,357,505
Proposed final dividend	12(b)	**50,586**	—	**50,586**	—
		5,284,587	5,084,971	**4,545,866**	3,863,366
Minority interests		**565,612**	524,616	**—**	—
Total equity		**5,850,199**	5,609,587	**4,545,866**	3,863,366

Guo Guangchang
Director

Fan Wei
Director

Consolidated Statement Of Changes In Equity

Year ended 31 December 2008

Group

	Notes	Attributable to equity holders of the Company										
		Issued capital RMB'000 (note 35)	Share premium account RMB'000	Available-for-sale investment revaluation reserve RMB'000 (note 23)	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 36)	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 2008		505,861	2,624,510	(46,863)	193,099	481,302	50	1,327,012	—	5,084,971	524,616	5,609,587
Exchange realignment		—	—	—	—	—	6,517	—	—	6,517	—	6,517
Impairment of available-for-sale investments	23	—	—	46,863	—	—	—	—	—	46,863	—	46,863
Profit for the year		—	—	—	—	—	—	101,655	—	101,655	139,951	241,606
Capital contribution from minority shareholder of subsidiaries		—	—	—	—	—	—	—	—	—	62,838	62,838
Acquisition of minority interests		—	—	—	—	—	—	—	—	—	(18,068)	(18,068)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	—	(143,725)	(143,725)
Final dividend proposed	12(b)	—	—	—	—	—	—	(50,586)	50,586	—	—	—
Indemnity receivable of land appreciation tax ("LAT") from the holding company	10	—	—	—	59,441	—	—	—	—	59,441	—	59,441
Tax effect of LAT indemnity	26	—	—	—	(14,860)	—	—	—	—	(14,860)	—	(14,860)
Transfer from retained profits		—	—	—	—	110,870	—	(110,870)	—	—	—	—
At 31 December 2008		505,861	2,624,510	—	237,680	592,172	6,567	1,267,211	50,586	5,284,587	565,612	5,850,199

	Notes	Attributable to equity holders of the Company										
		Issued capital RMB'000 (note 35)	Share premium account RMB'000	Available-for-sale investment revaluation reserve RMB'000 (note 23)	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 36)	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
Changes in fair value of available-for-sale investments	23	—	—	(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		—	—	—	—	—	—	—	—	—	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 LAT from the holding company		—	—	—	73,062	—	—	—	—	73,062	—	73,062
Tax effect of LAT indemnity	26	—	—	—	(24,110)	—	—	—	—	(24,110)	—	(24,110)
Effect of the change in tax rate from 33% to 25%	26	—	—	—	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

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Profit before tax		**887,078**	1,312,469
Adjustments for:			
Impairment of available-for-sale investments	7	**190,226**	—
Impairment of inventories	7	**80,456**	—
Impairment of goodwill	7	**6,965**	3,683
Share of profits and losses of associates and jointly-controlled entities		**5,132**	(36,676)
Bank interest income	5	**(5,966)**	(8,273)
Interest income for loan receivables	5	**(17,257)**	(174)
Changes in fair value of investment properties	7, 5	**27,000**	(10,000)
Gain on disposal of jointly-controlled entities	5	**—**	(93,614)
Gain on partial disposal of equity interest in a subsidiary	5	**—**	(355,207)
Gain on disposal of subsidiaries	5	**—**	(40,752)
Gain on termination of derivative financial instrument	5	**—**	(1,405)
Loss on disposal of items of property and equipment	6	**575**	608
Depreciation	6	**19,227**	14,858
Amortisation of other intangible assets	6	**49**	—
Finance costs	8	**48,820**	10,726
		1,242,305	796,243
Decrease/(increase) in trade receivables		**95,680**	(143,635)
Increase in properties under development and completed properties held for sale		**(3,066,626)**	(22,395)
Decrease/(increase) in prepayments, deposits and other receivables		**656,537**	(879,519)
(Increase)/decrease in amounts due from related companies		**(243,091)**	324,124
Increase in trade payables		**354,164**	132,179
(Decrease)/increase in advances from customers		**(500,542)**	1,188,288
Decrease in accrued liabilities and other payables		**(2,454)**	(686,417)
Cash (used in)/generated from operations		**(1,464,027)**	708,868
Interest paid		**(696,032)**	(296,351)
Tax paid		**(480,330)**	(320,508)
Net cash (outflow)/inflow from operating activities		**(2,640,389)**	92,009

	Notes	2008 RMB'000	2007 RMB'000
Net cash (outflow)/inflow from operating activities		**(2,640,389)**	92,009
Cash flows from investing activities			
Purchases of items of property and equipment		**(35,673)**	(8,692)
Proceeds from disposal of items of property and equipment		**1,775**	892
Interest received		**27,947**	4,865
Proceeds from termination of derivative financial instrument	5	**—**	1,405
Dividends received from associates		**51,353**	—
Acquisition of minority interests		**(24,019)**	(1,000)
Acquisition of subsidiaries		**(157,827)**	(611,919)
Acquisition of jointly-controlled entities		**(5,000)**	(158,346)
Acquisition of associates		**—**	(18,316)
Acquisition of available-for-sale investments		**(22,068)**	(249,121)
Proceeds from disposal of subsidiaries		**(688)**	105,793
Proceeds from disposal of jointly-controlled entities		**52,000**	75,000
Proceeds from partial disposal of equity interests in subsidiaries		**232,000**	232,000
Prepayments for acquisitions		**(40,435)**	(1,320,378)
Return of prepayment in respect of a proposed acquisition		**311,330**	—
Shareholder loans provided to related companies		**(266,400)**	(459,200)
(Increase)/decrease in pledged time deposits		**(17,199)**	23,349
Net cash inflow/(outflow) from investing activities		**107,096**	(2,383,668)
Cash flows from financing activities			
New interest-bearing bank loans and other borrowings		**6,675,644**	5,363,819
Repayment of bank loans and other borrowings		**(5,418,352)**	(1,582,880)
Dividends paid		**—**	(164,405)
Dividends paid to minority shareholders		**(143,725)**	(109,582)
Capital contribution from minority shareholders of subsidiaries		**62,838**	3,400
LAT indemnity received from holding company		**190,808**	—
Net cash inflow from financing activities		**1,367,213**	3,510,352
Net (decrease)/increase in cash and cash equivalents		**(1,166,080)**	1,218,693
Cash and cash equivalents at beginning of year		**2,379,169**	1,160,476
Cash and cash equivalents at end of year	27	**1,213,089**	2,379,169

1. CORPORATE INFORMATION

The Company was established in the PRC on 13 August 1998 as a limited company. Pursuant to an approval document numbered "Hu Fu Ti Gai Shen [2001] No. 026" dated 12 September 2001 issued by the Shanghai Municipal Government, the Company was 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 are principally engaged in property development. The Group's property development projects are located in Shanghai, Hangzhou, Wuhan, Nanjing, Beijing, Chongqing, Xi'an, Tianjin, Changchun and Chengdu. 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, 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 Limited ("FIL"), 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

These 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. These 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

These financial statements have been prepared in accordance with IFRSs and the disclosure requirements of the Companies Ordinance.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group for the year ended 31 December 2008. The results of the subsidiaries are 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 income, expenses and unrealised gains and losses resulting from inter-company transactions and inter-company balances within the Group are eliminated on consolidation in full.

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.

The Company assesses whether the acquisition of a subsidiary constitutes a business combination. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. If the subsidiary acquired does not constitute a business, the Company accounts for the acquisition as an acquisition of asset.

Minority interests represent the interest of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

3.1 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to IFRS for the first time for the current year's financial statements.

