FORTE 复地®

FOR BETTER LIVING

ANNUAL REPORT 2010

STOCK CODE:02337

Shanghai Forte Land Co.,Ltd.

Contents

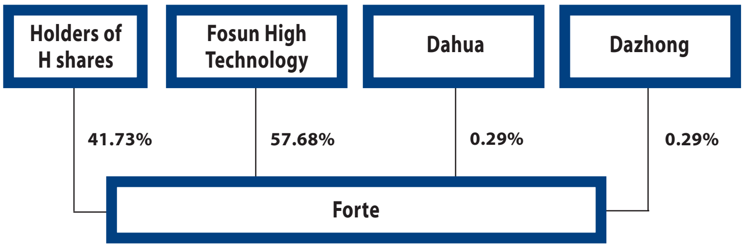
Corporate Profile

Shanghai Forte Land Co., Ltd. ("Forte" or the "Company"), together with its subsidiaries collectively known as the "Group", 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 issued RMB1.9 billion domestic corporate bonds with a 5-year tenure and coupon interest rate of 7.3%. The corporate bonds were listed on The Shanghai Stock Exchange (the "Shanghai Stock Exchange") since 3 November 2009 (bond code: 122020). The Company is headquartered in Shanghai, the PRC.

Adhering to the "For Better Living" motto, the Company develops high value properties for living, working and leisure purposes for China's new urban middle class. As of 31 December 2010 (the "Reporting Period"), existing property projects span twelve cities which include Shanghai, Beijing, Tianjin, Wuhan, Chongqing, Chengdu, Xi'an, Changchun, Hangzhou, Nanjing, Wuxi and Tai Yuan.

Wuhan | Forte International East Lake

The shareholding structure of the Company is as follows:



Note:

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

Corporate and Shareholder Information

Corporate Information

Board of Directors

Executive Directors
Mr. Zhang Hua (Chairman, President)
Mr. Fan Wei
Mr. Wang Zhe

Non-Executive Directors
Mr. Guo Guangchang
Mr. Chen Qiyu
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 (Chairlady)
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming

Remuneration Committee
Mr. Fan Wei (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

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Fuxing Business Building
No. 2 East Fuxing Road
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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 on Hong Kong Law
Herbert Smith LLP

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

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

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

Shareholder Information

Listing Information
The Company's shares were listed on The Stock Exchange. As at 31 December 2010, the value per share of the Company is RMB0.20. The number of shares listed on the Stock Exchange and held by the public is 1,055,538,122.

The Company's corporate bond was listed on the Shanghai Stock Exchange. The corporate bonds of the Company were RMB1,900,000,000 with a coupon interest rate of 7.3% and were for a period of 5 years.

Stock code

• The Stock Exchange	02337
• Reuters	02337.HK
• Bloomberg	02337 HK

Bond code

The Shanghai Stock Exchange	122020

2010 Corporate Schedule
Interim results announcement
21 August 2010

Annual results announcement
24 March 2011

Last day for lodging transfer
13 May 2011

Suspension of share registration
16 May 2011 to 15 June 2011
(both days inclusive)

Annual General Meeting
15 June 2011

Proposed no distribution of final dividend for 2010

Investors relationship contact
Mr. Limin Xu
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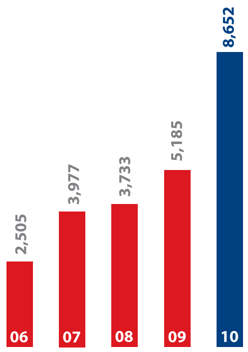
Fax: (8621) 6332 5018
Email: IR@forte.com.cn

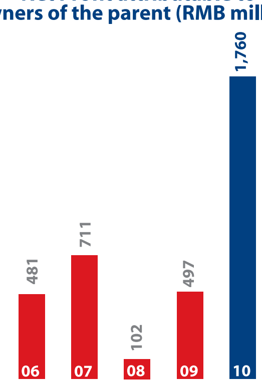

Shanghai | Forte Glorious Times

Financial Highlights

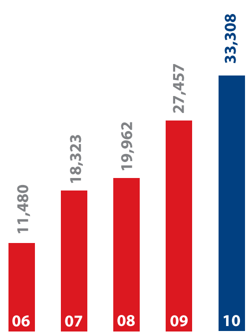
Turnover (RMB million)



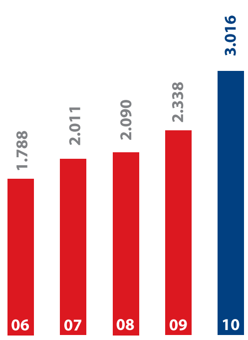
Net Profit attributable to owners of the parent (RMB million)



Total assets (RMB million)



Book Value per Share (RMB)



As at the end of 31 December 2010

RMB million	2006	2007	2008	2009	2010
	(restated)				
Turnover	2,505	3,977	3,733	5,185	8,652
Gross Profit	962	1,252	1,773	1,529	3,158
Gross Margin	38.4%	31.5%	47.5%	29.5%	36.5%
Earnings before interest and Tax	973	1,328	931	1,137	3,869
Net Profit attributable to owners of the parent	481	711	102	497	1,760
Comprehensive Income attributable to owners of the parent	481	664	155	645	1,699
Net Margin	19.2%	17.9%	2.7%	9.6%	20.3%
Earning Per Share (RMB)	0.194	0.281	0.040	0.196	0.696
Total Assets	11,480	18,323	19,962	27,457	33,308
Equity attributable to owners of the parent	4,521	5,085	5,285	5,913	7,629
Return on Equity (ROE)	10.6%	14.0%	1.9%	8.4%	23.1%
Asset Turnover Rate	23.3%	26.7%	19.5%	21.9%	28.5%
Net Assets per Share (RMB)	1.788	2.011	2.090	2.338	3.016
ROE (Average)	12.1%	14.8%	2.0%	8.9%	26.0%
Number of shares as at the end of the period (million shares)	2,529	2,529	2,529	2,529	2,529
Weighted average number of shares (million shares)	2,481	2,529	2,529	2,529	2,529

Project Overview

No.	City	Project Name	Address	Approximate Total GFA (sq.m.)	Interest Attributable to the Company	Approximate Attributable GFA (sq.m.)	Remarks
1	Shanghai	Fashion Block (PhaseA1)	Lane 883, Jiuting Street Sogjiang District, Shanghai	50,992	100.00%	50,992	Completed and in occupation
2		Allen Poem (Phase 2B2)	Lane 599 Lai Ting South Road, Qingpu District, Shanghai	7,313	100.00%	7,313	Completed and in occupation
3		Parktown (Phase 2A)	Dushi Road/Jinyang Road, Minhang District, Shanghai	70,893	100.00%	70,893	Completed and in occupation
4		Parktown (Phase 2B)	Dushi Road/Jinyang Road, Minhang District, Shanghai	84,316	100.00%	84,316	Completed and in occupation
5		Glorious Times	Yongxing Road/Gongxing Road, Zhabei District, Shanghai	120,195	100.00%	120,195	Construction in process
6		Villa Espana (Phase2)	Lane 6666 Waiqingsong Road, Qingpu District, Shanghai	81,520	55.00%	44,836	Completed and in occupation
7		Jinshan Chempark (Phase2)	Shanyang town,Jinshan District, Shanghai	35,543	100.00%	35,543	Newly commenced
8		Steel Union (Phase2)	Youyi Road/Tieshan Road, Baoshan District, Shanghai	143,481	50.00%	71,741	Newly commenced
9		Yi He Hua Cheng	No.479 East Wuwei Road, Putuo District, Sahnghai	9,929	50.00%	4,964	Construction in process
10		Yi He Hua Cheng (Phase 3C-2/Parking space)	No.479 East Wuwei Road, Putuo District, Sahnghai	83,752	50.00%	41,877	Completed and in occupation
11		Golden City (C-1)	Yuqiao Road/Yushui Road Pudong District, Shanghai	56,547	40.00%	22,619	Completed and in occupation
12		Golden City (C-2)	Yuqiao Road/Yushui Road Pudong District, Shanghai	85,903	40.00%	34,361	Construction in process
13		Xintiandi 107 Hotel Project	No.120 Taicang Road, Luwan District, Shanghai	47,988	20.00%	9,598	Construction in process
14	Beijing	Value Stream (Clubhouse)	Changxing Chuang, Xiaotangshan Town, Changping District, Beijing	5,148	100.00%	5,148	Construction in process
15		Value Stream (Phase 3)	Changxing Chuang, Xiaotangshan Town, Changping District, Beijing	11,542	100.00%	11,542	Completed and in occupation
16		Xirongxian 26 (Basement, Phase 2 & 3)	F2 Area, South East Area, Xicheng District, Beijing	62,725	100.00%	62,725	Completed and in occupation
17		Marriott Hotel	Zhangdong Road, Dongcheng District, Beijing	130,664	37.00%	48,346	Completed and in occupation
18	Tianjin	Tianjin Konggang Project (Phase1)	West 7th Street/Central Avenue, Airport economic region, Tianjin Bonded zone	153,470	70.00%	107,429	Newly commenced
19	Nanjing	Graceful Oasis (A6-1, A6-2, A2#garage, B, C2-3, E-2, E-3)	No.59 Puzhu North Road, Pukou District, Nanjing	337,441	40.95%	138,182	Construction in process
20		Graceful Oasis (A5-2.2, B4, C2-2, E-1)	No.59 Puzhu North Road, Pukou District, Nanjing	99,706	40.95%	40,830	Completed and in occupation
21		Graceful Oasis (E-4, N)	No.59 Puzhu North Road, Pukou District, Nanjing	100,538	40.95%	41,170	Newly commenced
22		Glorious Times (Phase 1)	No.100 Dongjing Village, Xiaguan District, Nanjing	92,813	90.00%	83,532	Newly commenced
23		Ronchamp Villa (Phase 4.1-1)	No.138~158 Fucheng Xi Road, Nanjing	10,571	100.00%	10,571	Construction in process
24		Ronchamp Villa (Phase 4.1-2)	No.138~158 Fucheng Xi Road, Nanjing	19,678	100.00%	19,678	Newly commenced
25		Ronchamp Villa (Phase 4.2)	No.138~158 Fucheng Xi Road, Nanjing	41,778	100.00%	41,778	Newly commenced

No.	City	Project Name	Address	Approximate Total GFA (sq.m.)	Interest Attributable to the Company	Approximate Attributable GFA (sq.m.)	Remarks
26	Hangzhou	Invaluable City (Phase 2)	Hanghai Road/East Shitang Road, Yuhang District, Hangzhou	100,581	75.00%	75,436	Completed and in occupation
27		Invaluable City (Phase 3)	Hanghai Road/East Shitang Road, Yuhang District, Hangzhou	90,197	75.00%	67,648	Completed and in occupation
28		Invaluable City (Phase 4.1, 4.2)	Hanghai Road/East Shitang Road, Yuhang District, Hangzhou	68,563	75.00%	51,423	Construction in process
29		Northern City Center	Moganshan Road/Qingmiao Road, Gongshu District, Hangzhou	160,418	100.00%	160,418	Construction in process
30		Forte Times (Phase1)-Fuyang Phase1	Comprehensive market, Fuchun Road, Fuyang, Zhejiang	104,684	50.00%	52,342	Construction in process
31		Forte Times (Phase1)-Fuyang Phase2,3	Comprehensive market, Fuchun Road, Fuyang, Zhejiang	199,405	50.00%	99,702	Newly commenced
32	Wuxi	Australian Garden (Phase 2.2)	No.99 Zhenghe Main Road, Huishan District, Wu Xi	57,369	50.00%	28,685	Construction in process
33		Australian Garden (Phase 3.1)	No.99 Zhenghe Main Road, Huishan District, Wu Xi	50,427	50.00%	25,214	Newly commenced
34		Australian Garden (Phase 3.2)	No.99 Zhenghe Main Road, Huishan District, Wu Xi	64,122	50.00%	32,061	Newly commenced
35	Chongqing	Yuanyang Jiedao (Phase 1B)	No.81 Jinyu Main Road, Jingkai District, Chongqing	97,380	100.00%	97,380	Completed and in occupation
36		Uptown (C1)	No.81 Jinyu Main Road, Jingkai District, Chongqing	181,671	100.00%	181,671	Construction in process
37		Yuanyang Jiedao (Phase 1C)	No.81 Jinyu Main Road, Jingkai District, Chongqing	74,768	100.00%	74,768	Newly commenced
38		Chongqing Forte Times (Jinshan International Business Center)	B-01 block, Jinshan Area, Jingkai District, Chongqing	54,009	100.00%	54,009	Newly commenced
39	Wuhan	Forte International East Lake (Phase 1A)	No.147 Zhongbei Road Wuchang District, Wuhan	63,554	70.00%	44,488	Completed and in occupation
40		Forte International East Lake (Phase 1B)	No.147 Zhongbei Road Wuchang District, Wuhan	88,273	70.00%	61,791	Completed and in occupation
41		Forte International East Lake (Phase 2A)	No.147 Zhongbei Road Wuchang District, Wuhan	94,796	70.00%	66,357	Construction in process
42		Forte International East Lake (Phase 2B)	No.147 Zhongbei Road Wuchang District, Wuhan	60,370	70.00%	42,259	Newly commenced
43	Chengdu	Forte Yunyue (Phase 1)	South Shenghua Road, Gaoxin District, Chengdu	146,372	80.00%	117,097	Newly commenced
44		Forte Yunyue (Phase 2)	South Shenghua Road, Gaoxin District, Chengdu	163,359	80.00%	130,687	Newly commenced
45		Forte Times (Chengdu)	South area, Gaoxin District, Chengdu	326,727	100.00%	326,727	Newly commenced
46	Xi'an	Yotown (Phase 1)	Yuhua Town Gaoxin District, Xi'an	138,274	95.00%	131,360	Completed and in occupation
47		Yotown (Phase 2)	Yuhua Town Gaoxin District, Xi'an	94,125	95.00%	89,419	Construction in process
48		Jinxiutianxia (Phase 1)	Beichen Main Road / East Xuefu Road,Xi'an	196,634	50.00%	98,317	Newly commenced
49	Changchun	Natural City (D)	Boxue Road Jingyue Development District, Changchun	23,307	100.00%	23,307	Construction in process
50		Natural City (E-1)	Boxue Road Jingyue Development District, Changchun	105,120	100.00%	105,120	Construction in process
51		Natural City (E-2)	Boxue Road Jingyue Development District, Changchun	124,606	100.00%	124,606	Newly commenced
52		Natural City (A-1)	Boxue Road Jingyue Development District, Changchun	103,011	100.00%	103,011	Newly commenced
	Total			4,976,566		3,675,477	

Chairman's Statement

Chairman | **Zhang Hua**

Dear Shareholders:

On behalf of the board of the directors of the Company (the "Board"), I am pleased to present for your review the annual results of the Company for the year ended 31 December 2010.

2010 is a year of "regulation and control" for the real estate sector. A variety of government control policies aiming to curb and limit the developers and consumption demand had been continuously rolling out and even heightening. Under such circumstances, the Group immediately adjusted its business strategy based on the pace of macro-economic control, and formulated sales strategies according to each city's unique characteristics by setting the price according to market acceptability; not withholding any inventories; strictly executing government policies; speeding up asset turnover; and cautiously acquiring land reserves based on corporate strategies. In the past year, the PRC property market continued to maintain a growth trend despite regulation and control. Benefiting from the market growth and management's strategic decisions, the Company's 2010 annual results were excellent. The Company's audited turnover and net profit attributable to the shareholders were RMB8,652,000,000 and RMB1,760,000,000, representing an increase of 66.9% and 254.4% from the previous year, respectively.