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*
IAS 39 & IFRS 7 Amendments	*Reclassification of Financial Assets*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 & IAS 27 Amendments	Amendments to IFRS 1 *First time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[2]
IFRS 2 Amendments	Amendments to IFRS 2 *Share – based Payment – Vesting Conditions and Cancellations*[2]
IFRS 3 (Revised)	*Business Combinations*[1]
IFRS 8	*Operating Segments*[2]
IAS 1 (Revised)	*Presentation of Financial Statements*[2]
IAS 23 (Revised)	*Borrowing Costs*[2]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
IAS 32 & IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[2]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instrument: Recognition and Measurement – Eligible Hedged Items*[1]
IFRIC 13	*Customer Loyalty Programmes*[3]
IFRIC 15	*Agreements for the Construction of Real Estate*[2]
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*[4]
IFRIC 17	*Distribution of Non – cash Assets to Owners*[1]
IFRIC 18	*Transfer of Assets from Customers*[1]

Apart from the above, the IASB has also issued Improvements to IFRSs* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to IFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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

* *Improvements to IFRSs contains amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.*

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

Further information about those changes that are expected to significantly affect the Group is as follows:

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 without loss of control 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.

IFRS 8 requires an entity whose debt or equity instruments are publicly traded to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Under IFRS 8, additional entity-wide disclosures are prescribed that are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services.

IAS 1 requires an entity to include a statement of financial position as at the beginning of the earliest comparative period whenever an entity retrospectively applies an accounting policy, or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. Entities are no longer permitted to present items of 'other comprehensive income' (e.g. gains and losses on revaluation of property, plant and equipment) separately in the statement of changes in equity. Such non-owner movements must be presented in a statement of comprehensive income and the total carried to the statement of changes in equity.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Jointly-controlled entities

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

The Group's 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 interests 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's 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 interests 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

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, deferred tax assets, financial assets, investment properties and goodwill), 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.

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 before-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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 an 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 an 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.

Intangible assets other than goodwill

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date. Other intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

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.

3.3 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 investments" and are transferred from the available-for-sale investment revaluation reserve.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

Available-for-sale financial assets (Continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair vale of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business 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.

3.3 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.

3.3 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 bank loans and other borrowings)

Financial liabilities including trade payables, other payables and accruals, amounts due to related companies, interest-bearing bank loans and other 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.

3.3 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 of the best estimate of the expenditure required to settle the present obligation of the balance sheet date; 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 a derivative financial instrument is initially recognised at fair value on the date on which the derivative contract is entered into and is subsequently remeasured at fair value. A derivative is carried as an 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 of 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 installments 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

3.3 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, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement. Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over the estimated useful life of the assets. 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 least, 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.

Construction in progress is stated at cost less any impairment losses and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment or investment properties when completed and ready for use.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

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

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

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Properties under development

Properties under development are stated at cost, which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Properties under development are valued at the lower of cost and net realizable value at the balance sheet date and any excess of cost over net realizable value of individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Any excess of cost over net realizable value of individual item of completed properties for sale is accounted for as a provision.

Operating leases

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

Retirement benefits

Obligatory retirement benefits in the form of contributions under a defined contribution retirement schedule administered by local government agencies are charged to the income statement as incurred.

Accommodation benefits

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre are charged to the income statement as incurred.

Interest-bearing bank loans and other borrowings

All bank loans and other borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing bank loans and other 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies transactions

These financial statements are presented in RMB, which is the Company's functional and presentation currency. The functional currency of other PRC subsidiaries is RMB. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to 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.

The functional currency of one subsidiary incorporated outside Mainland China is Hong Kong dollars ("HK$"). As at the balance sheet date, the assets and liabilities of the Group's foreign entity are translated into RMB at the exchange rates 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement and the balance sheet, cash and cash equivalents comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, based on and evaluation of the items and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3.3 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 2008 was RMB35,719,000 (2007: RMB27,422,000). More details are given in note 18.

(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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimation uncertainty (Continued)

(iii) Provision for impairment of trade receivables and other receivables

Provision for impairment of trade receivables and other 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 2008 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.

3.3 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 2008 was RMB429,000,000 (2007: RMB456,000,000).

(v) Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes judgements about the significance or prolonged nature of the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2008, impairment losses of RMB190,226,000 have been recognised for available-for-sale assets (2007: Nil). The carrying amount of available-for-sale assets was RMB77,018,000 (2007: RMB205,787,000).

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.

4. SEGMENT INFORMATION

The Group's turnover and profit for the two years ended 31 December 2008 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.

5. 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:

	2008 RMB'000	2007 RMB'000
Revenue		
Sale of properties	**3,857,386**	4,022,389
Rental income from investment properties	**7,230**	4,901
Property agency income	**47,801**	160,034
Property sales planning and advertising income	**6,167**	8,694
Property management income	**19,734**	7,525
Construction supervisory and consulting income	**9,234**	4,779
Others	**944**	—
	3,948,496	4,208,322
Less: Business tax and government surcharges	**(215,241)**	(231,675)
Total revenue	**3,733,255**	3,976,647
Other income		
Government grants	**16,496**	24,526
Bank interest income	**5,966**	8,273
Interest income for loan receivables	**17,257**	174
Miscellaneous rental income	**6,486**	1,406
Others	**4,241**	2,019
	50,446	36,398
Gains		
Gain on fair value adjustment of investment properties	**—**	10,000
Gain on disposal of subsidiaries	**—**	40,752
Gain on disposal of jointly-controlled entities	**—**	93,614
Gain on partial disposal of equity interest in a subsidiary	**—**	355,207
Gain on termination of derivative financial instrument	**—**	1,405
	—	500,978
Other income and gains	**50,446**	537,376

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Business tax is calculated at 5% of the revenue from the sale and pre-sale of properties and the provision of property agency services, property sales planning and advertising services, property management services and construction supervisory services. Government surcharges, comprising City Maintenance and Construction Tax, Education Surtax, Dike Maintenance, Selective Service Surcharge and River Way Management Fee, are calculated at certain percentages of business tax.

Government grants represent government subsidies for enterprises' development received by the Group, from the relevant government agencies during the year ended 31 December 2008. There are no conditions attached to the government subsidies received.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2008 RMB'000**	2007 RMB'000
Staff costs (including directors', supervisors' and senior executives' emoluments as set out in note (9)):			
Basic salaries and benefits in kind		**170,801**	123,356
Pension scheme contributions:			
– defined contribution scheme		**12,726**	9,442
Total staff costs		**183,527**	132,798
Cost of sales		**1,959,973**	2,724,255
Minimum lease payments under operating leases		**14,913**	16,054
Auditors' remuneration		**3,120**	3,514
Depreciation		**19,227**	14,858
Amortisation of other intangible assets	19	**49**	—
Impairment of goodwill	18	**6,965**	3,683
Impairment of available-for-sale investments	7	**190,226**	—
Impairment of inventories	7	**80,456**	—
Loss on disposal of items of property and equipment	7	**575**	608
Finance costs	8	**44,421**	15,140
Bank interest income	5	**(5,966)**	(8,273)
Interest income for loan receivables	5	**(17,257)**	(174)
Gain on termination of derivative financial instrument	5	**—**	(1,405)
Gain on disposal of subsidiaries	5	**—**	(40,752)
Gain on partial disposal of equity interest in a subsidiary	5	**—**	(355,207)
Changes in fair value of investment properties	7, 5	**27,000**	(10,000)

7. OTHER EXPENSES

	Notes	2008 RMB'000	2007 RMB'000
Impairment of available-for-sale investments	23	**190,226**	—
Impairment of goodwill	18	**6,965**	3,683
Impairment of inventories		**80,456**	—
Loss on fair value adjustment of investment properties	16	**27,000**	—
Donation		**3,553**	1,231
Losses on disposal of items of property and equipment		**575**	608
Others		**27,210**	4,752
		335,985	10,274

8. FINANCE COSTS

	Notes	2008 RMB'000	2007 RMB'000
Interest on bank loans and other borrowings		**675,161**	300,209
Notional interests	43(d,e)	**10,489**	9,381
Total interests		**685,650**	309,590
Less: Interest capitalised, in respect of:			
– bank loans and other borrowings		**(631,434)**	(293,837)
– notional interests	43(e)	**(5,396)**	(5,027)
Total interests capitalised		**(636,830)**	(298,864)
		48,820	10,726
Other finance costs:			
– exchange (gains)/losses		**(4,557)**	3,479
– bank charges and others		**158**	935
Total finance costs		**44,421**	15,140

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	2008 RMB'000	2007 RMB'000
Fees	**749**	698
Other emoluments for executive directors, independent non-executive directors and supervisors:		
– basic salaries and benefits in kind	**3,079**	2,641
– performance related bonuses	**578**	—
– pension scheme contributions	**88**	76
	4,494	3,415

Three executive directors and four independent non-executive directors received remuneration from the Company for the year ended 31 December 2008.

The remuneration for the executive directors, independent non-executive directors and supervisors fell within the range of Nil to RMB1,500,000.

(a) Independent non-executive directors

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

	2008 RMB'000	2007 RMB'000
Mr. Charles Nicholas Brooke	**488**	485
Mr. Chen Yingjie	**87**	71
Mr. Zhang Hongming	**87**	71
Ms. Wang Meijuan	**87**	71
	749	698

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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

	Fees RMB'000	Salaries and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2008					
Executive directors:					
Mr. Guo Guangchang	—	197	—	7	204
Mr. Fan Wei	—	1,371	—	22	1,393
Mr. Wangzhe	—	809	578	22	1,409
	—	2,377	578	51	3,006
Non-executive directors:					
Mr. Feng Xiekun	—	—	—	—	—
Mr. Ding Guoqi	—	—	—	—	—
Mr. Chen Qiyu	—	—	—	—	—
	—	—	—	—	—
Supervisors:					
Mr. Ma Suxiang	—	444	—	22	466
Mr. Zhang Guozheng	—	43	—	—	43
Mr. Sun Wenqiu	—	43	—	—	43
Mr. Liu Zhangxi	—	43	—	—	43
Mr. Shen Guoliang	—	129	—	15	144
	—	702	—	37	739
	—	3,079	578	88	3,745

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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

	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

Under the arrangement of the service contract, the non-executive director, Mr. Feng Xiekun, Ding Guoqi and Chen Qiyu agreed to waive the remuneration during the year. Mr. Ding Guoqi has tendered his resignation as non-executive director of the Company with effect from 5 September 2008.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(c) Five highest paid employees

The five highest paid employees of the Group include one director for the year ended 31 December 2008 (2007: two).

Details of the emoluments of the remaining four (2007: three) highest paid, non-director employees are as follows:

	2008 **RMB'000**	2007 RMB'000
Basic salaries and benefits in kind	**6,290**	3,018
Pension scheme contributions	**88**	57
	6,378	3,075

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

	Number of employees	
	2008	2007
Nil to RMB1,000,000	**—**	4
RMB1,000,001 to RMB2,000,000	**5**	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, which is subject to income tax at the rate of 16.5% (2007: 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 2008.

Provision for PRC income tax has been provided at the applicable income tax rate of 25% (2007: 33%) on the assessable profits of the Group in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in the PRC, which are taxed at preferential rates of 15%, 18% and 20%, respectively.

Major components of income tax expense for the years ended 31 December 2008 and 2007 are as follows:

	Note	**2008** **RMB'000**	2007 RMB'000
Current taxation			
– Income tax in the PRC for the year		**374,456**	437,994
– Land appreciation tax ("LAT") in the PRC for the year		**477,579**	317,335
Deferred tax	26	**(206,563)**	(203,842)
Income tax expense for the year		**645,472**	551,487

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:

	2008 **RMB'000**	2007 RMB'000
Profit before tax	**887,078**	1,312,469
Tax at the statutory tax rate	**237,988**	433,115
Lower tax rates for specific entities	**2,282**	(107,027)
Profits and losses attributable to jointly-controlled entities and associates	**1,283**	8,344
Income not subject to tax	**—**	(3,759)
Expenses not deductible for tax	**45,735**	45,337
Tax effect of change in tax rate from 33% to 25%	**—**	(37,138)
Sub-total	**287,288**	338,872
Additional LAT provision for the year	**432,415**	272,248
Prepaid LAT for the year	**45,164**	45,087
Deferred tax effect of additional LAT provision	**(108,104)**	(89,842)
Tax effect of prepaid LAT	**(11,291)**	(14,878)
Income tax expense	**645,472**	551,487

According to a 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 ("Prepaid LAT") from 2004. Prior to the year end of 2006, except for the Prepaid LAT to the local tax authorities, no further provision for LAT had been made. The directors considered that the relevant tax authorities would 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.

From year 2006 onward, the Group provided additional LAT in respect of the properties sold in accordance with the requirements as set forth in the relevant PRC tax laws and regulations. For the year ended 31 December 2008, based on the latest understanding of LAT regulations from tax authorities, an additional LAT in the amount of RMB432,415,000 (2007: RMB272,248,000) was provided by the Group.

10. TAX (CONTINUED)

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 31 December 2008, the indemnity of LAT from the holding company after netting off potential income tax saving amounted to RMB59,441,000 (2007: RMB190,808,000), as set out in note 30, and the deferred tax liability arising thereon amounted to RMB62,562,000 (2007: RMB47,702,000), as set out in note 26. This LAT indemnity after netting off the corresponding tax liability was credited to capital reserve directly.

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 2008 includes a profit of RMB637,919,000 (2007: RMB208,774,000), which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	Notes	**2008** **RMB'000**	2007 RMB'000
Interim – Nil (2007: RMB0.025) per ordinary share	(a)	—	63,233
Proposed final – RMB0.02 (2007: Nil) per ordinary share	(b)	**50,586**	—
		50,586	63,233

(a) No interim dividend was declared by the Board during the year 2008.

(b) Pursuant to the directors' resolution of the Company dated 3 March 2009, the Board proposed the final dividend of RMB0.02 per share, totalling approximately RMB50,586,000 for the year ended 31 December 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 RMB101,655,000 (2007: RMB711,050,000) and the weighted average number of 2,529,306,000 (2007: 2,529,306,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the two years ended 31 December 2008 and 2007 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

2008

	Note	Properties RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
As at 31 December 2007 and at 1 January 2008		100,903	4,868	25,310	32,528	—	163,609
Additions		677	—	7,054	4,543	23,561	35,835
Acquisition of subsidiaries	39	61,990	—	629	748	—	63,367
Disposals		(1,855)	—	(1,950)	(663)	—	(4,468)
As at 31 December 2008		161,715	4,868	31,043	37,156	23,561	258,343
Accumulated depreciation:							
As at 31 December 2007 and at 1 January 2008		7,635	1,688	10,303	15,870	—	35,496
Provided during the year		12,173	687	4,802	5,116	—	22,778
Disposals		(185)	—	(1,418)	(515)	—	(2,118)
As at 31 December 2008		19,623	2,375	13,687	20,471	—	56,156
Net book value:							
As at 31 December 2008		142,092	2,493	17,356	16,685	23,561	202,187
As at 31 December 2007		93,268	3,180	15,007	16,658	—	128,113

15. PROPERTY AND EQUIPMENT (CONTINUED)

Group (continued)

2007

	Properties RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:					
As at 31 December 2006					
and 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	—	—	988	220	1,208
Disposals	—	—	(2,744)	(703)	(3,447)
Disposal of subsidiaries	—	—	(82)	(292)	(374)
As at 31 December 2007	100,903	4,868	25,310	32,528	163,609
Accumulated depreciation:					
As at 31 December 2006					
and 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
Disposals	—	—	(1,540)	(407)	(1,947)
Disposal of subsidiaries	—	—	(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)

Company

2008

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
As at 31 December 2007 and at 1 January 2008	7,090	5,129	12,219
Additions	1,340	—	1,340
Disposals	(845)	(416)	(1,261)
As at 31 December 2008	7,585	4,713	12,298
Accumulated depreciation:			
As at 31 December 2007 and at 1 January 2008	2,594	2,924	5,518
Provided for the year	881	619	1,500
Disposals	(692)	(306)	(998)
As at 31 December 2008	2,783	3,237	6,020
Net book value:			
As at 31 December 2008	4,802	1,476	6,278
As at 31 December 2007	4,496	2,205	6,701

15. PROPERTY AND EQUIPMENT (CONTINUED)

Company (continued)

2007

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
As at 31 December 2006 and at 1 January 2007	7,054	5,729	12,783
Additions	1,044	—	1,044
Disposals	(1,008)	(600)	(1,608)
As at 31 December 2007	7,090	5,129	12,219
Accumulated depreciation:			
As at 31 December 2007 and at 1 January 2007	2,391	2,487	4,878
Provided for the year	818	786	1,604
Disposals	(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

As at 31 December 2008, certain items of the Group's properties with a book value of approximately RMB7,960,000 (2007: Nil) were pledged to secure bank loans amounting to RMB10,000,000 (2007: Nil), as set out in note 31(a).