In 2010, the overall growth of the market against the background of regulation and control further indicated that the PRC real estate sector is still in a growing phase with steady demand. Especially, the second tier cities have fully exhibited the market scale and potential, and as a result, Forte has obtained profitable returns from its earlier positioning in the second tier cities. Although future regulation and control measures will postpone the demand of various groups in China for improving living conditions, they will not affect the fundamental forces of propelling the industry's rapid growth, that is, rapid economic growth, continuing development of urbanization, demographic dividend and fast accumulation of social wealth. Under the continuous regulation and control policies, part of the industry operating environment has changed. But we are still full of confidence in the PRC property market in the future and will continue to share the benefits from its development and growth.

We believe that the regulation and control measures will continue in 2011. Under the circumstances that the growth rates of property and land prices far exceed those of the macro-economic growth and people's income growth, the moderate regulation can facilitate healthy development of the property market and bring a more rational and stable market and an industry environment for more sustainable development. As a result, Forte will seize the structural opportunities arising from the regulation measures and further increase reserves of land resources in some cities.

In 2010, on the basis of the Group's overall ten-year development strategy, Forte further clarified the strategy of "Residential Focused; Fast Asset Turnover; Further Development in Existing Regions; Boutique Quality Products" for its development business, and clearly formulated the five year development objectives and strategies for four big regions. Under the guidance of these fundamental principles, Forte's operating strategies have become clear in 2011: consider development on the premises of ensuring safety of the group's full year cash flow and solid foundation; continue to strengthen the system of talent hiring and training; further strengthen the connection with Fosun's corporate culture; ensure adequate investment; promote the development of fund management business; and establish boutique quality projects.

Our strategy is much clearer, our goal is more specific, and our belief in property market is as confident as ever. We believe that with our collective efforts, the Company will present even better results in 2011.

Lastly, on behalf of the Board, I would like to thank all shareholders, investors, business partners and customers for their trust and support, and express my gratitude to my fellow colleagues for their hard work during the past year.

Chairman
Zhang Hua

Shanghai, the PRC
24 March 2011

Management Discussion and Analysis

Market Review

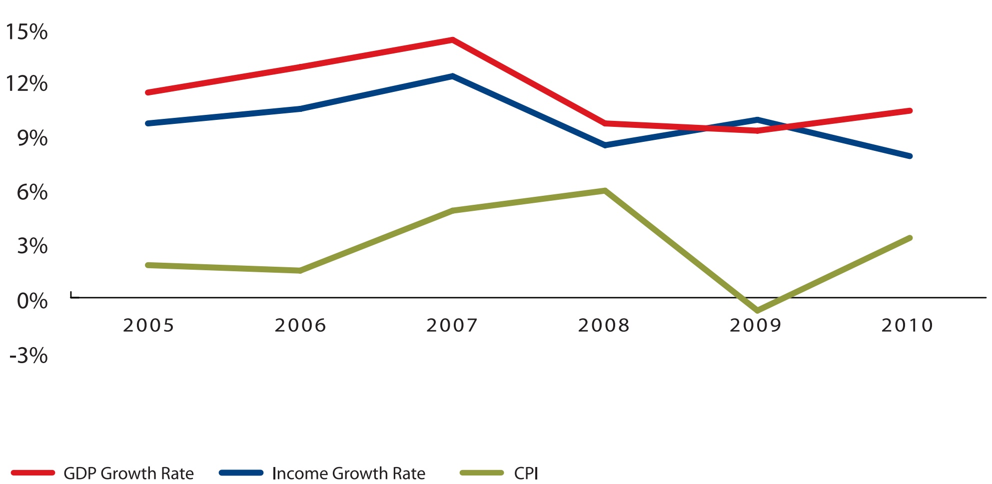
In 2010, the PRC economy had gone through stable and fast growth in a complicated domestic and global economic environment. Under the gloomy outlook of the aftermath of the global financial crisis, the European debt crisis and the shadow of the second bottoming-out of the global economy, the PRC government implemented a series of effective economic policies which aimed at maintaining a stable and relatively fast growing economy, managing inflation expectation and adjusting the economic structure. The upward trend of the national economy has been consolidating on the basis of recovery in 2009, and the economy tended to be stabilized from a previous downturn. For the whole year, Gross domestic product (GDP) reached RMB 39.8 trillion representing an increase of 10.3% year over the previous year and Consumer Products Index (CPI) increased 3.3% year over the previous year.

In 2010, the property market has entered into a normalized tightening mode with frequent regulation and control policies. During the year, the property market had experienced 3 rounds of strict policy control. Although the uptrend of domestic housing price has weakened, the overall upward trend remained intact. In December 2010, the housing selling price in 70 mid-sized to large cities throughout the country increased 6.4% as compared to the same period last year, which was 6.4% less than the highest level in April of the year, and the transaction volume of commodity housing in the country increased 19% year over year. The new national 8 policies, which were released on 26 January 2011, indicated that the property tightening control would continue and intensify throughout the year.

Looking forward to the year of 2011, from the aspect of global environment, the drastic unrest resulted from the global financial crisis is gradually relaxed and the world economy is likely to continue to recover and grow; from the aspect of domestic environment, year 2011 marks the beginning of the "12th five-year plan", consumption upgrades and urbanization are all in the process of accelerated development, and the driving force of overall sustainable economic growth is relatively adequate.

Comprehensively speaking, under the macro environment of stable economy, the thriving and robust long-term development trend of the real estate market in our country is certain. Influenced by the relatively negative policy environment during the year, the market is expected to be affected to a greater extent in the first half of the year; and after taking into account of the implemented negative policies, the market is expected to gradually recover in the second half of the year. The expectation for further curbing measures from the government toward the real estate industry will bring about uncertainties to the market.

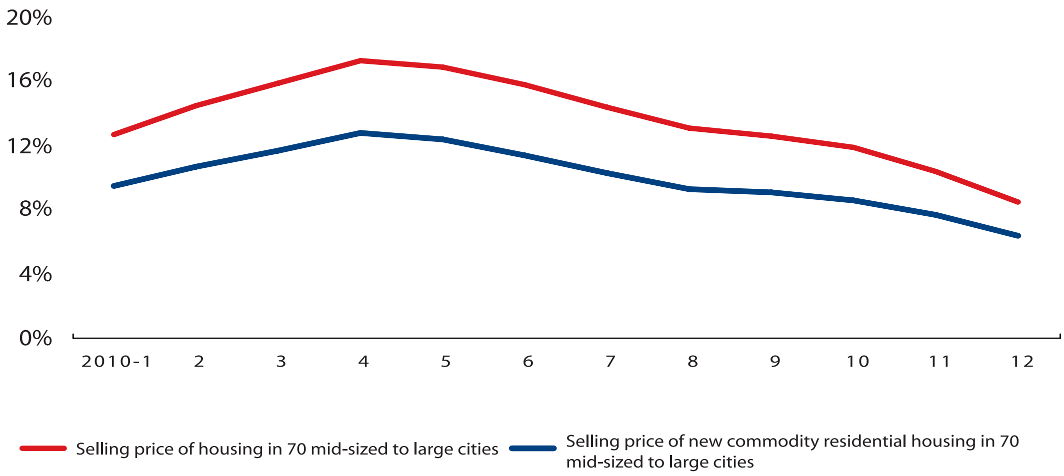
Major Macro Economic Indicator Growth Rate 2005-2010



Source: National Bureau of Statistics of China

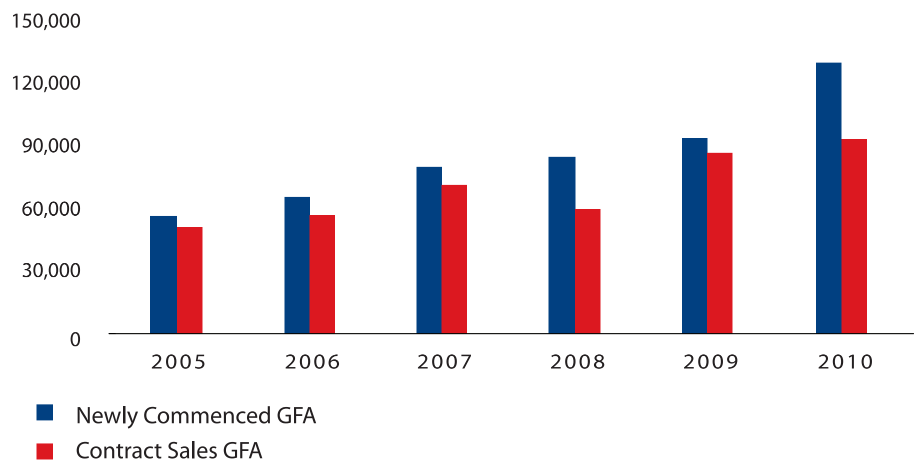
Increase/decrease of selling prices of housing and new commodity residential housing in 70 mid-sized to large cities in 2010 (month-to-month)

Increase/decrease of selling prices of housing and new commodity residential housing in 70 mid-sized to large cities in 2010 (month-to-month)



Source: National Bureau of Statistics of China

National Newly Commenced GFA, Contract Sales GFA 2005-2010



Source: National Bureau of Statistics of China

Nanjing | Glorious Times

Nanjing | Ronchamp Villa

Shanghai

In 2010, the investment growth in the Shanghai real estate market accelerated, the upward trend of the selling prices of new residential flats slowed and the contracted GFA of commodity housing decreased.

Throughout the year, the transaction volume of high-end residential market remained stable, which established the support for the overall trend of the residential market. Although the implementation of various control policies effectively curbed the demand from investment and speculative purchases, the issue of insufficient follow-up supplies still remained due to continuous reduction in completion area of commodity housing during the last 2 years in Shanghai. In 2010, the total completion area in the city was 19.41 million sq.m. representing a decrease of 7.8% as compared to that in 2009.

	Shanghai	
Project	**Figures**	**Growth Rate**
GDP (RMB 100mil)	16,872	10%
Average Disposable Income per Capita of Urban Residents (RMB)	31,838	10%
Commodity Residential Housing Available for Sale GFA with Permits (10,000 sq.m.)	1,032	-25%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	929	-51%
Weighted Average Commodity Residential Housing Price (RMB/sq.m)	22,370	41%

Wuxi | Australian Garden

Chongqing | Uptown

Beijing

In 2010, after issuing the"Notice of the State Council in relation to Resolute Measures to Restrain the Overly Rapid Increases of Property Prices in Some Cities" at the end of April, the Beijing Municipal Government implemented and announced the"Notice of Beijing Municipal Government to Practically Implement the Notice of the State Council in relation to Resolute Measures to Restrain the Overly Rapid Increases of Property Prices in Some Cities". Affected by the policies, during the year, the commodity housing transaction volume in Beijing decreased 41%. Observing from the scale of monthly sales, the market was inactive in the first half of the year, and an upward trend gradually occurred in the second half of the year. Extending the trend of new supplies coming from suburban areas in recent years, 76% of new supplies of commodity housing were all from outside of 5th ring during the year. In 2010, ASP of commodity housing of the city continued its upward trend lasting from 2009.

	Beijing	
Project	**Figures**	**Growth Rate**
GDP (RMB 100mil)	13,778	10%
Average Disposable Income per Capita of Urban Residents (RMB)	29,073	9%
Commodity Residential Housing Available for Sale GFA with Permits (10,000 sq.m.)	1,177	2%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	1,196	-41%
Weighted Average Commodity Residential Housing Price (RMB/sq.m)	20,342	42%

Chengdu | Gorgeous Lakeside

Tianjin | Windsor Villa

Hangzhou, Nanjing, Wuxi

In 2010, market supply in Hangzhou exhibited 2 small peaks, which was in April and from September to October. With the macro control policies of "national 10 policies" on 17 April as the dividing line, the market supply reached a small peak before that date when various property developers accelerated projects launch to avoid the policy effects, and the supply in April alone reached 630,200 sq.m. Then transaction volume dropped to the freezing point, and market supply remained stable at an average volume of approximately 340,000 sq.m. from May to August. The expectation of regulation on presale proceeds from commodity housing in September and its official implementation in October caused the second small peak in market supply. In 2010, residential new supply and transaction volume in Hangzhou decreased 9% and approximately 50% respectively, as compared to the same period last year, and the whole-year average transaction price represented an increase of 52%.

City of Nanjing experienced a round of rapid increase in property price in 2009, and its property price was still at a relatively high level among second tier cities. Throughout the year, under the dual pressure of "purchase limit" and "credit limit", the Nanjing property market started to diverge, which was reflected by slow sales in low pricing projects and very active transactions in high quality projects. In 2010, affected by the policies, the whole-year residential new supply and transaction volume decreased 1% and 52% respectively, as compared to the same period last year, and the whole-year average transaction price represented an increase of 49%. The accumulated average transaction price of the city indicated an upward trend due to insufficient market supply.

In 2010, new residential supply in Wuxi market increased 69% as compared to the same period last year, and the transaction volume decreased approximately 17% as compared to the same time last year, and the whole-year average transaction price represented an increase of 26% from the previous year. The rapid recovery of the market in 2009 resulted in a better expectation toward the market outlook in 2010 by developers, and overall supply increased, and land bank reserves and newly commenced GFA also increased significantly as compared to the previous year. In 2010, affected by the policies, the transaction volume of commodity housing in Wuxi market dropped significantly. The main reason that the property price increased significantly in last 3 years was due to centralized launches of high-end residential projects in Wuxi.

Wuhan | Forte International East Lake

Taiyuan | Taiyuan Project

Supply, demand and prices of commodity residential properties in Hangzhou, Nanjing and Wuxi in 2010

	Hangzhou		Nanjing		Wuxi	
Project	Figures	Growth Rate	Figures	Growth Rate	Figures	Growth Rate
GDP (RMB 100mil)	5,946	12%	5,075	13%	5,758	13%
Average Disposable Income per Capita of Urban Residents (RMB)	30,035	12%	28,312	14%	27,905	12%
Commodity Residential Housing Available for Sale GFA with Permits (10,000 sq.m.)	415	-9%	613	-1%	640	65%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	320	-50%	472	-52%	588	-17%
Weighted Average Commodity Residential Housing Price (RMB/sq.m)	22,099	52%	10,864	49%	8,203	26%

Source: Statistic Bureau and real estate exchange centre of Hangzhou, Nanjing, and Wuxi

Chongqing, Chengdu, Xi'an

Benefiting from constant demand in recent years, the Chongqing market is in a position that demand far exceeds supply. Even with new tightening policies, the market demonstrated its strength with no obvious pressures. Although the transaction volume in Chongqing property market fluctuated in 2010, the overall volume remained at a stable growth trend, and the whole-year commodity housing price also showed an upward trend.

With favorable policies in "Liang Jiang New Area", and currently due to continuous enhancement of urban functions in central areas and the gradual maturity of supporting facilities like transportation and educational facilities in Jiu Long Po district and Sha Ping Ba University Town area, a tripartite structure of the southern, northern and western areas in downtown Chongqing has been initially established.

In early 2010, the commodity housing market in Chengdu continued its recovery trend from the previous year. The transaction volume began to shrink when the new policies released at the end of April, but it started to recover again by the end of the third quarter, and the transaction peak during the year appeared in November. Looking at the demographical transaction areas, the transaction volume in suburban areas has exceeded that of the downtown area. Throughout the year, the average transaction price had experienced several ups and downs with the roll out of tightening policies, but the overall upward trend remained intact, which represented an apparent price increase as compared to the previous year. The land bank market in Chengdu performed differently in the first and second half of the year, when it was relatively inactive in the first half and had been in an active recovery mode since May. During the year, land supply in the suburban area accounted for most of the city's total supply with Shuangliu and Pi County alone accounted for 44% of the total market supply.

In 2010, Xi'an residential market had gone through two rounds of strict tightening control carried out by the central government on 15 April and 29 September. However, in Xi'an, as a second tier city, the policy impact has delayed effect and the depth of the impact on the market was also limited. During the year, the overall position of the Xi'an residential market was short supply, and demand obviously exceeded supply, especially in Cheng Bei and Gao Xin, two core districts of Xi'an. Different categories of products all achieved good sales results, and "end user"products accounted for most of the transaction volume in the market.

Supply, demand and prices of commodity residential properties in Chongqing, Chengdu and Xian in 2010

	Chongqing		Chengdu		Xi'an	
Project	**Figures**	**Growth Rate**	**Figures**	**Growth Rate**	**Figures**	**Growth Rate**
GDP (RMB 100mil)	7,890	17%	5,508	16%	3,241	15%
Average Disposable Income per Capita of Urban Residents (RMB)	17,532	11%	20,835	12%	22,244	17%
Commodity Residential Housing Available for Sale GFA with Permits (10,000 sq.m.)	1,752	17%	1,943	4%	1,135	9%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	1,058	-55%	2,024	-28%	1,275	-4%
Weighted Average Commodity Residential Housing Price (RMB/sq.m)	6,235	37%	6,332	24%	6,211	27%

Source: Statistic Bureau and real estate exchange centre of Chongqing, Chengdu and Xian

Tianjin, Wuhan, Changchun

In Tianjin, one of the key development areas in the period of the“11th five-year plan”, the prosperous property industry in 2010 was stimulated by urban renewal construction projects from the aspects of municipal construction, simultaneous commencement of construction of three metro lines, 5th Avenue renewal to the construction of Tianjin exhibition towns.

In 2010, affected by the tightening policies, the transaction volume appeared to shrink at the end of the first quarter. But, the policy impact from adjustment on mortgage loans in September and the implementation of “purchase limit” in October was relatively insignificant, thus promoting an upward trend of transaction volume for projects located in suburban areas, and the average transaction price of the whole city maintained a stable growth trend.

In 2010, the transaction volume of commodity housing in Wuhan had a stable increase, and the transaction price also continued to increase. The whole-year property development related investments had an increase of over 22% as compared to that of the same period last year, which was more or less the same as the 23% YOY increase in industrial related investments, and the proportion of investment in property development as percentage of GDP also increased, which was 26%. In 2010, the total land bank transaction amount in Wuhan exceeded that of the previous year, among which the land transaction GFA outside of 3rd ring reached 36%, and the scope of land transaction appeared to be expanding outbound to suburban areas.

Changchun is a city which started late in the property market among second tier cities. The market mainly consists of end user buyers, thus, the impact of tightening policies on the commodity housing transaction volume was relatively weak, and the market transaction volume has gradually returned to a high level starting from the second half of the year. Throughout the year, new supply of commodity housing of the city increased 24%, but commodity housing transaction GFA decreased 26% as compared to the same period last year, and the average transaction price of commodity housing represented an increase of 39% year over year. Judging from the aspect of transaction regions, the traditional districts of Kuan Cheng district and Lv Yuan district remained to be the major volume contributors in the city’s transactions.

Supply, demand and prices of commodity residential properties in Tianjin, Wuhan and Changchun in 2010

	Tianjin		Wuhan		Changchun	
Project	**Figures**	**Growth Rate**	**Figures**	**Growth Rate**	**Figures**	**Growth Rate**
GDP (RMB 100mil)	9,109	17%	5,516	15%	3,370	16%
Average Disposable Income per Capita of Urban Residents (RMB)	24,293	14%	20,806	13%	17,921	10%
Commodity Residential Housing Available for Sale GFA with Permits (10,000 sq.m.)	1,268	29%	1,011	40%	363	24%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	1,025	-23%	903	-15%	450	-26%
Weighted Average Commodity Residential Housing Price (RMB/sq.m.)	9,297	23%	6,827	26%	5,980	39%

Source: Statistic Bureau and real estate exchange centre of Tianjin, Wuhan and Changchun

BUSINESS REVIEW

During the Reporting Period, major achievements of the Group are reflected in the following:

Project Developments

During the Reporting Period, there were 52 projects under development (including the projects of joint ventures in which the Group owns equity interests and associate companies, excluding the development projects of Shanghai Zendai Property Limited ("Shanghai Zendai"), an associated company). Total gross floor area ("GFA") of these projects was approximately 4,976,566 sq.m., of which a total GFA of approximately 3,675,477 sq.m. was attributable to the Company, representing an increase of approximately 39.75% compared to the same period last year (2009: GFA attributable to the Company of approximately 2,630,038 sq.m.).

Project Developments During the Reporting Period

City	Approximate Total GFA (sq.m.)	Approximate GFA Attributable to the Company (sq.m.)
Shanghai	878,373	599,247
Beijing	210,080	127,761
Tianjin	153,470	107,429
Nanjing	702,525	375,741
Hangzhou	723,848	506,968
Wuxi	171,918	85,959
Chongqing	407,828	407,828
Wuhan	306,991	214,894
Chengdu	636,457	574,511
Xi'an	429,033	319,096
Changchun	356,043	356,043
Total:	**4,976,566**	**3,675,477**

Of the aforementioned 52 projects, 19 projects with a total GFA of approximately 2,151,110 sq.m were new, of which a total GFA of approximately 1,629,328 sq.m. was attributable to the Company, representing an increase of approximately 91.10% compared to the same period last year (2009: GFA attributable to the Company of approximately 852,585 sq.m.).

Of the aforementioned 52 projects, 17 projects with a total GFA of approximately 1,318,229 sq.m were completed, of which a total GFA of approximately 964,389 sq.m. was attributable to the Company, representing an increase of approximately 58.27% compared to the same period last year (2009: GFA attributable to the Company of approximately 609,324 sq.m.).

Projects Reserved

During the Reporting Period, in accordance with the Group's development strategy and real estate industry policies, the Group adopted cautious approach in acquiring additional projects primarily by participating in government tenders and auctions and acquiring equity interests of other companies. During the Reporting Period the Group secured a total of 9 projects with a total GFA of approximately 3,790,000 sq.m., of which a total GFA of approximately 2,160,000 sq.m. was attributable to the Company, representing an increase of approximately 78.51% compared to the same period last year (2009: GFA attributable to the Company of approximately 1,210,000 sq.m.).

Newly Acquired Projects During the Reporting Period

Serial Number	City	Project Name	Approximate Total GFA (sq.m.)	Interest Attributable to the Company	Approximate Attributable Total GFA (sq.m.)	Usage
1	Shanghai	Garden Plaza	97,227	100.00%	97,227	Residential
2		Glorious Time (Equity Increase)	120,195	Increased 40% Equity	48,078	Residential
3		Xintiandi 107 Hotel Project	47,988	20%	9,598	Complex
4	Chengdu	Shuangliu Project	410,126	100.00%	410,126	Residential
5		Huanglong Project	555,733	50.00%	277,867	Commercial and Residential
6		Yintai Project	654,620	20.00%	130,924	Commercial and Residential
7	Taiyuan	Banshan Project	861,209	80.00%	688,967	Residential
8	Wuxi	Wuaibei Project	246,089	40.00%	98,436	Residential
9	Chongqing	Nanshan Huangjiaoya Project	794,458	50.00%	397,229	Residential
	Total		**3,787,646**		**2,158,452**	

Notes:

1) Shanghai Glorious Times' s equity interests increased from 60% to 100% by acquiring 40% equity interests of the project

2) Information was updated based on the most recent project planning documents

During the Reporting Period, the Group had projects reserves with aggregate planned GFA of approximately 14,140,000 sq.m., of which a total GFA of approximately 9,050,000 sq.m. was attributable to the Company, representing an increase of 23.13% compared to the same period last year (2009: GFA attributable to the Company of approximately 7,350,000 sq.m.). The projects reserves are located in 12 cities, namely Shanghai, Beijing, Tianjin, Taiyuan, Nanjing, Hangzhou, Wuxi, Chongqing, Wuhan, Chengdu, Xi'an 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.

Reserved Projects For the Year Ended 31 December 2010 (Sq.m.)

City	Total In Total	Total Attributable to the Company	Under Construction In Total	Under Construction Attributable to the Company	To Be Developed In Total	To Be Developed Attributable to the Company
Shanghai	1,671,927	1,018,283	443,039	276,402	1,228,888	741,880
Beijing	5,148	5,148	5,148	5,148	0	0
Tianjin	405,233	283,663	153,470	107,429	251,763	176,234
Taiyuan	861,209	688,967	0	0	861,209	688,967
Nanjing	1,400,924	802,364	602,819	334,911	798,105	467,453
Hangzhou	689,362	481,104	533,070	363,885	156,292	117,219
Wuxi	1,012,209	481,495	171,918	85,959	840,291	395,536
Chongqing	1,282,515	885,287	310,448	310,448	972,067	574,838
Wuhan	1,208,519	845,963	155,165	108,616	1,053,354	737,348
Chengdu	2,256,937	1,393,428	636,457	574,511	1,620,480	818,917
Xi'an	2,452,179	1,268,446	290,759	187,736	2,161,420	1,080,710
Changchun	893,679	893,679	356,043	356,043	537,635	537,635
Total	**14,139,842**	**9,047,827**	**3,658,338**	**2,711,088**	**10,481,504**	**6,336,738**

Notes:

1. Reserved projects include projects under development and projects to be developed (including the projects of joint ventures in which the Group owns equity interests and associate companies);

2. Of the reserved projects to be developed with a total GFA of approximately 10,481,504 sq.m. (which include projects without land use right certificates but with executed land grant contracts or approved by the PRC government), the Gross GFA of the projects with land use right certificates is approximately 6,220,911 sq.m.

The current reserved projects of the Group are 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 1,333,364 sq.m. and RMB17,362,953,000 (including joint ventures in which the Group owns equity interests and associate companies, excluding the development projects of Shanghai Zendai, an associated company, including the sale of the equity interest of Forte Tianjin Center). Total sales attributable to the Company was approximately 1,070,389 sq.m. and RMB13,809,610,000, representing an increase of approximately 19.98% and 62.15%, compared to the same period last year (2009: Aggregate sales attributable to the Company of approximately 892,179 sq.m. and RMB8,516,545,000).

The Group actively expanded its property development business into 12 cities in the PRC. During the Reporting Period, property sale had commenced in 11 cities.

Total Contracted GFA and Amount During the Reporting Period

			Sales GFA (sq.m.)		Sales Revenue (RMB'000)	
No.	City	Name of Project	In Toal	Attributable to the Company	In Total	Attributable to the Company
1	Shanghai	Glorious Time	55,257	55,257	2,141,599	2,141,599
2		Villa Espana	27,004	14,852	353,505	194,428
3		Parktown	81,047	81,047	1,113,668	1,113,668
4		Fashion Block	15,657	15,657	268,417	268,417
5		Forte Times	8,198	8,198	167,671	167,671
6		Golden City	57,436	22,974	1,644,034	657,613
7		Yi He Hua Cheng	15,238	7,619	330,924	165,462
8		Jinshan Chempark	3,338	3,338	19,383	19,383
9		Other Projects	21,520	19,422	92,445	84,172
10	Beijing	Xirongxian 26	12,647	12,647	654,989	654,989
11		Value Stream	11,243	11,243	184,010	184,010
12		Peking House	24,175	24,175	790,477	790,477
13		Spring Town	1,924	577	9,717	2,915
14	Nanjing	Graceful Oasis	85,106	34,851	661,698	270,965
15		Ronchamp Villa	16,195	16,195	257,422	257,422
16		Glorious Times	31,405	28,265	520,638	468,574
17	Hangzhou	Invaluable City	37,493	28,120	388,877	291,658
18		Forte Times	59,550	29,775	677,213	338,606
19		Northern City Center	314	314	2,865	2,865
20	Wuxi	Australian Garden	45,443	22,722	316,460	158,231
21	Chongqing	Uptown	152,050	152,050	793,900	793,900
22	Wuhan	Forte International East Lake	108,643	76,050	1,092,476	764,734
23		Cui Wei New City	49	29	234	141
24	Xi'an	Yotown	120,232	114,221	658,441	625,519
25	Chengdu	Gorgeous lakeside	88,921	71,137	812,180	649,744
26	Changchun	Natural City	118,778	118,778	740,657	740,657
	Total		**1,198,863**	**969,513**	**14,693,900**	**11,807,820**
27	Tianjin	Tianjin Centre Equity Transfer	134,501	100,876	2,669,053	2,001,790
	Total		**1,333,364**	**1,070,389**	**17,362,953**	**13,809,610**

Note: including saleable parking spaces.

Property Booked

During the Reporting Period, booked GFA and revenue amounted to 1,110,781 sq.m. and RMB12,988,103,000 (including joint ventures in which the Group owns equity interests and associate companies, excluding the development projects of Shanghai Zendai, an associated company, including the sale of the equity interest of Forte Tianjin Center). Booked GFA and revenue attributable to the Company amounted to 869,201 sq.m. and RMB10,455,828,000, representing an increase of approximately 50.58% and 84.08%, compared to the same period last year (2009: Booked GFA and revenue attributable to the Company of 577,237 sq.m. and RMB5,679,967,000).

Project Booked and Booked Revenue During the Reporting Period

			Sales GFA (sq.m.)		Sales Revenue (RMB'000)	
No.	City	Name of Project	In Toal	Attributable to the Company	In Total	Attributable to the Company
1	Shanghai	Allen Poem	7,344	7,344	112,984	112,984
2		Parktown	146,490	146,490	2,099,127	2,099,127
3		Villa Espana	58,903	32,397	657,979	361,889
4		Forte Sunny City	175	175	2,163	2,163
5		Fashion Block	45,518	45,518	599,861	599,861
6		All New Shanghai	32	32	182	182
7		Glorious Times	658	658	3,994	3,994
8		Forte Elegant Garden	142	125	3,451	3,037
9		Yi He Hua Cheng	27,513	13,757	348,466	174,233
10		Forte Times	10,284	10,284	177,385	177,385
11		Golden City	58,049	23,220	982,045	392,818
12		Gubei New City	298	149	1,095	548
13	Beijing	Value Stream	8,700	8,700	137,340	137,340
14		Xirongxian 26	31,115	31,115	1,278,280	1,278,280
15		Peking House	16,474	16,474	546,552	546,552
16		Spring Town	1,924	577	9,717	2,915
17	Nanjing	Graceful Oasis	94,343	38,633	408,538	167,296
18	Hangzhou	Invaluable City	127,542	95,657	1,026,039	769,529
19	Wuxi	Australian Garden	1,041	521	5,289	2,644
20	Chongqing	Uptown	87,756	87,756	406,121	406,121
21	Wuhan	Forte International East Lake	124,189	86,932	893,592	625,515
22		Cui Wei New City	49	29	234	140
23	Xi'an	Yotown	119,179	113,220	582,621	553,490
24	Changchun	Natural City	8,562	8,562	35,995	35,995
	Total		**976,280**	**768,325**	**10,319,050**	**8,454,038**
25	Tianjin	Tianjin Centre Equity Transfer	134,501	100,876	2,669,053	2,001,790
	Total		**1,110,781**	**869,201**	**12,988,103**	**10,455,828**

Note: including saleable parking spaces

During the Reporting Period, GFA sold but not yet booked and unbooked revenue amounted to 989,848 sq.m. and RMB11,874,220,000. GFA sold but not yet booked and unbooked revenue attributable to the Company amounted to 748,008 sq.m. and RMB8,804,555,000, representing an increase of approximately 37.11% and 62.06% as compared to the same period last year (2009: GFA sold but not yet booked and unbooked revenue attributable to the Company of 545,537 sq.m. and RMB5,432,886,000).

Investment Property

In order to acquire stable and operating income, two investment properties of the Group, namely Fosun International Center and Northern City Center were used for leasing purpose. As of 31 December 2010, the fair value of these two investment properties amounted to RMB2,551,167,000.

Major Events

Major Events After the Reporting Period

In accordance with the announcement on 20 January 2011 and composite documents on 25 February 2011, which were released together by the Company and Fosun International Co., Ltd. ("Fosun International"), an voluntary conditional offer by Standard Chartered Bank (Hong Kong) Limited on behalf of Fosun International for all the issued H shares in the Company (other than those already held by Fosun International and Parties acting in concert with it), an voluntary Conditional Offer by Fosun International for all the issued domestic shares in the Company (other than those already held by Fosun International and Parties acting in concert with it). Please refer to the announcement and circulars for detailed information.