16. INVESTMENT PROPERTIES

	2008 RMB'000	2007 RMB'000
Carrying amount at 1 January	**456,000**	446,000
(Loss)/gain from a fair value adjustment	**(27,000)**	10,000
Carrying amount at 31 December	**429,000**	456,000

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

The Group's investment properties were revalued on 31 December 2008 at RMB429,000,000 by Jones Lang LaSalle Sallmanns Limited, 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 2008, the Group's investment properties with a net carrying amount of approximately RMB429,000,000 (2007: RMB456,000,000) were pledged to bank for interest-bearing bank loans amounting to RMB190,000,000 (2007: RMB200,000,000), as set out in note 31(a).

17. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Land costs	**8,227,326**	6,999,910	**12,978**	12,978
Construction costs	**3,801,908**	1,946,381	**14,871**	19,693
Financial costs	**952,738**	492,218	**1,829**	1,829
	12,981,972	9,438,509	**29,678**	34,500
Portion classified as current assets	**(6,263,042)**	(3,428,916)	**—**	—
	6,718,930	6,009,593	**29,678**	34,500

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

As at 31 December 2008, certain items of the Group's properties under development with a book value of approximately RMB3,937,313,000 (2007: RMB3,550,027,000) were pledged to secure bank loans amounting to RMB3,261,510,000 (2007: RMB2,100,150,000), as set out in note 31(a).

18. GOODWILL

Group

	Note	RMB'000
At 1 January 2007:		
Cost and net carrying amount		32,664
Cost at 1 January 2007, net of accumulated impairment		32,664
Acquisition of a subsidiary		1,383
Disposal of subsidiaries		(2,942)
Impairment during the year		(3,683)
Cost and carrying amount at 31 December 2007		27,422
At 31 December 2007 and 1 January 2008:		
Cost		49,714
Accumulated impairment		(22,292)
Net carrying amount		27,422
Cost at 1 January 2008, net of accumulated impairment		**27,422**
Acquisition of a subsidiary	39	**8,297**
Acquisition of minority interests		**6,965**
Impairment during the year		**(6,965)**
Cost and carrying amount at 31 December 2008		**35,719**
At 31 December 2008:		
Cost		**64,976**
Accumulated impairment		**(29,257)**
Net carrying amount		**35,719**

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 13% (2007: 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 2008 and 31 December 2007. 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.

The values assigned to key assumptions are consistent with external information sources.

19. OTHER INTANGIBLE ASSETS

Group

	Note	Licence RMB'000
31 December 2008		
Cost at 1 January 2008, net of accumulated amortisation		—
Acquisition of a subsidiary	39	**5,829**
Amortisation provided during the year		**(49)**
At 31 December 2008		**5,780**
At 31 December 2008:		
Cost		**5,829**
Accumulated amortisation		**(49)**
Net carrying amount		**5,780**

20. INVESTMENTS IN SUBSIDIARIES

Company

	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	**1,867,720**	1,851,620
Impairment for unlisted shares	**(9,600)**	(9,600)
	1,858,120	1,842,020

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB6,727,714,000 (2007: RMB5,666,541,000) and RMB1,915,892,000 (2007: RMB1,789,080,000), respectively, are unsecured, interest-free and repayable on demand, as set out in note 30 and note 34. The carrying amounts of these amounts approximate to their fair values.

20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of principal subsidiaries as at 31 December 2008 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 Zhibao Property Development Co., Ltd.	Mainland China 27 May 2003	205,000	75%	—	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. ("Forte Investment")	Mainland China 21 July 2006	100,000	100%	—	Investment management
Hangzhou Garden Trade Limited	Mainland China 27 April 2001	290,000	—	100%	Commercial retail and industry investment
Wuhan Zhongbei Real Estate Development Co., Ltd.	Mainland China 3 April 2007	533,000	—	70%	Property development

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, result in particulars of excessive length.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**—**	—	**134,342**	134,342
Share of net assets	**212,832**	227,330	**—**	—
	212,832	227,330	**134,342**	134,342
Loans to jointly-controlled entities	**416,400**	150,000	**—**	—
	629,232	377,330	**134,342**	134,342

Loans to jointly-controlled entities of RMB416,400,000 are unsecured and have no fixed terms of repayment, of which loans amounted to RMB290,000,000 (2007: RMB150,000,000) provided to Shaanxi Jianqin Real Estate Development Co., Ltd. ("Shaanxi Jianqin") are interest free and loans amounted to RMB126,400,000 (2007: Nil) provided to Show All Limited ("Show All") are bearing variable interest rate at 6.21% per annum based on the rates quoted by the People's Bank of China ("PBOC"). In the opinion of the directors, these loans are considered as quasi-equity investments in jointly-controlled entities.

The Group's amounts due from jointly-controlled entities and amounts due to jointly-controlled entities are disclosed in note 30 and note 34 to the financial statements.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

Particulars of the jointly-controlled entities as at 31 December 2008 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
Show All	Hong Kong 27 November 2007	—*	—	50%	Property development
Shaanxi Jianqin	Mainland China 22 September 1992	130,000	—	50%	Property development
Shanghai Shunsheng Steel Material Co., Ltd	Mainland China 29 October 2008	10,000	—	50%	Logistics and trading

* *The paid-up capital of Show All Ltd. is HK$2.*

Except for Show All, Shaanxi Jianqin and Shanghai Shunsheng Steel Material Co., Ltd., all of the above investments in jointly-controlled entities are directly held by the Company.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

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

	2008 **RMB'000**	2007 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**834,879**	311,593
Non-current assets	**168,302**	421,942
Current liabilities	**(592,877)**	(327,897)
Non-current liabilities	**(197,472)**	(178,308)
Net assets	**212,832**	227,330
Share of the jointly-controlled entities' results:		
Revenue	**3,116**	107,657
Other income	**1,206**	285
	4,322	107,942
Total expenses	**(9,221)**	(100,213)
Tax	**(2,407)**	(2,323)
(Loss)/profit after tax	**(7,306)**	5,406

22. INTERESTS IN ASSOCIATES

	Group		Company	
	2008 **RMB'000**	2007 RMB'000	**2008** **RMB'000**	2007 RMB'000
Unlisted shares, at cost	**—**	—	**187,560**	237,560
Share of net assets	**256,278**	317,153	**—**	—
Goodwill on acquisition	**—**	166	**—**	—
	256,278	317,319	**187,560**	237,560
Loans to an associate	**—**	89,200	**—**	—
	256,278	406,519	**187,560**	237,560

Loan to an associate which is unsecured, interest-free with no fixed terms of repayment represents a shareholder loan provided to Changchun Zhaoji Real Estate Development Co., Ltd. ("Zhaoji"). In the opinion of the directors, the loan is considered as quasi-equity investments in associates. In year 2008, Zhaoji was accounted for as a subsidiary of the Group upon completion of the acquisition of the remaining 64% equity interest as set out in note 39.