Future Prospects

Operating Environment

In 2010, the Chinese economy has gradually moved on from the negative impact of the global financial crisis and returned to normal growth track. During the year, the central government continued to maintain a moderate monetary policy, the property market continued its upward trend which started from the end of 2009. Despite the government has released multiple tightening measures since the 1st quarter, the transaction volume still remained at a relatively higher level, and transaction price has shown steady appreciation due to the strong demand from urbanization, global capital inflow and the anticipation of Renminbi appreciation.

In the past two years, the overly rapid property price appreciation has caused speculative capital entering the market thereby causing concerns of irrational prosperity for the industry. In 2011, the year which begins the "12th 5 years plan", the growth of Chinese economy will face two major goals: adjusting economic structure and curbing inflation.

In 2011, the Chinese government may still continue and intensify the tightening measures for real estate. The deepening effect and expansion of the policy of "limited purchase" has already caused certain short term impact to the market.

However, we believe that the key factors, which support the growth of the Chinese property market, did not change. Instead, these are reasonable market adjustments for some regions which had overly rapid price appreciations in the past. Under the backdrop of changing economy, the cooperative development between regions and the trend of urbanization will propel the growth of the property market in the new emerging cities. The healthy steady economic growth will bring bright prospects for the industry.

We believe the government tightening will promote the healthy development of the property market, and create a more rational and healthy market, as well as a business environment that enables more sustainable development.

Business Strategy

Deepen and Put in Practice of Development Strategy, Initiate "Boutique Quality Product" Strategy

On the basis of Forte's《Group 10 Year Development Strategy》, the Group will more clearly set out the strategy of "mainly in residential, fast turnover, further development in the existing region, initiateing boutique quality product" and clearly set out the next 5 years' development goal and strategy for 4 major regions include Shanghai, Northern Region, JiangZhe Region and Midwestern Region. We initiated the "boutique quality product" strategy in 2011 and increased the overall product competitiveness in all dimensions.

Ensure Achievement of Sales Target

We will continue to be alert to the market due to ongoing tightening measures and fully evaluate the current market condition. On the basis of balancing profit anticipation and cash flow safety, we will utilize flexible sales strategy to cope with market change. By setting a system of acceptable pricing for customers and adopting creative sales measures, we will realize speedy sales and cash returns.

Ensure Adequate Investment and Projects Reserved

We will consolidate the parent company's resources and initiate M&A activities. We will better utilize the long term opportunities of the PRC urbanization and the different timing of each city's development for the property industry. We wil use "industrial concept" to broaden experiment. We will further implement the investment evaluation system.

Promote the development of the business of fund management

We will increase investments in the business of fund management, practically implement the investment in the strategic business of the Group, further broaden the financing channels of business development, enable the "Dual Core Strategy" to become a virtuous cycle.

Increase Hiring and Training of Elite Talent

The Group's strategy requires the support of elite talent who possesses global visions. We will continue the hiring system for high end elite professionals, and cultivate the experts and management talents with entrepreneurial spirit. We will perfect the establishment of Forte Academy, and promote the implementation of the new performance incentive system.

Business outlook

Under the backdrop of the continuing and deepening effect of property control policies, the property market's overall transaction level may be constrained. The government will use much stricter policies, especially for those cities which showed relatively greater price appreciations during the last two years. The Group has fully estimated the possible fluctuation that may occur and the challenges that it may face in 2011.

The Group will continue to improve the speed of project turnover, maintain reasonable project reserve sizes and stable financial structure, at the same time to promote the "boutique quality product" strategy and increase the competitiveness of products. While developing residential properties, the Group will, under the guidance of new development strategies, increase the resources dedicated to the research and effort in the property industry, in order to counter the effect of short term volatility.

The Group keeps a cautious stance toward its business operation and will work hard to achieve this year's financial goal.

Financial Analysis

1. Turnover and Operating Results

In 2010, the Group recorded a total turnover of approximately RMB8,651,806,000, an increase of 66.9% as compared to that of RMB5,184,804,000 in 2009. The increase in turnover was mainly due to an increase of the booked GFA attributable to the Group of approximately 820,000 sq.m., representing an increase of approximately 67.3% as compared to that of 490,000 sq.m. in 2009.

The Group's gross profit in 2010 was approximately RMB3,157,919,000, representing an increase of 106.5% as compared to approximately RMB1,529,043,000 in 2009. The Group's gross profit margin during the year was 36.5%, an increase of 7 percent as compared to 29.5% in 2009, which was mainly attributed to the facts that i) major projects booked during the year were low-density residentials in the 1st tier cities, and the selling price was higher than the local average; ii) the sales of the projects booked were mainly in year 2009 and 2010 when the market price was relatively high.

In 2010, profit attributable to owners of the parent was approximately RMB1,760,162,000, representing an increase of 254.4% as compared to approximately RMB496,648,000 in 2009, which was mainly due to the following facts: i) the turnover in 2010 increased by 66.9% as compared to that in year 2009; ii) the gross profit margin growth further increased the Group's gross profit during the year; iii) the sale of the equity interest of 75% in Tianjin Forte Pu He Co., Ltd. (Tianjin Center) which was a subsidiary of the Group was confirmed as equity disposal gain.

Based on the total weighted number of Shares of the Group of 2,529,306,000 Shares in current year, earnings per share was RMB0.696.

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

	2010 **RMB'000**
Sale of properties	8,912,367
Rental income	153,762
Property agency income	28,805
Property sales planning and advertising income	1,140
Property management income	53,162
Construction supervisory and consultancy income	4,071
Decoration and construction materials income	10,983
Less:business tax and government surcharges	(512,484)
Revenue	8,651,806

2. LAT prepayments and provisions

In 2010, pursuant to tax notices issued by the relevant local tax authorities, the Group made a LAT prepayment at rates ranging from 0.5% to 5% on proceeds of the sale and pre-sale of properties. Meanwhile, in 2010, the Group made additional LAT provision in the amount of approximately RMB443,540,000 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 293.3% as compared to RMB112,768,000 in 2009. Pursuant to the deed of tax indemnity entered into by the Group and Fosun High Technology, the indemnity of LAT from Fosun High Technology in respect of the additional LAT provision made by the Group in 2010 was approximately RMB147,817,000.

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 2010, the total assets of the Group amounted to approximately RMB33,308,190,000, in which current assets accounted for approximately RMB20,480,810,000. Total liabilities amounted to approximately RMB24,626,182,000. Current liabilities amounted to approximately RMB14,764,601,000 and non-current liabilities amounted to approximately RMB9,861,581,000. The equity attributable to owners of the parent amounted to approximately RMB7,629,124,000. As at 31 December 2010, the Group's cash and bank deposits amounted to approximately RMB4,736,425,000. The Group has sufficient working capital for its operation, liquidity of assets and solvency is healthy.

4. Pledge of assets

As at 31 December 2010, properties under development with total book value of approximately RMB5,778,577,000, completed properties for sale with total book value of approximately RMB315,519,000, self-owned properties with total book value of approximately RMB45,092,000, investment properties with total book value of approximately RMB2,551,167,000, pledged deposits with total book value of approximately RMB179,091,000, investment to subsidiary companies with total book value of approximately RMB632,619,000 and investment to associated companies with total book value of approximately RMB 865,487,000 are set as pledges by the Group for acquiring credit from financial institutions. The corresponding bank loans and other borrowings from the financial institutions amounted to approximately RMB6,656,586,000.

5. Contingent liabilities

The Group provided bank guarantees for their customers in favour of the banks in respect of its customers in respect of mortgage loans provided by the banks to such customers for their 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 2010, the remaining amount of bank guarantees provided amounted to approximately RMB3,013,599,000.

As at 31 December 2010, the Group and Shanghai Home Value Holding (Group) Co., Ltd. provided guarantees for Beijing Hehua, an associate of the Group in respect of a loan amounted to RMB900,000,000 with a term of eight years, of which, the guarantees provided by the Company was RMB441,000,000.

As at 31 December 2010, Huarong International Trust Co., Ltd. provided guarantees for Beijing Yuquan, an associate of the Group in respect of a trust loan of RMB400,000,000 with a term of eighteen months, of which, the guarantees provided by the Company was RMB100,000,000.

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 2010.

6. Commitments

As at 31 December 2010, the Group has irrevocable operational leases of approximately RMB552,732,000, of which approximately RMB42,655,000 must be repaid within one year, approximately RMB160,388,000 should be repaid within two to five years (inclusive) and approximately RMB349,689,000 should be repaid after five years.

As at 31 December 2010, the Group has approximately RMB4,226,205,000 capital projects contracted but not provided for. In addition, the Group's share of its jointly-controlled entities' own capital projects contracted but not provided for approximated to RMB199,999,000.

DIVIDENDS

The Directors proposed that final dividends of 2010 shall not be distributed (2009: RMB 0.06 (pre-tax)), subject to the approval by resolution at the forthcoming Annual General Meeting.

Profile of Directors, Supervisors and Senior Management

Directors:

Executive Directors

Mr. Zhang Hua

Mr. Zhang Hua, 45, graduated from Tongji University with a bachelor degree in management and is a Certified Real Estate Appraiser and an engineer. Mr. Zhang is the chairman, executive director and president of the Company. He previously worked for the Production and Infrastructure Department of Shanghai No.2 Commence Bureau and Shanghai Shanglian Real Estate Co, Ltd. After joining the Company in March 1999, Mr. Zhang was deputy manager of Shanghai Puhua Real Estate Development Co., Ltd., general manager of Shanghai Forte Zhibao Real Estate Development Co., Ltd. and general manager of Shanghai Northern Region of the Company. Mr. Zhang was appointed president of Company in May 2009 and was appointed chairman of Company in December 2010.

Mr. Fan Wei

Mr. Fan Wei, 41, graduated from Fudan University with a bachelor degree in engineering and is an engineer. He is an executive director of the Company. Mr. Fan is currently the co-president of Fosun International and one of the co-founders of Fosun High Technology. Mr. Fan is currently the chairman of the Housing Industry Association of Shanghai Federation of Industry and Commence, vice chairman of the Shanghai Real Estate Association, and a deputy chief council member of the Real Estate Research Center of the Shanghai Academy of Social Sciences. In 2005, he was awarded the "Top 100 Property Entrepreneurs in China in 2005" and was named the "Outstanding Young Entrepreneur of Shanghai Property Industry" in the first session of the award.

Mr. Wang Zhe

Mr. Wang Zhe, 40, graduated from Fudan University with a master degree in international finance and is an economist. Mr. Wang is executive director, senior vice president and CFO of the Company. He has worked at the Agricultural Bank of China and Shanghai Pudong Development Bank. After joining the Company in August 2002, Mr. Wang was the director of accounting department, vice president and CFO, and was appointed executive director of the Company in March 2008. Mr. Wang was appointed senior vice president of the Company in February 2011.

Non-executive Directors

Mr. Guo Guangchang

Mr. Guo Guangchang, 43, graduated from Fudan University with a master degree in business administration. Mr. Guo is a senior engineer and non-executive director of the Company. Mr. Guo is currently the chairman of Fosun International 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 representative 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. He was appointed as a policy consultant to the Shanghai municipal people's 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 Personnel 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". In 2007, Mr. Guo was awarded "2007 China Economy Personnel" of Huangshan Lunjian. In 2008, he was awarded "Influential Personnel

For Innovation of Shanghai from 1978 to 2008" by Xinmin Weekly. In 2009, he received the "Outstanding Contribution Award for Guangcai Program" by China Society for Guangcai Program. Mr. Guo is an executive director and vice chairman of Fosun International (Stock Code: 00656.HK), director of Fosun High Technology, Nanjing Steel United Co., Ltd. and Shanghai Fosun Pharmaceutical (Group) Company Limited. ("Fosun Pharmaceutical Group") (Stock Code: 600196. SH). He is also a non-executive director and vise chairman of Sinopharm Group Co. Ltd. (Stock Code: 01099.HK)

Mr. Chen Qiyu

Mr. Chen Qiyu, 38, is a non-executive director of the Company. Mr. Chen graduated from Fudan University with a bachelor degree in genetics and genetic engineering and a master degree in Business Administration from China Europe International Business School. Mr. Chen was vice president, chief financial officer, secretary to the board of directors, deputy general manager, president and vice chairman of Fosun Pharmaceutical Group. Mr. Chen is currently the chairman and director of Fosun Pharmaceutical, vice president of Fosun High Technology, vice president of Fosun International, chairman of Shanghai Biomedical Industry Association and vice president of China Biopharmaceutical Technology Association.

Mr. Feng Xiekun

Mr. Feng Xiekun, 59, is a non-executive director of the Company and is an senior economist. Mr. Feng was the deputy head of the Housing and Land Administration Bureau of Shanghai Changning District, deputy head of Shanghai Changning District Construction Bureau and manager of Shanghai Changning District Municipal Construction Company. Mr. Feng is currently chairman of Shanghai Xinchangning (Group) Company Limited.

Independent non-executive Directors

Mr. Charles Nicholas Brooke, 69, graduated from the University of London. He is an independent nonexecutive 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 Innovation and Technology Steering Committee and the steering committee on the Promotion of Electric Vehicles in Hong Kong. He is currently sitting on the General Committee of the Hong Kong General Chamber of Commerce and is a member of the Election Committee responsible for the selection of the Chief Executive of the Hong Kong Special Administrative Region ("HKSAR"). He is also a Trustee of the International Valuation Standards Council (IVSC) which is responsible for the setting and policing of valuation practices and standards worldwide. Mr. Brooke also the Chairman of VinaLand Vietnam Real Estate Fund, the first Vietnam property fund listed on the AIM Board of the London Stock Exchange In 1999, he was awarded the Bronze Bauhinia Star (BBS) by the Chief Executive of the Government of HKSAR.

Mr. Chen Yingjie

Mr. Chen Yingjie, 62, 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 Class Three Award for Shanghai Scientific and Technological Improvements.

Mr. Zhang Hongming

Mr. Zhang Hongming, 65, is 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 mentor for students pursuing a doctor degree of the Urban Studies and Real Estate Research Centre of the Shanghai Academy of Social Sciences, member of the Chinese People's Political Consultative Conference, 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

Ms. Wang Meijuan, 47, graduated from the Shanghai University of Finance and Economics and is 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 senior manager of Da Hua Certified Public Accountants. She is currently deputy general manager of the risk control headquarters of Hai Tong Securities Co., Ltd..

Supervisors

Mr. Zhang Guozheng, 45, graduated from the Chinese University of Hong Kong with a master degree in 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, audit director and chief financial officer of Bright Dairy & Food Co., Ltd., and director and deputy general manager of Fosun Pharmaceutical Group. He is currently deputy general manager of the finance business department of Fosun Group, director of Fosun Pharmaceutical Group and chairman of Tebon Securities Co., Ltd.

Mr. Ma Suxiang, 55, was a postgraduate of the Civil and Economic Law School of China University of Political Science and Law. He is an accountant and a supervisor of the Company. He was appointed as director of the audit department of 704 Research Institute, supervisor of China Hi-Tech Group Co., Ltd., head of the CCPC Office and head of the supervisory and audit office. Mr. Ma was the director of the Legal Affairs and Audit Center of the Company, and he was appointed the vice general manager of the Northern Headquarters of the Company on February 2011.

Mr. Sun Wenqiu, 43, 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 position of finance manager, deputy chief accountant, chief accountant and manager of the securities investment department of Shanghai Oriental Pearl (Group) Co., Ltd.. He is currently vice president of Shanghai Oriental Pearl (Group) Co., Ltd.

Mr. Liu Zhangxi, 71, graduated from the University of Science and Technology of China. He is a supervisor of the Company. Mr. Liu was appointed as engineer and director of the technology office at Jiuquan Satellite Launch Centre, vice director of Shanghai Putuo District Government Science and Technology Committee and senior engineer, standing committee member of Shanghai Putuo District's 9th Political Consultative Committee, director and vice chairman of Shanghai Putuo District Science and Technology Association, general manager of Shanghai Xidatang Technological Investment and Development Company Limited and deputy secretary of the CCPC of Fosun Group.

Mr. Shen Guoliang, 54, graduated from Shanghai Engineering and Technology University. 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

Ms. Lo Yee Har Susan, 52, 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 Chartered Secretaries. She has over 20 years of experience in the company secretarial area and has been serving a number of companies listed on the Stock Exchange.

Board Secretary

Ms. Zhang Qian

Ms. Zhang Qian, 48, graduated from Shanghai Academy of Social Sciences and is an engineer. She is the board secretary of the Company. Ms. Zhang was previously employed by Shanghai Hu Chang Special Steel Co., Ltd. and Shanghai Fudan Forward Co., Ltd. Ms. Zhang joined the Company in October 2003.

Senior Management

Mr. Cao Zhidong

Mr. Cao Zhidong, 40, graduated from Shanghai Jiaotong University with a doctor degree in Management and is a senior economist. He is senior vice president of the Company. Mr. Cao was previously employed by the Institute of Construction and Kinetic Studies of Shanghai Jiaotong University, the PRC national social security and insurance symposium consultation and Shanghai New Huang Pu (Group) Co., Ltd. Mr. Cao was vice president of the Company after joining the Company in July 2002. Mr. Cao was appointed senior vice president of the Company in February 2011.

Mr. Bo Wei

Mr. Bo Wei, 47, graduated from Tongji University and is a senior engineer. He is vice president of the Company. Mr. Bo was previously employed by Shanghai Construction Design Institute, Shanghai Hongji Real Estate Corporation, Shanghai Xinyiyuan Technology Development Inc. Ltd. (Shanghai Sunshine Group) and Shanghai Pengxin Real Estate Development Corporation. Mr. Bo joined the Company in August 2006.

Mr. Liu Yicheng

Mr. Liu Yicheng, 63, graduated from Harbin Normal University and is vice president of the Company. He is a senior professional manager of the PRC real estate industry and a deputy in Shanghai's Eleventh People's Congress. He was previously employed by Shanghai Agricultural, Industrial & Commercial Group's Dongwang Company, Shanghai Nongkou Real Estate Company and Shanghai Agricultural, Industrial and Commercial Group. Mr. Liu joined the Company in May 2007.

Mr. Yin Rong

Mr. Yin Rong, 43, graduated from Dalian University of Technology and is a real estate economist. He is vice president of the Company. Mr. Yin was previously employed by Shenzhen Real Estate Exchange Center, Dalian Wanda Group and Hong Kong Kaisa Group. Mr. Yin joined the Company in February 2009. In October 2010, he was appointed as vice president of the Company.

Mr. Jiang Jianjun

Mr. Jiang Jianjun, 41, graduated from He Hai University and is an engineer. He is vice president of the Company and general manager of the Shanghai Headquarters. After joining the Company in June 1994, Mr. Jiang was the project manager of Shanghai Fu Rui Real Estate Development Co., Ltd, deputy general manager of Shanghai Yuan Jing Real Estate Development Co., Ltd. and deputy general manager of Shanghai Yu Yuan Tourist Mart Co., Ltd. In October 2010, he was appointed as vice president of the Company.

Mr. Nie Zhenmin

Mr. Nie Zhenmin, 48, graduated from Jilin Architectural and Civil Engineering Institute and is a senior engineer. He is vice president of the Company and general manager of the Northern Headquarters. Mr. Nie is an expert in bidding and tendering in Shanghai construction projects. Mr. Nie was previously employed by CNPC Jilin Designing Institute, Shanghai Dong Yuan Real Estate Development Company and Shanghai Xinzhuang Real Estate Development Co., Ltd. After joining the Company in October 2007, Mr. Nie is general manager of Forte Changchun Zhao Ji Real Estate Development Co., Ltd. In October 2010, he was appointed as vice president of the Company.

Mr. Zhang Lin, 52, graduated from Tongji University and is an engineer. He was a vice president of the Company. Mr. Zhang was previously an architect with 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. Since January 2011, Mr. Zhang was no longer a vice president of the Company.

Mr. Zhang Weigang, 53, graduated from Shanghai Normal University. He was a vice president of the Company. 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. Since July 2010, Mr. Zhang was no longer a vice president of the Company.

Corporate Governance Report

The Board of the Company hereby presents the corporate governance report of the Company for the year ended 31 December 2010.

Corporate Governance Commitment

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

During the reporting period, 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 2010.

The Board of Directors

As of the year ended 31 December 2010, the Board comprised ten Directors, and they were:

Executive Directors:	Mr. Zhang Hua (chairman, president) Mr. Fan Wei Mr. Wang Zhe
Non-Executive Directors:	Mr. Guo Guangchang Mr. Chen Qiyu 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

The chairman of the Board of the Company is Mr. Zhang Hua, 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. Zhang Hua, 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 reporting period, the Board held four regular meetings. Individual attendance rates are as follows:

Fan Wei	Zhang Hua	Wang Zhe	Guo Guangchang	Chen Qiyu	Feng Xiekun	Chen Yingjie	Zhang Hongming	Wang Meijuan	Charles Nicholas Brooke
100%	100%	100%	100%	100%	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 its shareholders as a whole.

Audit Committee

As of the year ended 31 December 2010, the audit committee of the Company comprised of four members, and they were:

Ms. Wang Meijuan (chairlady)
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 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 reporting period, the Audit Committee convened two meetings and all members attended the meetings. At the meetings, the Audit Committee discussed the interim and final results of the Company and reviewed and discussed with the auditors the financial position of the Company.

Remuneration Committee

As of the year ended 31 December 2010, the remuneration committee of the Company ("Remuneration Committee") comprised of four members, and they were:

Mr. Fan Wei (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 reporting period, 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 31 December 2010, the nomination committee of the Company ("Nomination Committee") comprised of five members, and they were:

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

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

Strategy Committee

As of the year ended 31 December 2010, the strategy committee of the Company ("Strategy Committee") comprised of 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 to long term in a timely manner.

The Independence of Independent Non- executive Directors

As of the year ended 31 December 2010, all independent non-executive Directors had made annual confirmations of their independence to the Company pursuant to rule 3.13 of the Listing Rules and the Company still considers the independent non-executive Directors to be independent.

Supervisory Committee

As of the year ended 31 December 2010, the supervisory committee of the Company ("Supervisory Committee") comprised of five members, and they were:

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

During the reporting period, the Supervisory Committee held two 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 auditors, 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 2010, the remuneration paid to the external auditors was RMB3,250,000. (For the year 2009: RMB3,630,000).

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.

The Company has established adequate internal control system so as to control the risk during the business operation, safeguard the interests of shareholders and the assets of the Group. By reviewing its internal control system to ensure its effectiveness, which affects the ability of the Company to meet its performance targets.

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, strict oversight of power and independent internal auditing , 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 accounting and finance department at the Group's financial center. This model ensures that financial transactions flow safely and effectively.

The Group has set up an independent internal audit department, which performs 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. Control the risk by compliance and improvement.

During the reporting period, 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 investor relations' column were established to regularly publish press releases. In addition, the Company's management held regular meetings with securities analysts and investors. The Company is confident that the above mentioned are able to provide investors with a clear and direct understanding of the Company's business developments.

2010 Investor conferences

Month	Conference
January	UBS Greater China Conference 2010
March	Shanghai Forte 2010 Annual Results Global IR Roadshow
April	Macquarie China, HK Investor Conference
May	Morgan Stanley Property Conference (HK, Japan)
June	JP Morgan Greater China Conference
August	Shanghai Forte 2010 Interim Results Global IR Roadshow
October	CITI Greater China Investor Conference
November	Samsung Securities Consumer/Real Estate Investment Conference
November	Morgan Stanly Annual Asia Pacific Summit
November	Merrill Lynch China Investment Summit
November	Goldman Sachs China Investment Frontier Conference

Annual general meeting

The 2009 annual general meeting of the Company was held on 8 June 2010 and its voting results were announced on 8 June 2010.

The 2010 annual general meeting will be held on Wednesday, 15 June 2011. Notice of the annual general meeting will be published and dispatched in accordance with the requirements of the Listing Rules.

Report of the Directors

The Board of the Company presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

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 and the financial position of the Company and the Group as at 31 December 2010 are set out in the financial statements for the year ended 31 December 2010.

The Directors proposed that final dividends of 2010 shall not be distributed (2009: RMB 0.06 (pre-tax)).

Closure of register of member

The register of shareholders of the Company will be closed from 16 May 2011 (Monday) to 15 June 2011 (Wednesday) (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on 13 May 2011 (Friday).

Summary of 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 headed "Financial Highlights" in the annual report. The 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 Group and the Company during the year are set out in notes 16 and 17 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 headed "Management Discussion and Analysis and Property Portfolio" in the annual report.

Share capital

Details of changes in the Company's share capital during the year are set out in note 38 to the financial statements.

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

As at 31 December 2010, so far as the directors are aware, the following persons or entities (other than Directors, supervisors or chief executive of the Company) 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 shareholders	Class of shares	Number of Shares	Approximate percentage in the relevant class of share	Approximate percentage in the total share capital (%)
Shanghai Fosun High Technology (Group) Company Limited ("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 1)	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 2)	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 3)	99.00	57.68
	H shares	325,710,000(L)	30.86	12.88
Wong Sung Kau	H Shares	73,914,000(L)	7.00	2.92

Notes:

1. Fosun High Technology is a wholly-owned subsidiary of Fosun International Limited. Fosun International Limited is deemed to be interested in the 1,458,963,765 shares held by Fosun High Technology. The directors of the Company, Guo Guangchang and Fan Wei, are the directors of Fosun High Technology and Fosun International Limited.

2. Fosun Holdings Limited owns 78.24% equity interest in Fosun International Limited. The director of the Company, Guo Guangchang, is also the director of Fosun Holdings Limited.

3. Fosun Holdings Limited is wholly owned by Fosun International Holdings Ltd. The director of the Company, Guo Guangchang, is also the director of Fosun International Holdings Ltd.

4. The letter ("L") denotes a long position.

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

As at 31 December 2010, the interests and short positions of the Directors, supervisors and chief executive in the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under 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 to the Listing Rules are set out as below:

(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 required public float.

Pre-emptive rights

No pre-emptive rights exist in the Articles of Association of the Company or PRC law requiring the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed 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 2010, the Company's reserves available for distribution, in accordance with relevant rules and regulations and the articles of association of the Company, amounted to RMB3,718,576,000 (including the share premium, RMB2,624,510,000, which may be distributed by way of bonus shares).

Charitable contributions

During the year, the Group made charitable contributions totaling RMB3,310,000.

Major customers and suppliers

The five largest customers' sales amounts and the five largest construction contractors' payments contributed to less than 30% of the total sales amount and construction costs of the Group during the year. Therefore, no corresponding analysis for major customers and suppliers has been presented.

No Directors, associated companies or shareholders of the Company (who own more than 5% of the Company's shares in accordance with the record of the Board of Directors) had any income right of the five largest customers and five largest construction contractors of the Group.

Directors

The Directors of the Company during the year were:

Executive Directors:
Mr. Zhang Hua *(Chairman, President)*
Mr. Fan Wei
Mr. Wang Zhe

Non-executive Directors:
Mr. Guo Guangchang
Mr. Chen Qiyu
Mr. Feng Xiekun

Independent non-executive Directors:
Ms. Wang Meijuan
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming

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 Ms. Wang Meijuan, Mr. Charles Nicholas Brooke, Mr. Chen Yingjie and Mr. Zhang Hongming, 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 headed "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 board meetings. Other emoluments of Directors are determined by the Company's Board with reference to each Director's duties and responsibilities.

Directors' and Supervisors' interests in contracts

No contract or arrangement of significance in relation to the Group's business to which the Company, its holding companies, any of its subsidiaries or fellow subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at any time 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 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 directly or indirectly with the businesses of the Group.

Connected transactions and continuing connected transactions

For the year ended 31 December 2010, the Company conducted the following connected transactions and continuing connected transactions and had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected transactions during the year

For the year ended 31 December 2010, the Company had the following new connected transactions.

1. **Acquisition of a 40% Equity Interest in Shanghai Dingfen Property Co., Ltd.**

   In the announcement dated 26 March 2010, the Company and Shanghai Shanhai Company ("Shanghai Company") entered into the Equity Transfer Contract on 15 March 2010, whereby the Company has agreed to acquire from Shanhai Company a 40% equity interest in Shanghai Dingfen Property Co., Ltd. ("Dingfen

Property"), a subsidiary of the Company, for a consideration of RMB153,883,685.66. The Equity Transfer Contract came into effect on 26 March 2010 upon approval by the Shanghai United Assets and Equity Exchange.

Shanhai Company is a substantial shareholder of Dingfen Property, a subsidiary of the Company, and is therefore a connected party of Forte. The Acquisition constitutes a connected transaction of Forte under the Hong Kong Listing Rules.

2. **Transfer of a 30% equity interest in Shanghai Haizhimen Property Investment Management Co., Ltd.**

   Shanghai Forte Investment Co., Ltd. ("Forte Investment"), a subsidiary of the Company, and Zhejiang Fosun Commercial Development Co., Ltd. ("Zhejiang Fosun") entered into the Equity Transfer Agreement on 28 June 2010, whereby Zhejiang Fosun has agreed to acquire the Investment (comprising of a capital contribution in the amount of RMB300,000,000 and the Shareholder Loan in the amount of RMB1,300,000,000) and take up all the rights and obligations of Forte Investment under the Joint Investment Agreement (including the Outstanding Financial Commitment) for a consideration of RMB1,600,000,000.

   Zhejiang Fosun is a wholly-owned subsidiary of Fosun International Limited ("Fosun"), Fosun is the controlling shareholder of Forte and is therefore a connected party of Forte. The Transfer constitutes a connected transaction of Forte under the Hong Kong Listing Rules.

Continuing connected transactions during the year

Below is a summary of the continuing connected transaction of the Group for the year ended 31 December 2010 which is exempted from the independent shareholders' approval requirements under the Listing Rules:

3. **Office Tenancy Agreement**

   In the announcement dated 30 June 2010, the Company entered into the Office Tenancy Agreement with Fosun Property, a wholly-owned subsidiary of Fosun High Technology, pursuant to which Fosun Property has agreed to rent the Office Premises to the Group for a term of three (3) years commencing from 1 January 2010.

   Fosun Property is a wholly-owned subsidiary of Fosun High Technology, a substantial shareholder of the Company, and is therefore a connected party of the Company under the Hong Kong Listing Rules. Accordingly, the Lease constitutes continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

4. **Real Estate Agency Framework Agreement**

   In the announcement dated 30 June 2010, the Company entered into the Real Estate Agency Framework Agreement with Resource Property Consultancy, a subsidiary of Fosun, pursuant to which Resource Property Consultancy has agreed to act as the agent of the Company for the sales of property projects solely owned or controlled by the Group for a term of three (3) years commencing from the date of the Real Estate Agency Framework Agreement.

   Resource Property Consultancy is a subsidiary of Fosun, the controlling shareholder of the Company, and is therefore a connected party of the Company under the Hong Kong Listing Rules. The Agency Services constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

   The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions as described above and confirmed that such transactions have been conducted:

   (i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms not less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed in a letter to the Board of Directors stating that such continuing connected transactions:

(i) have obtained the approval of the Board;

(ii) were entered into in accordance with the pricing policy of the Company's financial statements;

(iii) were entered into in accordance with the terms of the respective agreements governing those transactions; and

(iv) the amounts of the transactions as described above have not exceeded the relevant annual limits.

Events after the Reporting Period

Details of the events after the Reporting Period are set out in the notes 49 to the financial statements.