The Group's amounts due from associates and amounts due to associates are disclosed in note 30 and note 34 to the financial statements, respectively.

Particulars of the principal associates as at 31 December 2008 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

22. INTERESTS IN ASSOCIATES (CONTINUED)

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or 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:

	2008 **RMB'000**	2007 RMB'000
Assets	**1,827,049**	2,157,389
Liabilities	**(1,134,045)**	(1,334,924)
Revenue	**691,177**	972,827
Profit	**2,664**	63,925

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2008 **RMB'000**	2007 RMB'000	**2008** **RMB'000**	2007 RMB'000
Unlisted equity investments, at cost	**3,529**	3,529	**250**	250
Listed equity investment, at fair value	**73,489**	202,258	**—**	—
	77,018	205,787	**250**	250

As at 31 December 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 6.94% equity interest in Shanghai Zendai Property Development Co., Ltd., a company listed on the Main Board of the Stock Exchange. This investment was designated as an available-for-sale financial asset, the fair value of which is based on quoted market prices.

23. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

There has been a significant decline in the market value of the equity investment during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB190,226,000 (2007: Nil), which included a transfer from the available-for-sale investment revaluation reserve of RMB46,863,000 (2007: Nil), has been recognized in the income statement for the year.

As at 31 December 2008, part of the Group's available-for-sale investments with amount of approximately RMB61,380,000 (2007: Nil) were pledged to secure bank loans amounting to HK$273,200,000 (equivalent to RMB240,932,000) (2007: Nil), as set out in note 31(a).

24. LOAN RECEIVABLES

	Group		Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Loan receivables from a jointly-controlled entity	**220,000**	220,000	**—**	—
	220,000	220,000	**—**	—

As at 31 December 2008, loan receivables represented the entrusted bank loan of RMB220,000,000 provided to Shaanxi Jianqin, a jointly-controlled entity, to support its property development. This loan is unsecured, interest bearing at a variable interest rate of 9.828% per annum based on the rates quoted by PBOC and repayable on 21 January 2010.

The carrying amounts of these loan receivables approximate to their fair values as at 31 December 2008.

25. PREPAYMENTS

Payments are in respect of the following:

(a) Prepayment for the proposed acquisition of an equity interest in Beijing Hehua Real Estate 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 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.

Pursuant to a supplemental agreement entered into by the Group and Beijing Hehua in December 2006, the shareholder loan 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 in the proportionate of 37%:63% replacing the original 50%:50% respectively, as stipulated in the cooperative agreement.

As at 31 December 2008, the Group advanced RMB540,070,000 (31 December 2007: RMB851,400,000) to Beijing Hehua, including the capital injection of RMB60,000,000 as set out in the Agreement.

(b) 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 31 December 2008, the Group advanced RMB616,313,000 (31 December 2007: RMB575,878,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2008 amounted to RMB355,963,000 (31 December 2007: RMB396,398,000) is set out in note 41.

26. DEFERRED TAX

Group

Deferred tax assets

	Note	Losses available for offsetting against future taxable profit RMB'000	Accruals and provisions RMB'000	Accrual of additional LAT RMB'000	Impairment of inventory RMB'000	Elimination of unrealised profits RMB'000	Others RMB'000	Total RMB'000
At 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 and 1 January 2008		21,163	5,567	167,256	—	—	1,117	195,103
Deferred tax credit to the income statement during the year	10	30,094	3,183	108,104	16,957	29,708	400	188,446
As at 31 December 2008		**51,257**	**8,750**	**275,360**	**16,957**	**29,708**	**1,517**	**383,549**

26. DEFERRED TAX (CONTINUED)

Group (Continued)

Deferred tax liabilities

	Notes	Revaluation of investment properties RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	LAT indemnity receivable from holding company RMB'000 *(note 10)*	Others RMB'000	Total RMB'000
At 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 equity during the year		—	—	24,110	—	24,110
Acquisition of subsidiaries		—	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 equity during the year		—	—	(15,264)	—	(15,264)
As at 31 December 2007 and 1 January 2008		35,163	177,820	47,702	2,802	263,487
Deferred tax charged/(credited) to the income statement during the year	10	(6,750)	(13,346)	—	1,979	(18,117)
Deferred tax debited to equity during the year		—	—	14,860	—	14,860
Acquisition of subsidiaries	39	—	1,457	—	—	1,457
As at 31 December 2008		**28,413**	**165,931**	**62,562**	**4,781**	**261,687**

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**1,232,538**	2,381,419	**26,834**	42,331
Less: Pledged deposits	**(19,449)**	(2,250)	**—**	—
Cash and cash equivalents	**1,213,089**	2,379,169	**26,834**	42,331

28. 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Undue	**185,189**	243,622	**221**	156
Overdue, within six months	**—**	37,206	**—**	120
	185,189	280,828	**221**	276

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**185,189**	243,622	**221**	156
Less than six months past due	**—**	37,206	**—**	120
	185,189	280,828	**221**	276

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

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**122,748**	762,924	**98**	51
Deposits and other receivables	**446,583**	595,825	**12,736**	96,667
	569,331	1,358,749	**12,834**	96,718

None of the above assets is either past due or impaired.

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

30. AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Due from subsidiaries	(a, b)	**—**	—	**6,727,714**	5,666,541
Due from associates	(b)	**120,473**	12,090	**112,073**	12,090
Due from jointly-controlled entities	(b)	**334,286**	356,313	**326,949**	356,035
		454,759	368,403	**7,166,736**	6,034,666
Due from holding company	(c)	**59,441**	190,808	**59,441**	190,808

30. AMOUNTS DUE FROM RELATED COMPANIES (CONTINUED)

(a) Included in the amounts due from subsidiaries is an amount of RMB766,000,000 in respect of the following:

On 5 December 2008, the Company entered into an entrusted bank loan agreement with Shanghai Dingfen Property Development Co., Ltd., a subsidiary of the Group, to provide a loan to the latter in the amount of RMB200,000,000 through Bank of Shanghai. The loan was unsecured, repayable on 4 December 2009 and bearing an interest rate of 9.486% per annum.

On 13 August 2008, the Company entered into an entrusted bank loan agreement with Wuhan Zhongbei Real Estate Development Co., Ltd., a subsidiary of the Group, to provide a loan to the latter in the amount of RMB566,000,000 through Bank of East Asia. The loan was unsecured, repayable on 12 August 2009 and bearing a variable interest rate at 10.747% per annum based on the rates quoted by PBOC.

(b) Except for the entrusted bank loans 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 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.

31. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Bank loans, secured	(a)	**3,702,442**	2,300,150	**—**	—
Bank loans, unsecured		**2,183,500**	2,033,750	**740,000**	866,000
		5,885,942	4,333,900	**740,000**	866,000
Other borrowings, unsecured		**2,560,026**	2,854,776	**2,010,000**	1,750,000
		8,445,968	7,188,676	**2,750,000**	2,616,000
Repayable:					
Within one year		**2,507,736**	5,301,976	**812,000**	2,616,000
In the second year		**3,769,232**	553,700	**1,938,000**	—
In the third to fifth years, inclusive		**2,153,000**	1,307,500	**—**	—
Beyond five years		**16,000**	25,500	**—**	—
		8,445,968	7,188,676	**2,750,000**	2,616,000
Portion classified as current liabilities		**(2,507,736)**	(5,301,976)	**(812,000)**	(2,616,000)
Non-current portion	(b)	**5,938,232**	1,886,700	**1,938,000**	—

The bank loans bear interest at rates ranging from 2.79% to 8.59% (2007: 4.30% to 8.13%) per annum. The other borrowings bear interest at rates ranging from 2.099% to 9.34% (2007: 5.02% to 9.84%) per annum.

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

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

(i) RMB190,000,000 (2007: RMB200,000,000) are secured by the Group's investment properties situated in Beijing, the PRC, with an aggregate carrying value at 31 December 2008 of approximately RMB429,000,000 (2007: RMB456,000,000), as set out in note 16.