Interest payment of domestic corporate bonds in the PRC

Domestic corporate bonds of RMB 1,900,000,000 with a 5-year tenure, "2009 Forte bond"(SH: 122020) with a coupon interest rate of 7.3%, was listed on the Shanghai Stock Exchange. The interest had been paid in September 2010.

Compliance with the code provisions in the Code on Corporate Governance Practices of the Listing Rules

The Directors confirm that for the year ended 31 December 2010, 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 2011.

By Order of the Board

Zhang Hua
Chairman

Shanghai, the PRC
24 March 2011

Corporate Social Responsibility

Philosophy of Corporate Social Responsibility

"For Better Living" is the general action principle of practicing corporate social responsibility by the Company: Forte is committed to understand and meet your expectations from your perspectives and from a humanity angle, to maximize the value of different stakeholders and achieve corporate sustainable development.

Based on the values of the Group, we established a clear principle for public welfare donation and an appraisal mechanism for donation projects:

- Support public health and medical causes, provide emergency assistance to victims who suffer from natural disasters and people who suffer from poverty and diseases
- Promote public educational level and educational opportunities for youths in poverty-stricken areas
- Advocate the focus on environment, sporting and arts activities
- Encourage the spirit of corporate citizenship and voluntary spirit

During the Reporting Period, the Company has implemented the social responsibility of corporate citizenship in all respects including: carrying out its responsibilities to the country, being responsible to the shareholders, protecting the rights of the employees, coming to the promises to customers, caring about the environment and resources, having a win-win relationship with partners and involving in social welfare events. At the end of Reporting Period, Forte published its first report of the "Forte Corporate Social Responsibility Report".

"Vigorous Forte, Shiny EXPO": General Contractor and Operator of the Chinese Private Enterprise Pavilion in 2010 Shanghai EXPO

In March 2009, the parent company of the Group, Fosun Group, was invited by Shanghai Expo Bureau, to build the Chinese Private Enterprise Pavilion and participate in the 2010 Shanghai Expo together with well-known domestic private enterprises from various industries. Forte was the general contractor and operator of the Chinese Private Enterprise Pavilion and was responsible for the construction of the pavilion and its general operation.

In May 2010, Shanghai EXPO ended successfully. During the 6-month exhibition period, the Group, as the operator, successfully completed the mission of reception and operation. After the conclusion of EXPO, the Company won the only excellent service award for the property industry.

"Ivy Project": Regular Product Quality Maintenance

In 2010, Forte initiated the "Ivy Project": We renovated 16 delivered projects of the Group in Shanghai which was the trial location.

The Group formulated the "Forte Group's Product Brand Long-term Maintenance Project", and implemented long-term plan of customer caring and property value maintenance plan. In order to support the implementation of this project, the Group established the "Forte Group's Product Brand Long-term Maintenance Fund". According to the terms of such fund management, each year Forte will contribute 0.2% - 0.5% of the sales amounts of the previous year from wholly owned and solely invested projects (the specific amounts depend on the sales figures of the previous year) to related maintenance works, such as upgrading and renovation of residential community public facilities and equipments for the Group’s projects which had been developed and delivered for two years.

Environment Protection

In early 2010, the Group published the declaration of “Low-carbon Action” and received active response from 65 cooperative companies. It was also the first real estate company in China that had made proposal of low-carbon and environment protection to suppliers in the fields of real estate planning and design, construction engineering and material and equipment.

Customer Service

During the Reporting Period, the Group continued to deepen the customer satisfaction-oriented service objective under the service concept of “complete customer caring”, constantly raised service standard and made specific improvement on the key service points of customers' concern; improved functions of the Forte customer service hotline, which facilitated better communication with customers, and at the same time, conducted “call back service”in time to fully respect customers’ suggestions in accordance with key service issues ranging from project sales, maintenance, complaint and centralized delivery; shared the glory and brand value of Forte's participation in Shanghai EXPO with customers, together with various “EXPO” focused events organized by Forte Club. After planned and steady improvement, the major index of Customer Satisfaction and Customer Royalty of the Forte Group in year 2010 continued to maintain an upward trend. The customer satisfaction surpassed the industry average level and the property management satisfaction took a lead in the industry. The willingness of repurchase and recommendation from the owners continued to rise year by year, and the level of emotional attachment to the Forte brand from the owners and the brand image of Forte continued to rise steadily.

Major events of Forte Club in 2010: Theme of Annual Events – Vigorous Forte, Shiny EXPO

Series of events No.1: Forte “Rally” Station from January to October 2010

Shanghai, Beijing, Wuhan, Chongqing, Hangzhou, Wuxi, Xian, Nanjing, Changchun, Chengdu: Credits Plan, EXPO Visit and Participation in Wisdom Journey

Series of events No.2: Forte Low-carbon Family, throughout 2010

Chongqing:	Kite Festival, Dragon Boat Racing, Countryside Activities, Civilian Sporting Events Welcoming the Asian Games
Wuhan:	Football Night
Nanjing:	Health Forum, Environment Protection Activities
Changchun:	Healthy Walking Activities
Nanjing, Wuxi, Chongqing:	Mountain Climbing Activities of The Double Ninth Festival
Beijing:	Dates Picking

Series of Events No.3: Forte Quality Service, throughout 2010

Chongqing:	Activities of the Spring Festival and the Lantern Festival
Nanjing:	Community Quality Upgrade Activities, Kitchen Cabinet Maintenance Activities
Hangzhou, Wuxi, Nanjing, Chongqing:	Mid-autumn Activities
Wuxi:	Evening of Fireworks on the National Day
Wuhan:	Spring of Sino– France Culture, Art Exhibition of New Star, Press Conference of Hu Run Fortune of Huadong Region

Series of Events No.4: Forte Carnival from March to October 2010

Chongqing:	Women's Day Activities, "Boutique Quality Life" in Uptown, Open Air Cinema, "Often Go Home and Forte Welcomes You"
Wuxi:	Self-driving tour, Community Activities on Children's Day, Jade Appreciation Forum, Friendly Badminton Game
Changchun:	Food DIY
Beijing:	Fairy Tale Show on Children's Day
Hangzhou:	Family Sports Day, "Talent Baby" Web Selection, Happy Season
Wuhan:	Entrepreneur Finance Forum, Celebration of Two-Year Anniversary of Forte International East Lake, Family Karaoke Game
Chengdu:	Photograph Tour and Competition
Nanjing:	Feng Shui Forum, Golf Invitation Tournament

Series of events No.5: Forte Appreciation Event, December 2010

Shanghai, Beijing, Wuhan, Chongqing, Hangzhou , Wuxi, Xian, Nanjing, Changchun, Chengdu, Tianjin: "The Wonderful Tour of Gorgeous Lakeside in the Abundant Land and Countryside", 2010 Forte Club VIP Member Appreciation Events.

Dates Picking in Beijing

"The Wonderful Tour of Gorgeous Lakeside"
Forte Club VIP member Appreciation Events

Employees and Remuneration Policy

As at 31 December 2010, the Group had a total of 1,477 employees, representing an decrease of approximately 26.8% as compared to last year (2009: 2,019 employees) (The decrease of employees in the Reporting Period was due to the reduction caused by the completion of equity interests transfer of Shanghai Resource, which was originally affiliated to Forte, in March 2010).

The Group determines its remuneration policy and incentive system 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 with the objective to guarantee a continuing pool of human talents for the achievement of the Group's strategic and annual operation goals on the basis of management system and allocation of human resources.

Initiate Wisdom Journey

Forte Club VIP Member EXPO Forte Corp. Day Activity

Report of the Supervisory Committee

Dear Shareholders:

During the year, 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, Company Law of the People's Republic of China, relevant laws and regulations of Hong Kong and the Articles of Association.

The Committee currently comprises of five members. During the Reporting Period, the Committee has convened two meetings.

During the second half of 2010, all members of the Committee reviewed the establishment and implementation of the Company's internal control system and issued a case report and made suggestions to improve the system. At the same time, the Committee commenced investigation and examination on Forte Glorious Times, a project of Shanghai Dingfen Property Development, Co., Ltd., a subsidiary of the Company.

The Committee ensures the continuous, stable and healthy development of the Group by carrying out day-to-day supervision 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 2010 Annual Report, 2010 Annual Results Announcement and 2010 Annual Profits Allocation Resolution, and has reviewed and approved (i) the 2010 financial statements and a preliminary draft of the audit report prepared in accordance with the PRC GAAP and (ii) the 2010 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 interest 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
24 March 2011

Independent Auditors' Report

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

We have audited the consolidated financial statements of Shanghai Forte Land Co., Ltd.(the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 139, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal controls as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong

24 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	5	**8,651,806**	5,184,804
Cost of sales		**(5,493,887)**	(3,655,761)
Gross profit		**3,157,919**	1,529,043
Other income and gains	5	**1,350,204**	157,959
Selling and distribution costs		**(257,117)**	(233,993)
Administrative expenses		**(369,725)**	(288,427)
Other expenses	7	**(80,929)**	(36,997)
Finance costs	8	**(297,072)**	(76,302)
Share of profits and losses of:			
Jointly-controlled entities		**(25,775)**	14,859
Associates		**94,519**	(5,433)
PROFIT BEFORE TAX	6	**3,572,024**	1,060,709
Tax	10	**(1,717,575)**	(451,854)
PROFIT FOR THE YEAR		**1,854,449**	608,855
Attributable to:			
Owners of the parent	11	**1,760,162**	496,648
Non-controlling interests		**94,287**	112,207
		1,854,449	608,855
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
- Basic (RMB)	14	**0.696**	0.196

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR	**1,854,449**	608,855
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**7,161**	145,770
Reversal of changes in fair value included in other comprehensive income	**(152,931)**	—
Income tax effect	**—**	—
	(145,770)	145,770
Share of other comprehensive income of jointly-controlled entities	**3,741**	2,515
Share of other comprehensive income of an associate	**2,165**	—
Exchange differences on translation of foreign operations	**78,548**	464
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(61,316)**	148,749
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,793,133**	757,604
Attributable to:		
Owners of the parent	**1,698,846**	645,397
Non-controlling interests	**94,287**	112,207
	1,793,133	757,604

Statement of Financial Position

31 December 2010

		Group		Company	
	Notes	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
NON-CURRENT ASSETS					
Property and equipment	16	**366,497**	291,533	**5,281**	5,627
Investment properties	17	**2,551,167**	2,057,400	**—**	—
Properties under development	18	**5,186,952**	5,167,352	**29,694**	29,694
Goodwill	19	**70,526**	65,867	**—**	—
Intangible assets	20	**4,616**	5,198	**—**	—
Investments in subsidiaries	21	**—**	—	**2,160,048**	1,941,170
Investments in jointly-controlled entities	22	**1,009,073**	689,737	**181,753**	134,342
Investments in associates	23	**1,780,355**	598,892	**187,560**	187,560
Available-for-sale investments	24	**55,503**	298,110	**10,510**	10,510
Amount due from a related company	32	**413,793**	191,905	**—**	—
Loan receivables	25	**110,000**	220,000	**—**	—
Prepayments and other receivables	26	**711,748**	616,313	**—**	—
Deferred tax assets	27	**567,150**	427,359	**—**	—
Total non-current assets		**12,827,380**	10,629,666	**2,574,846**	2,308,903
CURRENT ASSETS					
Cash and cash equivalents	28	**4,736,425**	3,629,771	**57,645**	396,485
Pledged deposits	28	**214,379**	122,000	**—**	—
Income tax recoverable		**268,523**	141,028	**—**	—
Trade receivables	29	**188,726**	242,475	**—**	—
Prepayments, deposits and other receivables	30	**1,199,579**	1,531,989	**209,363**	613,575
Equity investments at fair value through profit or loss	31	**84,595**	—	**—**	—
Amounts due from related companies	32	**1,351,628**	724,667	**10,835,383**	8,773,653
Amount due from holding company	32	**246,279**	98,462	**246,279**	98,462
Loan receivables	25	**220,000**	—	**—**	—
Completed properties for sale		**1,967,477**	1,698,292	**12,018**	12,534
Properties under development	18	**10,003,199**	7,089,469	**—**	—
		20,480,810	15,278,153	**11,360,688**	9,894,709
Assets of disposal group classified as held for sale	12	**—**	1,548,894	**—**	—
Total current assets		**20,480,810**	16,827,047	**11,360,688**	9,894,709

	Notes	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	33	**2,006,159**	2,966,897	**270,000**	560,000
Loans from related companies	34	**26,678**	—	**—**	—
Trade and bills payables	35	**2,139,506**	1,491,922	**19,324**	19,350
Advances from customers		**6,332,113**	4,696,858	**189**	—
Accrued liabilities and other payables	36	**1,392,162**	1,541,972	**168,201**	108,456
Tax payable		**2,192,702**	1,316,669	**10,361**	8,408
Amounts due to related companies	37	**675,281**	270,985	**6,572,347**	3,363,993
		14,764,601	12,285,303	**7,040,422**	4,060,207
Liabilities directly associated with the assets of disposal group classified as held for sale	12	**—**	997,393	**—**	—
Total current liabilities		**14,764,601**	13,282,696	**7,040,422**	4,060,207
NET CURRENT ASSETS		**5,716,209**	3,544,351	**4,320,266**	5,834,502
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,543,589**	14,174,017	**6,895,112**	8,143,405
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	33	**8,982,669**	7,344,170	**1,874,980**	3,319,304
Loans from related companies	34	**86,887**	106,618	**86,887**	81,324
Deferred tax liabilities	27	**792,025**	217,514	**109,271**	72,317
Total non-current liabilities		**9,861,581**	7,668,302	**2,071,138**	3,472,945
Net assets		**8,682,008**	6,505,715	**4,823,974**	4,670,460
EQUITY					
Equity attributable to owners of the parent					
Issued capital	38	**505,861**	505,861	**505,861**	505,861
Reserves	39	**7,123,263**	5,254,927	**4,318,113**	4,012,841
Proposed final dividends	13	**—**	151,758	**—**	151,758
		7,629,124	5,912,546	**4,823,974**	4,670,460
Non-controlling interests		**1,052,884**	593,169	**—**	—
Total equity		**8,682,008**	6,505,715	**4,823,974**	4,670,460

Zhang Hua
Director

Wang Zhe
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2010

	Notes	Attributable to owners of the parent									Non-controlling interests RMB'000	Total equity RMB'000
		Issued capital RMB'000 (note 38)	Share premium account RMB'000	Available-for-sale investment revaluation reserve RMB'000 (note 24)	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 39(a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 13)	Total RMB'000		
At 1 January 2010												
As previously reported		505,861	2,628,392	145,770	266,946	625,909	9,546	1,578,364	151,758	5,912,546	593,169	6,505,715
Opening adjustment – reversal of impairment loss arising from the available-for-sale becaming an associate	24	—	—	—	—	—	—	190,226	—	190,226	—	190,226
As stated		505,861	2,628,392	145,770	266,946	625,909	9,546	1,768,590	151,758	6,102,772	593,169	6,695,941
Profit for the year		—	—	—	—	—	—	1,760,162	—	1,760,162	94,287	1,854,449
Other comprehensive income for the year		—	—	(145,770)	—	—	84,454	—	—	(61,316)	—	(61,316)
Total comprehensive income for the year		—	—	(145,770)	—	—	84,454	1,760,162	—	1,698,846	94,287	1,793,133
Acquisiton of non-controlling interests		—	—	—	(131,599)	—	—	—	—	(131,599)	(28,042)	(159,641)
Closure of subsidiaries		—	—	—	—	—	—	—	—	—	(31,451)	(31,451)
Capital contribution from a non-controlling shareholder of subsidiaries		—	—	—	—	—	—	—	—	—	629,430	629,430
Partial disposal of equity interest in a subsidiary without loss of control		—	—	—	—	—	—	—	—	—	2,000	2,000
Disposal of subsidiaries	41	—	—	—	—	—	—	—	—	—	(113,704)	(113,704)
Indemnity receivable of land appreciation tax ("LAT") from the holding company	10	—	—	—	147,817	—	—	—	—	147,817	—	147,817
Tax effect of LAT indemnity	27	—	—	—	(36,954)	—	—	—	—	(36,954)	—	(36,954)
Transfer from retained profits		—	—	—	—	58,501	—	(58,501)	—	—	—	—
Dividends paid to non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	(92,805)	(92,805)
Final 2009 dividend declared		—	—	—	—	—	—	—	(151,758)	(151,758)	—	(151,758)
At 31 December 2010		505,861	2,628,392	—	246,210	684,410	94,000	3,470,251	—	7,629,124	1,052,884	8,682,008