(ii) RMB3,512,442,000 (2007: RMB2,100,150,000) are secured by the Group's properties with an aggregate carrying value of approximately RMB7,960,000 (2007: Nil), properties under development with an aggregate carrying value of approximately RMB3,937,313,000 (2007: RMB3,550,027,000), and available-for-sale investments of approximately RMB61,380,000 (2007: Nil) at 31 December 2008, as set out in notes 15, 17 and 23, 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**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current borrowings in respect of				
– bank loans	**3,938,500**	1,694,700	**3,943,955**	1,688,400
– other borrowings	**1,999,732**	192,000	**2,000,259**	189,305
	5,938,232	1,886,700	**5,944,214**	1,877,705

32. LOANS FROM RELATED COMPANIES

Group

		Carrying amounts		Fair values	
	Notes	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Loans from					
– a jointly-controlled entity	(a)	**76,118**	71,026	**78,495**	72,089
– a minority shareholder of a subsidiary	(b)	**76,075**	76,693	**77,813**	61,915
Wholly repayable in the second to forth years, inclusive		**152,193**	147,719	**156,308**	134,004

Company

		Carrying amounts		Fair values	
	Note	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
A loan from					
– a jointly-controlled entity	(a)	**76,118**	71,026	**78,495**	72,089
Wholly repayable in the second to forth years, inclusive		**76,118**	71,026	**78,495**	72,089

32. LOANS FROM RELATED COMPANIES (CONTINUED)

The fair values of loans from related companies 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.

33. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within six months	**1,079,125**	441,564	**—**	—
More than six months, but within one year	**7,698**	323,474	**—**	196
Over one year	**188,598**	156,368	**20,145**	20,202
	1,275,421	921,406	**20,145**	20,398

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

34. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due to associates	**107,368**	195,458	**99,000**	195,466
Due to jointly-controlled entities	**120,000**	196,086	**—**	—
Due to subsidiaries	**—**	—	**1,915,892**	1,789,080
	227,368	391,544	**2,014,892**	1,984,546

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.

35. ISSUED CAPITAL

Group and Company

	2008 Number of shares '000	2007 Number of shares '000	2008 RMB'000	2007 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.

36. RESERVES

(a) Group

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.

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. RESERVES (CONTINUED)

(b) Company

	Issued capital RMB'000 (note 35)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total equity RMB'000
Balance 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	—	—	73,062	—	—	—	73,062
Tax effect of LAT indemnity	—	—	(24,110)	—	—	—	(24,110)
Effect of the change in tax rate from 33% to 25%	—	—	15,264	—	—	—	15,264
Interim dividend	—	—	—	—	(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
Profit for the year	—	—	—	—	637,919	—	637,919
Final dividend proposed	—	—	—	—	(50,586)	50,586	—
Indemnity receivable of LAT from the holding company	—	—	59,441	—	—	—	59,441
Tax effect of LAT indemnity	—	—	(14,860)	—	—	—	(14,860)
Transfer from retained profits	—	—	—	63,535	(63,535)	—	—
At 31 December 2008	**505,861**	**2,624,510**	**187,687**	**271,721**	**905,501**	**50,586**	**4,545,866**

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2008

Financial assets

		Group	
	Loans and receivables RMB'000	Available for-sale financial assets RMB'000	Total RMB'000
Interests in jointly-controlled entities	416,400	—	416,400
Available-for-sale investments	—	77,018	77,018
Loan receivables	220,000	—	220,000
Trade receivables	185,189	—	185,189
Financial assets included in prepayments, deposits and other receivables	811,944	—	811,944
Cash and cash equivalents	1,213,089	—	1,213,089
Pledged deposits	19,449	—	19,449
Amounts due from related companies	454,759	—	454,759
Amount due from holding company	59,441	—	59,441
	3,380,271	77,018	3,457,289

Financial liabilities

	Group Financial liabilities at amortised cost RMB'000
Trade payables	1,275,421
Financial liabilities included in other payables and accruals	398,243
Interest-bearing bank loans and other borrowings	8,445,968
Loans from related companies	152,193
Amounts due to related companies	227,368
	10,499,193

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2007

Financial assets	Loans and receivables RMB'000	Group Available for-sale financial assets RMB'000	Total RMB'000
Interests in jointly-controlled entities	150,000	—	150,000
Interests in associates	89,200	—	89,200
Available-for-sale investments	—	205,787	205,787
Loan receivables	220,000	—	220,000
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 loans and other borrowings	7,188,676
Loans from related companies	147,719
Amounts due to related companies	391,544
	8,949,712

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2008

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	221	—	221
Financial assets included in prepayments, deposits and other receivables	12,736	—	12,736
Cash and cash equivalents	26,834	—	26,834
Amounts due from related companies	7,166,736	—	7,166,736
Amount due from holding company	59,441	—	59,441
	7,265,968	250	7,266,218

Financial liabilities

	Company Financial liabilities at amortised cost RMB'000
Trade payables	20,145
Financial liabilities included in other payables and accruals	19,046
Interest-bearing bank loans and other borrowings	2,750,000
Loans from related companies	76,118
Amounts due to related companies	2,014,892
	4,880,201

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2007

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	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 loans and other borrowings	2,616,000
Loans from related companies	71,026
Amounts due to related companies	1,984,546
	4,718,010

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans 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 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 the Company 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 3.3 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 loans denominated in the United States dollars ("USD") and the Hong Kong dollars ("HKD") as set out in notes 32 and 43, 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	
	Notes	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
United States dollars	32(b)	**12,798**	12,798	**—**	—
Hong Kong dollars	43(II), 43(I)(i)	**343,200**	290,000	**—**	—

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

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.

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**
2008			
If Renminbi weakens against USD	**5**	**(4,373)**	**—**
If Renminbi strengthens against USD	**5**	**4,373**	**—**
If Renminbi weakens against HKD	**5**	**(15,133)**	**—**
If Renminbi strengthens against HKD	**5**	**15,133**	**—**
2007			
If Renminbi weakens against USD	5	(4,674)	—
If Renminbi strengthens against USD	5	4,674	—
If Renminbi weakens against HKD	5	(13,578)	—
If Renminbi strengthens against HKD	5	13,578	—

* Excluding retained earnings

The effect of foreign currency risk on this other loan denominated in USD, directly attributable to property development, would be recorded in the consolidated income statement when the corresponding property was completed and sales as well as cost of sales were recognized. For the effect of bank loans denominated in HKD, not directly attributable to property development, would be recorded in the consolidated income statement directly.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on the floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2008			
RMB	**25**	**(6,844)**	**—**
	(25)	**6,844**	**—**
2007			
RMB	25	(6,187)	—
	(25)	6,187	—

* Excluding retained earnings

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.

38. 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 investments, 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. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 42 to the financial statement.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 28 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2008					
	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	—	690,432	1,817,304	5,922,232	16,000	8,445,968
Trade payables	1,275,421	—	—	—	—	1,275,421
Accrued liabilities and other payables	398,243	—	—	—	—	398,243
Amounts due to related companies	227,368	—	—	—	—	227,368
Loans from related companies	—	—	—	180,467	—	180,467
	1,901,032	690,432	1,817,304	6,102,699	16,000	10,527,467

	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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company

	As at 31 December 2008					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans and other borrowings	**—**	**72,000**	**740,000**	**1,938,000**	**—**	**2,750,000**
Trade payables	**20,145**	**—**	**—**	**—**	**—**	**20,145**
Accrued liabilities and other payables	**19,046**	**—**	**—**	**—**	**—**	**19,046**
Amounts due to related companies	**2,014,892**	**—**	**—**	**—**	**—**	**2,014,892**
Loans from related companies	**—**	**—**	**—**	**93,000**	**—**	**93,000**
	2,054,083	**72,000**	**740,000**	**2,031,000**	**—**	**4,897,083**

	As at 31 December 2007					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

38. 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 investments (note 23) as at 31 December 2008 and 2007. The Group's listed investment is listed on the Main Board of the Stock Exchange and is valued at the quoted market price at the balance sheet date.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2008	**High/low 2008**	31December 2007	High/low 2007
Hong Kong – Hang Seng Index	**14,387**	**27,616/ 11,016**	27,812	31,638/ 18,664

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement as at 31 December 2007.

	Increase/ (decrease) in fair values %	**Carrying amount of equity investments RMB'000**	**Increase/ (decrease) in profit before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**
2008				
Investment listed in:				
Hong Kong – Available-for-sale	**5**	**73,489**	**—**	**3,674**
	(5)	**73,489**	**(3,674)**	**—**
2007				
Investment listed in:				
Hong Kong – Available-for-sale	5	202,258	—	10,113
	(5)	202,258	—	(10,113)

* *Excluding retained earnings*

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 for managing capital during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank loans and other borrowings, loans from related companies and interest bearing bonds, if any, less cash and cash equivalents. 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 2008 RMB'000	31 December 2007 RMB'000
Interest-bearing loans and other borrowings	**8,445,968**	7,188,676
Loans from related companies	**152,193**	147,719
Less: Cash and cash equivalents	**(1,213,089)**	(2,379,169)
Net debt	**7,385,072**	4,957,226
Total equity	**5,850,199**	5,609,587
Capital and net debt	**13,235,271**	10,566,813
Gearing ratio	**56%**	47%

39. ACQUISITION OF SUBSIDIARIES

The fair 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:

	Quecheng note 39.1		Zhaoji note 39.2		Kangwei note 39.3		Caien note 39.4		Total	
	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000
Assets										
Property and equipment	106	106	894	894	62,335	25,722	32	32	63,367	26,754
Property under development	149,183	74,595	10,647	10,372	2	2	—	—	159,832	84,969
Other intangible assets	—	—	—	—	—	—	5,829	—	5,829	—
Trade receivables	—	—	—	—	41	41	—	—	41	41
Cash and bank balances	2,078	2,078	11,893	11,893	1,794	1,794	31	31	15,796	15,796
Prepayments, deposits and other receivables	7,234	7,234	48,335	48,335	96	96	—	—	55,665	55,665
	158,601	84,013	71,769	71,494	64,268	27,655	5,892	63	300,530	183,225
Liabilities										
Trade payables	—	—	—	—	(9)	(9)	(1,200)	(1,200)	(1,209)	(1,209)
Accrued liabilities and other payables	(10,568)	(10,568)	(41,905)	(41,905)	(31,081)	(31,081)	(934)	(934)	(84,488)	(84,488)
Tax payable	(33)	(33)	(19)	(19)	(344)	(344)	—	—	(396)	(396)
Deferred tax liabilities	—	—	—	—	—	—	(1,457)	—	(1,457)	—
	(10,601)	(10,601)	(41,924)	(41,924)	(31,434)	(31,434)	(3,591)	(2,134)	(87,550)	(86,093)

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	Quecheng note 39.1		Zhaoji note 39.2		Kangwei note 39.3		Caien note 39.4		Total	
	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000
Net assets	148,000	73,412	29,845	29,570	32,834	(3,779)	2,301	(2,071)	212,980	97,132
Goodwill arising on acquisition	—		—		—		8,297		8,297	
	148,000		29,845		32,834		10,598		221,277	
Investment in associates	—		10,645		—		—		10,645	
Consideration, satisfied by cash	148,000		19,200		32,834		10,598		210,632	
	148,000		29,845		32,834		10,598		221,277	
Cash consideration paid	75,098		19,200		32,834		—		127,132	
Cash consideration unpaid	72,902		—		—		10,598		83,500	

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

Name of subsidiaries	Quecheng	Zhaoji	Kangwei	Caien	Total
Cash consideration paid	75,098	19,200	32,834	—	127,132
Cash acquired from subsidiaries	(2,078)	(11,893)	(1,794)	(31)	(15,796)
	73,020	7,307	31,040	(31)	111,336

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

39.1 Acquisition of Shanghai Quecheng Property Co., Ltd. ("Quecheng")

On 9 July 2008, the Group acquired a 100% equity interest in Quecheng, a private limited company located in Shanghai, Mainland China. Quecheng is engaged in property development and management. The purchase consideration for the acquisition was in the form of cash amounted to RMB148,000,000, of which RMB72,902,000 remained unpaid as at 31 December 2008. The Group accounted for this acquisition of subsidiary as an asset deal.

From the date of acquisition, Quecheng's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2008.

39.2 Acquisition of Zhaoji

On 1 August 2008, the Group acquired the remaining 64% equity interest in Zhaoji, a private limited company located in Changchun, Mainland China, subsequent to which, Zhaoji became a wholly-owned subsidiary from an associate of the Group. Zhaoji is engaged in property development. The purchase consideration for the acquisition was in the form of cash amounted to RMB19,200,000. The Group accounted for this acquisition of subsidiary as an asset deal.

From the date of acquisition, Zhaoji's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2008.

39.3 Acquisition of Shanghai Kangwei Property Management Co., Ltd. ("Kangwei")

On 28 July 2008, the Group acquired a 100% equity interest in Kangwei, a private limited company located in Shanghai, Mainland China. Kangwei is engaged in property management. The purchase consideration for the acquisition was in the form of cash amounted to RMB32,834,000. The Group accounted for this acquisition of subsidiary as an asset deal.

From the date of acquisition, Kangwei's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2008.

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

39.4 Acquisition of Beijing Caien Architectural Designing Co., Ltd. ("Caien")

On 4 November 2008, the Group acquired a 100% equity interest in Caien, a private limited company located in Beijing, Mainland China. Caien is engaged in property construction consultation and designing. The purchase consideration for the acquisition, in the form of cash, amounted to RMB10,598,000 and was fully unpaid as at 31 December 2008. The Group accounted for this acquisition of subsidiary as a business combination.

From the date of acquisition, Caien's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2008.

40. 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 six years.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		**Company**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**17,233**	7,273	**—**	—
In the second to fifth years, inclusive	**29,766**	10,527	**—**	—
After five years	**395**	628	**—**	—
	47,394	18,428	**—**	—

40. OPERATING LEASE ARRANGEMENTS (CONTINUED)

As lessee

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

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008 **RMB'000**	2007 RMB'000	**2008** **RMB'000**	2007 RMB'000
Within one year	**13,996**	11,257	**5,116**	8,898
In the second to fifth years, inclusive	**4,950**	17,390	**—**	8,898
	18,946	28,647	**5,116**	17,796

41. 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	
	2008 **RMB'000**	2007 RMB'000	**2008** **RMB'000**	2007 RMB'000
Contracted, but not provided for:				
– investments	**375,963**	536,398	**—**	—
– properties under development	**4,108,550**	5,542,565	**—**	—
– property and equipment	**46,439**	—	**—**	—
	4,530,952	6,078,963	**—**	—

41. COMMITMENTS (CONTINUED)

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	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Contracted, but not provided for:				
– properties under development	**6,022**	—	**6,022**	—
– property and equipment	**—**	18,170	**—**	16,522
	6,022	18,170	**6,022**	16,522

42. CONTINGENT LIABILITIES

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

		Group		Company	
	Notes	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Guarantees given to banks in connection with banking facilities granted to third parties	(a)	**441,000**	—	**441,000**	—
Guarantees given to banks in connection with banking facilities granted to its customers	(b)	**1,938,549**	2,261,983	**—**	—
		2,379,549	2,261,983	**441,000**	—

(a) On 23 October 2008, Beijing Hehua entered into a bank loan agreement ("Loan Agreement") with Shanghai Pudong Development Bank to obtain a long-term bank loan amounting to RMB900,000,000 ("Loan"), which is secured by the pledge of properties owned by Beijing Hehua. Pursuant to the Loan Agreement: i) this bank loan bears an interest rate of 7.2% per annum and is repayable on 23 October 2016; and ii) the maximum guarantees provided by the Company was RMB441,000,000.