	Notes	Attributable to owners of the parent										
		Issued capital RMB'000 (note 38)	Share premium account RMB'000	Available-for-sale investment revaluation reserve RMB'000 (note 24)	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 39(a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 13)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009		505,861	2,624,510	—	237,680	592,172	6,567	1,267,211	50,586	5,284,587	565,612	5,850,199
Profit for the year		—	—	—	—	—	—	496,648	—	496,648	112,207	608,855
Other comprehensive income for the year		—	—	145,770	—	—	2,979	—	—	148,749	—	148,749
Total comprehensive income for the year		—	—	145,770	—	—	2,979	496,648	—	645,397	112,207	757,604
Partial disposal of equity interest in a subsidiary without loss of control		—	—	—	—	—	—	—	—	—	23,511	23,511
Capital contribution from a non-controlling shareholder of subsidiaries		—	—	—	—	—	—	—	—	—	89,200	89,200
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	—	4,550	4,550
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	—	(135,730)	(135,730)
Dividends paid to non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	(66,181)	(66,181)
Final 2008 dividend declared		—	—	—	—	—	—	—	(50,586)	(50,586)	—	(50,586)
Proposed 2009 final dividend	13	—	—	—	—	—	—	(151,758)	151,758	—	—	—
Indemnity receivable of LAT from the holding company		—	—	—	39,021	—	—	—	—	39,021	—	39,021
Tax effect of LAT indemnity	27	—	—	—	(9,755)	—	—	—	—	(9,755)	—	(9,755)
Equity-settled share-based payment		—	3,882	—	—	—	—	—	—	3,882	—	3,882
Transfer from retained profits		—	—	—	—	33,737	—	(33,737)	—	—	—	—
At 31 December 2009		505,861	2,628,392	145,770	266,946	625,909	9,546	1,578,364	151,758	5,912,546	593,169	6,505,715

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Profit before tax		**3,572,024**	1,060,709
Adjustments for:			
Reversal of impairment of inventories	5	**—**	(19,168)
Impairment of goodwill	7	**64,983**	3,179
Impairment of property and equipment	7	**6,500**	—
Share of profits and losses of associates and jointly-controlled entities		**(68,744)**	(9,426)
Bank interest income	5	**(15,861)**	(1,649)
Interest income for loan receivables	5	**(17,794)**	(6,870)
Changes in fair value of investment properties	5	**(264,578)**	(75,404)
Gain on acquisition of non-controlling interests	5	**—**	(4,057)
Gain on disposal of subsidiaries	5	**(1,009,764)**	—
Gain on disposal of an associate	5	**(19,307)**	—
Gain on disposal of available-for-sale investments	5	**—**	(2,351)
Loss/(gain) on disposal of items of property and equipment	7,5	**1,274**	(1,022)
Loss on disposal of an investment property	7	**—**	790
Loss on fair value changes in equity investment at fair value through profit or loss	7	**1,929**	—
Depreciation	6	**19,783**	19,636
Amortisation of intangible assets	6	**582**	582
Finance costs	8	**293,766**	73,609
Dividend from available-for-sale investments	5	**(253)**	—
Equity-settled share-based payment expense	6	**—**	16,426
		2,564,540	1,054,984
Decrease/(increase) in trade receivables		**32,826**	(68,385)
Increase in properties under development and completed properties held for sale		**(894,626)**	(1,572,583)
Increase in prepayments, deposits and other receivables		**(383,293)**	(376,447)
Increase in amounts due from related companies		**(444,665)**	(511,030)
Increase in trade and bills payables		**541,334**	501,889
Increase in advances from customers		**1,772,887**	2,591,162
Increase in accrued liabilities and other payables		**1,518,581**	408,475
Cash generated from operations		**4,707,584**	2,028,065
Interest paid		**(702,709)**	(525,378)
Tax paid		**(822,487)**	(432,829)
Net cash flows from operating activities		**3,182,388**	1,069,858

	2010 RMB'000	2009 RMB'000
Net cash flows from operating activities	**3,182,388**	1,069,858
Cash flows from investing activities		
Purchases of items of property and equipment	**(95,999)**	(45,080)
Purchases of investment properties	**(67,490)**	—
Proceeds from disposal of items of property and equipment	**26,763**	7,303
Interest received	**49,556**	15,389
Dividends received from associates	**16,943**	587
Dividends received from available-for-sale investments	**253**	—
Acquisition of subsidiaries	**(1,723,711)**	(482,428)
Capital contribution to/acquisition of jointly-controlled entities	**(284,722)**	(50,000)
Capital contribution to/acquisition of associates	**(1,319,676)**	(270,674)
Acquisition of available-for-sale investments	**(13,056)**	(78,777)
Acquisition of equity investments at fair value through profit or loss	**(86,524)**	—
Proceeds from disposal of subsidiaries	**721,444**	—
Proceeds from disposal of associates	**482,494**	—
Proceeds from disposal of available-for-sale investments	**—**	5,630
Proceeds from closure of associates	**7,427**	1,150
Proceeds from disposal of an investment property	**—**	428,210
Prepayments for acquisitions	**(65,000)**	(111,938)
Return of shareholder loan provided to a related company	**1,300,000**	—
Shareholder loans provided to related companies	**(1,410,000)**	—
Increase in pledged deposits	**(92,379)**	(102,551)
Net cash flows used in investing activities	**(2,553,677)**	(683,179)
Cash flows from financing activities		
Net proceeds from issue of corporate bonds	**—**	1,870,250
Other transaction costs paid in respect of issue of corporate bonds	**(250)**	(1,509)
Acquisition of non-controlling interests	**(68,763)**	(165,000)
Proceeds from partial disposal of equity interests in a subsidiary	**2,000**	—
New interest-bearing bank loans and other borrowings	**7,503,367**	7,126,179
Repayment of bank loans and other borrowings	**(7,109,563)**	(6,727,532)
Dividends paid	**(151,758)**	(50,586)
Dividends paid to non-controlling shareholders	**(78,520)**	(66,181)
Capital contribution from a non-controlling shareholder of subsidiaries	**381,430**	89,200
Net cash flows from financing activities	**477,943**	2,074,821

	Note	**2010 RMB'000**	2009 RMB'000
Net increase in cash and cash equivalents		**1,106,654**	2,461,500
Cash and cash equivalents at beginning of year		**3,629,771**	1,213,089
Cash and cash equivalents at end of year		**4,736,425**	3,674,589
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the statement of financial position	28	**4,736,425**	3,629,771
Cash and cash equivalents attributable to assets of disposal group classified as held for sale		—	44,818
Cash and cash equivalents as stated in the statement of cash flows		**4,736,425**	3,674,589

1. CORPORATE INFORMATION

The Company was established in the People's Republic of China (the "PRC") on 13 August 1998 as a limited company. Pursuant to an approval document numbered "Hu Fu Ti Gai Shen [2001] No. 026" dated 12 September 2001 issued by the Shanghai Municipal Government, the Company was reorganised as a joint stock limited company on 27 September 2001. The 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.

The principal activities of the Company and its subsidiaries (the "Group") are property development and property investment, as well as the development and operation of ancillary property related services.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (which include all International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties 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.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

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 an asset.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First-time Adoption of IFRS*
IFRS 1 Amendments	Amendments to IFRS 1 *Fist-time Adoption of IFRS – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments included in *Improvements to IFRSs* issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the Improvements to controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), amendments to IAS 7 included in *Improvements to IFRSs 2009*, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes 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 revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates and IAS 31 Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to IFRSs 2009* issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

2.3 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 Amendment	Amendment to IFRS 1 *First - time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
IFRS 1 Amendment	Amendment to IFRS 1 *First - time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First - time Adopters* [2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
IFRS 9	*Financial Instruments* [6]
IAS 24 (Revised)	*Related Party Disclosures* [3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* [3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]
IAS 12 Amendments	Amendment to IAS 12 *Income Taxes: Recovery of Underlying Assets* [5]

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 July 2011 although there are separate transitional provisions for each standard.

[1] Effective for financial years beginning on or after 1 February 2010
[2] Effective for financial years beginning on or after 1 July2010
[3] Effective for financial years beginning on or after 1 January 2011
[4] Effective for financial years beginning on or after 1 July 2011
[5] Effective for financial years beginning on or after 1 January 2012
[6] Effective for financial years beginning on or after 1 January 2013

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions"). The changes resulting from the amendments only affect the measurement of financial liabilities designated at fair value through profit of loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

Other than as explained above regarding the impact of IFRS 9, the adoption of these new and revised IFRSs are unlikely to have a significant financial effect on the Group's results of operations and financial position.

Amendments to IAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. The Group expects to adopt the Amendments to IAS 12 retrospectively from 1 January 2012. The Group has previously provided deferred tax on the fair value gains on its investment properties assuming that the carrying amount of these properties will be recovered through use.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are follows:

(a) IFRS 3 *Business Combinations*: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the scope of the measurement choices of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) IAS1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of change in equity or in the notes to the financial statements.

(c) IAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly-controlled entities

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

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position 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 investments 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 investments in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in the jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

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

The Group's investments in associates are stated in the consolidated statement of financial position 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 investments 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 investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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, goodwill and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at the end of each reporting period 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

(b) the party is an associate;

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

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

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) 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 (d) or (e).

Property, equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such part as individual assets with specific useful lives and depreciation.

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 its estimated useful life. The estimated useful lives of property and equipment are as follows:

Properties	10-20 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 financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, equipment and depreciation (Continued)

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and, 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 end of reporting period.

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 investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. 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. For an investment property under construction, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Non-current assets and disposal group held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal group (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 each financial year end.

The Group's intangible asset is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

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.

Investment and other financial assets

Initial recognition and measurement

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 investments as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, trade and other receivables, loan receivables, quoted and unquoted financial instruments and amounts due from related companies/holding company.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flow is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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 when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflect the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that event has an impact on the estimated future cash flow of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default of delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flow, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exist for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of estimated future cash flow is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flow for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If the future write-off is later recovered, the recovery is credited to other expenses the income statement.

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investment is impaired.

If an available-for-sale investment 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 removed from other comprehensive income and recognised in income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured at the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities including trade and bills payables, other payables, interest-bearing bank loans and other borrowings, amounts due to related companies and loans from related companies.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowing are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

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 realisable value at the end of reporting period and any excess of cost over net realisable 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.

Completed properties for sale

Completed properties for sale are stated 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 realisable value of individual item of completed properties for sale is accounted for as a provision.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, and the statement of financial position, cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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:

- where the deferred tax liability arises from the initial recognition of goodwill or 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
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- 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
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entites, 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

2.4 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 or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from sale of properties is recognised when the significant risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;

(b) property agency income, property sales planning and advertising income, construction supervisory income and property management income 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;

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset, and

(e) dividend income when the shareholders' right to receive payment has been established.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The 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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity within the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective 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 end of reporting period. All differences are taken to the income statement.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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 currencies of certain subsidiaries, jointly-controlled entities and associates incorporated outside Mainland China are other than the RMB. As at the end of reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rate ruling at the dates of the cash flows. Frequently recurring cash flows of its overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

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 2010 was RMB70,526,000 (2009: RMB65,867,000) and the details are set out in note 19.

Estimation of fair value of investment properties

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, 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.

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 2010 was RMB 2,551,167,000 (2009: RMB2,057,400,000) and the details are set out in note 17.

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 judgment 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

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, carryforward of unused tax credits and unused tax losses can be utilised. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and geographies and has twelve reportable segments as follows:

(a) Shanghai, Beijing, Tianjin, Hubei, Chongqing, Zhejiang, Sichuan, Jiangsu, Jilin, Shaanxi and Shanxi segments principally engaged in development as well as sales and rental of residential and commercial properties;

(b) The "others" segment comprises, principally the Group's ancillary services relating to the real estate industry, which provides property agency, property management, property consulting and advertising services.

Shanxi segment is newly identified as a reportable segment by management based on the Group's products and geographies during the year.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax after deducting LAT.

Segment assets excluded goodwill and deferred tax assets.

Segment liabilities exclude deferred tax liabilities except those arising from LAT indemnity.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2010	Property development												
	Shanghai RMB'000	Beijing RMB'000	Tianjin RMB'000	Hubei RMB'000	Chongqing RMB'000	Zhejiang RMB'000	Sichuan RMB'000	Jiangsu RMB'000	Jilin RMB'000	Shaanxi RMB'000	Shanxi RMB'000	Others RMB'000	Total RMB'000
Segment revenue:													
Sales to external customers	4,077,995	2,008,875	3,276	893,827	406,121	1,037,406	—	—	35,995	582,621	—	118,174	9,164,290
Intersegment sales	—	—	—	—	—	—	—	—	—	—	—	83,955	83,955
	4,077,995	2,008,875	3,276	893,827	406,121	1,037,406	—	—	35,995	582,621	—	202,129	9,248,245
Reconciliation:													
Elimination of intersegment sales													(83,955)
Offsetting sales tax													(512,484)
Revenue													8,651,806
Segment results	1,119,615	1,334,880	(44,622)	(64,121)	105,137	213,982	(19,810)	(45,245)	(3,656)	69,992	—	(119,157)	2,546,995
Reconciliation:													
Elimination and adjustment													1,025,029
Profit before tax													3,572,024
Segment assets	22,996,161	8,613,194	656,624	3,306,023	1,534,492	2,535,154	3,004,161	3,141,479	1,668,818	753,801	313,693	7,635,217	56,158,817
Reconciliation:													
Elimination and adjustment													(22,850,627)
Total assets													33,308,190
Segment liabilities	17,742,757	10,235,349	640,559	2,416,278	1,083,630	1,726,732	1,633,782	2,743,433	1,638,824	627,084	213,693	8,516,579	49,218,700
Reconciliation:													
Elimination and adjustment													(24,592,518)
Total liabilities													24,626,182
Other segment information:													
Impairment losses recognised in the income statement	35,055	21,631	—	—	—	—	—	—	—	—	—	14,797	71,483

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Property development											
Year ended 31 December 2009	Shanghai RMB'000	Beijing RMB'000	Tianjin RMB'000	Hubei RMB'000	Chongqing RMB'000	Zhejiang RMB'000	Sichuan RMB'000	Jiangsu RMB'000	Jilin RMB'000	Shaanxi RMB'000	Others RMB'000	Total RMB'000
Segment revenue:												
Sales to external customers	1,174,715	2,777,309	375,028	30,019	342,505	519,126	—	22,080	67,791	—	159,247	5,467,820
Intersegment sales	—	—	—	—	—	—	—	—	—	—	110,290	110,290
	1,174,715	2,777,309	375,028	30,019	342,505	519,126	—	22,080	67,791	—	269,537	5,578,110
Reconciliation:												
Elimination of intersegment sales												(110,290)
Offsetting sales tax												(283,016)
Revenue												5,184,804
Segment results	337,444	635,433	122,063	(19,883)	(9,754)	66,476	(10)	5,918	4,079	(9,084)	(34,771)	1,097,911
Reconciliation:												
Elimination and adjustment												(37,202)
Profit before tax												1,060,709
Segment assets	18,558,850	9,292,736	269,816	2,705,297	721,636	3,143,367	439,613	3,015,019	1,084,853	692,621	2,147,405	42,071,213
Reconciliation:												
Elimination and adjustment												(16,163,394)
Assets of disposal group classified as held for sale												1,548,894
Total assets												27,456,713
Segment liabilities	14,390,056	10,607,511	467,838	1,951,430	366,861	2,064,152	239,623	2,555,798	1,051,203	612,000	2,313,746	36,620,218
Reconciliation:												
Elimination and adjustment												(16,666,613)
Liabilities related to the assets of disposal group classified as held for sale												997,393
Total liabilities												20,950,998
Other segment information:												
Impairment losses recognised in the income statement	—	3,179	—	—	—	—	—	—	—	—	—	3,179
Impairment losses reversed in the income statement	—	(19,168)	—	—	—	—	—	—	—	—	—	(19,168)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) The Group's revenue for the two years ended 31 December 2010 and 2009 were mainly derived from property development in Mainland China.