(b) As at 31 December 2008, the Group provided guarantees of approximately RMB1,938,549,000 (2007: RMB2,261,983,000), 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.

42. CONTINGENT LIABILITIES (CONTINUED)

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 outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements for the guarantees.

43. 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	**2008 RMB'000**	2007 RMB'000
Recurring transactions			
Shanghai Fosun Property Management Co., Ltd. *(note (a))*	Operating lease in respect of office buildings leased from the related company *(notes (b))*	**5,125**	8,898
	Property management services provided by the related company *(notes (b))*	**3,857**	—
	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))*	**11,096**	7,507

43. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transactions	2008 RMB'000	2007 RMB'000
Recurring transactions (Continued)			
Shanghai Fuxin Property Development Co., Ltd. *(note (a))*	Construction supervisory services provided to the related company *(note (b))*	**—**	1,176
	Sales agency services provided to the related company *(note (b))*	**—**	3,500
Wuxi Forte Real Estate Development Co., Ltd. *(note (a))*	Consulting services provided to the related company *(note (b))*	**4,302**	3,309
	Sales agency services provided to the related company *(note (b))*	**928**	—
	Notional interest *(note (d))*	**5,093**	4,354
Yangzte Tianjin Limited Co., Ltd. *(note (a))*	Notional interest (note (e))	**5,396**	5,027
Fosun High Technology *(note (a))*	LAT indemnity receivable from the holding company *(note (c))*	**59,441**	73,062
	Entrusted bank loan provided by the holding company *(note (f))*	**—**	1,750,000
	Interest expenses of entrusted bank loan provided by the holding company *(note (f))*	**143,467**	23,476
	Property management services provided to the related company *(notes (b))*	**1,501**	—

43. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transactions	2008 RMB'000	2007 RMB'000
Recurring transactions (Continued)			
Shanghai Fosun Industrial Investment Co., Ltd. *(note (a))*	Entrusted bank loan provided by the related company *(note (f))*	**1,938,000**	—
	Interest expenses of entrusted bank loan provided by the related company *(note (f))*	**27,329**	—
Shaanxi Jianqin *(note (a))*	Entrusted bank loan provided to the related company *(note (g))*	**—**	220,000
	Interest income of entrusted bank loan provided to the related company *(note (g))*	**21,981**	174
	Shareholder loan provided to the related company *(note (h))*	**140,000**	150,000
Show All *(note (a))*	Shareholder loan provided to the related company *(note (h))*	**126,400**	—
	Interest income of Shareholder loan provided to the related company *(note (h))*	**6,266**	—
FIL	Other borrowings provided by the related company *(note (i))*	**61,732**	—

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) *Notes:*

(a) Shanghai Fosun Property Management Co., Ltd. and Shanghai Fosun Industrial Investment Co., Ltd. ("Fosun Industrial Investment") are subsidiaries of Fosun High Technology, the holding company. Shanghai Foreal Property Management Co., Ltd. ("Foreal") and Shanghai Fuxin Property Development Co., Ltd. ("Fuxin") are associates of the Group. Wuxi Forte Real Estate Co., Ltd., Show All and Shaanxi Jianqin are jointly-controlled entities of the Group. Yangzte Tianjin Limited is a shareholder of a subsidiary, Tianjin Forte.

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

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

(d) 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 32. The corresponding notional interest for the year ended 31 December 2008 amounted to approximately RMB5,093,000.

(e) 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 32. The corresponding notional interest for the year ended 31 December 2008 amounted to approximately RMB5,396,000.

(f) On 25 October 2007, the Group and FIL entered into a financial assistance agreement ("Financial Assistance Agreement"), pursuant to which, i) FIL or its subsidiaries 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.

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 31 December 2008, entrusted bank loans amounted to RMB1,938,000,000 was provided by Fosun Industrial Investment, bearing an interest rate at 120% of the interest rates quoted by PBOC, which will be adjusted quarterly. The interest expenses on these entrusted bank loans amounted to RMB170,796,000 for the year ended 31 December 2008.

(g) The entrusted bank loan in the amount of RMB220,000,000 was provided by the Group as set out in note 24, and the relevant interest income for the year ended 31 December 2008 amounted to RMB21,981,000.

(h) Shareholder loans in the amount of RMB290,000,000 and RMB126,400,000 were provided by the Group to Shaanxi Jianqin and Show All as set out in note 21. The relevant interest income for the year ended 31 December 2008 amounted to RMB6,266,000.

(i) Other borrowings in the amount of HK$70,000,000 (equivalent to RMB61,732,000) was provided to China Alliance, bearing an interest rate at 2.5% above Hong Kong Interbank Offer Rate, and is repayable by 24 October 2010.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Guarantees provided by related companies of the Group

According to the agreement set out in note (f), Fosun High Technology and FIL would provide the Group with bank guarantees of RMB1,300,000,000. As at 31 December 2008, part of the Group's short-term bank loans amounting to HK$273,200,000 (equivalent to RMB240,932,000) and RMB740,000,000 were guaranteed by FIL.

On 9 September 2008, the Group and FIL entered into another supplement agreement under the Financial Assistance Agreement, pursuant to which, i) FIL and its subsidiaries would provide the Group bank guarantees in the aggregate amount of RMB1,900,000,000; and ii) these guarantees would be used for the security of issuing the proposed corporate bonds.

(III) Guarantees provided to related companies by the Company

As at 31 December 2008, the Company guaranteed banking facilities to its subsidiaries in the amount of RMB2,800,010,000 (2007: RMB2,044,350,000).

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

	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	**11,545**	7,858
Pension scheme contributions	**220**	191
Total compensation paid to key management personnel	**11,765**	8,049

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

44. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation as follows:

Quasi-equity loans included in "loan receivables" as at 31 December 2007 amounting to RMB150,000,000 and RMB89,200,000, respectively, have been reclassified to "interests in jointly-controlled entities" and "interests in associates" in the consolidated balance sheet.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 3 March 2009.

NOTICE IS HEREBY GIVEN that the 2008 annual general meeting ("AGM") of Shanghai Forte Land Co., Ltd. (the "Company") will be held at 10:00 a.m. on 23 June 2009 (Tuesday) 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 2008.

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2008.

3. To consider and approve the audited financial statements and the report of the auditors for the year ended 31 December 2008.

4. To consider and approve the profit distribution proposal for the year 2008 and to declare a final dividend for the year ended 31 December 2008 of RMB0.02 per share (pre-tax).

5. To authorise the Board to decide matters relating to the payment of interim dividend for the six months ending 30 June 2009.

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.

7. To authorise the Board to decide matters relating to external guarantees:

   (1) any guarantee, after the total external guarantees provided by the Company and the controlling subsidiaries not exceeding 50% of the latest audited net assets;

   (2) any guarantee, after the total external guarantees provided by the Company not exceeding 30% of the latest audited total assets;

   (3) within the above items (1) and (2), any guarantee with single guarantee amount not exceeding 10% of the latest audited net assets.

   (4) within the above items (1), (2), (3), any guarantee not for shareholders, the controlling entity or its connected party.

II. As special resolution:

8. 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 Company's articles of association (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
30 April 2009

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 of the Company are Mr. Chen Qiyu 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.

Notes:

(1) The register of shareholders of the Company will be closed from 23 May 2009 (Saturday) to 23 June 2009 (Tuesday) (both days inclusive), during which period no transfer of shares will be registered. Shareholders who intend to quality for the proposed final dividend and be eligible 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 Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on 22 May 2009 (Friday) for share transfer registration.

(2) Voting by poll will be conducted at the AGM. 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. If proxies will be appointed, the number of shares entitled for each of the proxies shall be stated in the authorization document.

(3) 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

(4) 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 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 2 June 2009 (Tuesday) (i.e. 20 days prior to the date of convening the AGM) for information purpose.

(5) 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.

(6) 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.

(7) 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.

(8) 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.