(b) Non-current assets

	2010 RMB'000	2009 RMB'000
Mainland China	**10,550,413**	9,284,606
Hong Kong	**1,114,422**	207,686
	11,664,835	9,492,292

The non-current asset information above is based on the location of assets and the location of holding company and excludes financial instruments and deferred tax assets.

Information about a major customer

No revenue from a customer exceeded 10% of the Group's revenue during the year ended 31 December 2010 (2009: RMB609,520,000).

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:

	2010 RMB'000	2009 RMB'000
Revenue		
Sale of properties	**8,912,367**	5,286,497
Rental income	**153,762**	26,529
Property agency income	**28,805**	86,209
Property sales planning and advertising income	**1,140**	6,998
Property management income	**53,162**	38,645
Construction supervisory and consulting income	**4,071**	12,884
Decoration and provision of construction materials	**10,983**	10,058
	9,164,290	5,467,820
Less: Business tax and government surcharges	**(512,484)**	(283,016)
Total revenue	**8,651,806**	5,184,804

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

	2010 **RMB'000**	2009 RMB'000
Other income		
Government grants	**6,407**	32,112
Reversal of impairment of inventories	**—**	19,168
Bank interest income	**15,861**	1,649
Interest income for loan receivables	**17,794**	6,870
Miscellaneous rental income	**11,930**	10,424
Dividend from available-for-sale investments	**253**	—
Others	**4,310**	4,902
	56,555	75,125
Gains		
Fair value gain on investment properties	**264,578**	75,404
Gain on acquisition of non-controlling interests	**—**	4,057
Gain on disposal of available-for-sale investments	**—**	2,351
Gain on disposal of subsidiaries	**1,009,764**	—
Gain on disposal of an associate	**19,307**	—
Gain on disposal of items of property and equipment	**—**	1,022
	1,293,649	82,834
Other income and gains	**1,350,204**	157,959

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, Education Surtax and River Way Management Fee, etc., are calculated at certain percentages of business tax.

Government grants represent government subsidies for enterprises' development received by the Group from the government during the year ended 31 December 2010. 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	2010 RMB'000	2009 RMB'000
Staff costs (excluding directors', supervisors' and senior executives' emoluments as set out in note 9):			
Basic salaries and benefits in kind		**164,995**	151,003
Equity-settled share-based payment		**—**	16,426
Pension scheme contributions:			
– defined contribution scheme		**9,434**	11,291
Total staff costs		**174,429**	178,720
Cost of sales		**5,493,887**	3,655,761
Minimum lease payments under operating leases		**44,790**	43,351
Auditors' remuneration		**3,250**	3,630
Depreciation		**19,783**	19,636
Amortisation of intangible assets	20	**582**	582
Impairment of goodwill	7	**64,983**	3,179
Impairment of property and equipment	7	**6,500**	—
Reversal of impairment of inventories	5	**—**	(19,168)
Loss/(gain) on disposal of items of property and equipment	7,5	**1,274**	(1,022)
Finance costs	8	**297,072**	76,302
Loss on disposal of an investment property	7	**—**	790
Bank interest income	5	**(15,861)**	(1,649)
Interest income for loan receivables	5	**(17,794)**	(6,870)
Rental income from investment properties		**(128,409)**	(16,661)
Gain on disposal of subsidiaries	5	**(1,009,764)**	—
Gain on disposal of an associate	5	**(19,307)**	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**24,714**	—
Gain on acquisition of non-controlling interests	5	**—**	(4,057)
Gain on disposal of available-for-sale investments	5	**—**	(2,351)
Changes in fair value of investment properties	5	**(264,578)**	(75,404)

7. OTHER EXPENSES

	Notes	2010 RMB'000	2009 RMB'000
Impairment of goodwill	19	**64,983**	3,179
Impairment of property and equipment	16	**6,500**	—
Donation		**3,310**	3,015
Compensation for delay of delivery		**—**	28,182
Loss on disposal of items of property and equipment		**1,274**	—
Loss on disposal of an investment property		**—**	790
Loss on fair value changes in equity investments at fair value through profit or loss		**1,929**	—
Others		**2,933**	1,831
		80,929	36,997

8. FINANCE COSTS

	Note	**2010 RMB'000**	2009 RMB'000
Interest on bank loans, other borrowings and bonds:			
– wholly repayable within five years		**695,996**	619,224
– not wholly repayable within five years		**55,239**	7,161
Notional interest	45 (l)	**12,499**	11,132
Total interest		**763,734**	637,517
Less: Interest capitalised, in respect of:			
– bank loans, other borrowings and bonds		**(469,968)**	(558,068)
– notional interest		**—**	(5,840)
Total interest capitalised		**(469,968)**	(563,908)
		293,766	73,609
Other finance costs:			
– exchange losses		**1,346**	1,665
– bank charges and others		**1,960**	1,028
Total finance costs		**297,072**	76,302

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 Hong Kong Companies Ordinance, is as follows:

	2010 RMB'000	2009 RMB'000
Fees	**726**	741
Other emoluments for executive directors, independent non-executive directors and supervisors:		
– basic salaries and benefits in kind	**4,484**	3,262
– performance-related bonuses	**2,658**	1,430
– pension scheme contributions	**135**	124
	8,003	5,557

Three executive directors and four independent non-executive directors received remuneration from the Company for the year ended 31 December 2010.

The remuneration for the executive directors, independent non-executive directors and supervisors fell within the range of Nil to RMB4,000,000.

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

(a) Independent non-executive directors

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

	2010 RMB'000	2009 RMB'000
Mr. Charles Nicholas Brooke	**426**	441
Mr. Chen Yingjie	**100**	100
Mr. Zhang Hongming	**100**	100
Ms. Wang Meijuan	**100**	100
	726	741

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(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
2010					
Executive directors:					
Mr. Fan Wei	—	1,743	—	28	1,771
Mr. Zhang Hua	—	1,105	2,060	28	3,193
Mr. Wang Zhe	—	1,007	480	28	1,515
	—	3,855	2,540	84	6,479
Non-executive directors:					
Mr. Feng Xiekun	—	—	—	—	—
Mr. Guo Guangchang	—	—	—	—	—
Mr. Chen Qiyu	—	—	—	—	—
	—	—	—	—	—
Supervisors:					
Mr. Ma Suxiang	—	363	60	28	451
Mr. Zhang Guozheng	—	50	—	—	50
Mr. Sun Wenqiu	—	50	—	—	50
Mr. Liu Zhangxi	—	50	—	—	50
Mr. Shen Guoliang	—	116	58	23	197
	—	629	118	51	798
	—	4,484	2,658	135	7,277

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	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2009					
Executive directors:					
Mr. Fan Wei	—	1,176	—	25	1,201
Mr. Wang Zhe	—	735	578	25	1,338
Mr. Zhang Hua	—	835	700	25	1,560
	—	2,746	1,278	75	4,099
Non-executive directors:					
Mr. Feng Xiekun	—	—	—	—	—
Mr. Guo Guangchang	—	—	—	—	—
Mr. Chen Qiyu	—	—	—	—	—
	—	—	—	—	—
Supervisors:					
Mr. Ma Suxiang	—	288	130	25	443
Mr. Zhang Guozheng	—	50	—	—	50
Mr. Sun Wenqiu	—	50	—	—	50
Mr. Liu Zhangxi	—	50	—	—	50
Mr. Shen Guoliang	—	78	22	24	124
	—	516	152	49	717
	—	3,262	1,430	124	4,816

Under the arrangement of the service contract, the non-executive directors, Mr. Feng Xiekun, Guo Guangchang and Chen Qiyu agreed to waive the remuneration during the year.

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 three directors for the year ended 31 December 2010 (2009: two).

Details of the emoluments of the remaining two (2009: three) highest paid, non-director employees are as follows:

	2010 **RMB'000**	2009 RMB'000
Basic salaries and benefits in kind	**2,890**	4,436
Pension scheme contributions	**56**	75
	2,946	4,511

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

	Number of employees	
	2010	2009
RMB1,000,001 to RMB2,000,000	**4**	5
RMB3,000,001 to RMB4,000,000	**1**	—

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

A subsidiary incorporated in the British Virgin Islands is not subject to any income tax. A subsidiary incorporated in Barbados had no assessable profits arising in Barbados during the year. Therefore no provision for Barbados profits tax has been made. Certain subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2009: 16.5%). The Company and all the other subsidiaries of the Group are subject to PRC income tax.

Provision for PRC income tax has been provided at the applicable income tax rate of 25% (2009: 25%) 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 22%.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation values, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

10. TAX (CONTINUED)

Major components of income tax expense for the years ended 31 December 2010 and 2009 are as follows:

	Note	2010 RMB'000	2009 RMB'000
Current taxation			
– Income tax in the PRC for the year		**869,356**	351,251
– LAT in the PRC for the year		**708,366**	205,422
Deferred tax	27		
– Income tax in the PRC for the year		**(74,611)**	(104,819)
– LAT in the PRC for the year		**214,464**	—
Total tax charge for the year		**1,717,575**	451,854

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

	2010 RMB'000	2009 RMB'000
Profit before tax	**3,572,024**	1,060,709
Tax at the statutory tax rate of 25% in Mainland China and 16.5% in Hong Kong	**889,040**	266,748
Lower tax rates for specific entities	**(26,142)**	(3,113)
Profits and losses attributable to jointly-controlled entities and associates	**(3,336)**	(2,357)
Expenses not deductible for tax	**40,655**	15,576
Adjustments in respect of current tax of previous periods	**15,801**	—
Tax losses not recognised	**55,819**	20,933
Sub-total	**971,837**	297,787
LAT provision for the year	**708,366**	205,422
Tax effect of LAT provision	**(177,092)**	(51,355)
Deferred LAT	**214,464**	—
Tax charged at the Group's effective rate	**1,717,575**	451,854

The taxable profit of RMB3,525,363,000 (2009: RMB1,079,188,000) was subject to PRC income tax at the statutory tax rate of 25%. The taxable profit/(loss) of RMB46,661,000 (2009: RMB18,479,000 (taxable loss)) was subject to income tax at the statutory tax rate of 16.5%.

According to a tax notice issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 0.5% to 5% 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 be unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

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 2010, based on the latest understanding of LAT regulations from tax authorities, an additional LAT in the amount of RMB443,540,000 (2009: RMB112,768,000) was provided by the Group. The deferred tax effect of additional LAT provision amounted to RMB110,885,000 (2009: RMB28,192,000).

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 0.5% to 5% 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 2010, the indemnity of LAT from the holding company after netting off potential income tax savings amounted to RMB 246,279,000 (2009: RMB98,462,000), as set out in note 32, and the deferred tax liability arising thereon amounted to RMB 109,271,000 (2009: RMB72,317,000), as set out in note 27. This LAT indemnity after netting off the corresponding tax liability was credited to capital reserve directly.

The share of tax attributable to associates and jointly-controlled entities amounting to RMB24,010,000 (2009: RMB7,252,000) and RMB1,135,000 (tax credit) (2009: RMB4,051,000), respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" in the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB194,409,000 (2009: RMB145,914,000), which has been dealt with in the financial statements of the Company as set out in note 39(b).

12. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 18 May 2010, the disposal of 75% equity interest in Tianjin Forte Puhe Development Co., Ltd. which was classified as held for sale in 2009 was completed upon the completion of the business re-registration and the settlement of the consideration.

13. DIVIDENDS

	2010 **RMB'000**	2009 RMB'000
Proposed final – Nil (2009: RMB0.06) per ordinary share	—	151,758

No final dividend has been proposed for the year ended 31 December 2010 pursuant to the director's resolution of the Company dated 24 March 2011.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of approximately RMB1,760,162,000 (2009: RMB496,648,000) and the weighted average number of ordinary shares of 2,529,306,000 (2009: 2,529,306,000) in issue during the year.

Diluted earnings per share amounts for the two years ended 31 December 2010 and 2009 have not been disclosed as no diluting events existed during those years.

15. 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.

16. PROPERTY AND EQUIPMENT

Group

2010

	Note	Properties RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
As at 31 December 2009 and at 1 January 2010		**209,164**	**31,663**	**32,612**	**85,446**	**358,885**
Additions		**19,618**	**4,345**	**8,847**	**89,454**	**122,264**
Acquisition of a subsidiary	40.1	**—**	**19,540**	**44**	**—**	**19,584**
Disposals of subsidiaries		**—**	**(11,627)**	**(5,300)**	**—**	**(16,927)**
Disposals		**(33,472)**	**(3,795)**	**(1,607)**	**—**	**(38,874)**
As at 31 December 2010		**195,310**	**40,126**	**34,596**	**174,900**	**444,932**
Accumulated depreciation and impairment:						
As at 31 December 2009 and at 1 January 2010		**30,256**	**19,122**	**17,974**	**—**	**67,352**
Depreciation:						
– Provided during the year		**13,493**	**6,081**	**4,439**	**—**	**24,013**
– Disposals of subsidiaries		**—**	**(6,204)**	**(2,389)**	**—**	**(8,593)**
– Disposals		**(8,514)**	**(1,946)**	**(377)**	**—**	**(10,837)**
Impairment during the year		**—**	**—**	**—**	**6,500**	**6,500**
As at 31 December 2010		**35,235**	**17,053**	**19,647**	**6,500**	**78,435**
Net carrying amount:						
As at 31 December 2010		**160,075**	**23,073**	**14,949**	**168,400**	**366,497**
As at 31 December 2009		**178,908**	**12,541**	**14,638**	**85,446**	**291,533**

16. PROPERTY AND EQUIPMENT (CONTINUED)

Group (Continued)

2009

	Properties RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
As at 31 December 2008 and at 1 January 2009	166,583	31,043	37,156	23,561	258,343
Additions	48,790	7,128	4,313	34,506	94,737
Acquisition of subsidiaries	—	36	—	27,379	27,415
Assets included in assets of disposal group classified as held for sale	—	(4,610)	(946)	—	(5,556)
Disposals	(6,209)	(1,934)	(7,911)	—	(16,054)
As at 31 December 2009	209,164	31,663	32,612	85,446	358,885
Accumulated depreciation:					
As at 31 December 2008 and at 1 January 2009	21,998	13,687	20,471	—	56,156
Provided during the year	10,633	7,043	4,311	—	21,987
Assets included in a assets of disposal group classified as held for sale	—	(467)	(551)	—	(1,018)
Disposals	(2,375)	(1,141)	(6,257)	—	(9,773)
As at 31 December 2009	30,256	19,122	17,974	—	67,352
Net carrying amount:					
As at 31 December 2009	178,908	12,541	14,638	85,446	291,533
As at 31 December 2008	144,585	17,356	16,685	23,561	202,187

Company

2010

	Office equipment RMB'000	**Motor vehicles RMB'000**	**Total RMB'000**
Cost:			
As at 31 December 2009 and at 1 January 2010	**7,522**	**4,903**	**12,425**
Additions	**112**	**887**	**999**
Disposals	**(134)**	**(121)**	**(255)**
As at 31 December 2010	**7,500**	**5,669**	**13,169**
Accumulated depreciation:			
As at 31 December 2009 and at 1 January 2010	**3,527**	**3,271**	**6,798**
Provided for the year	**749**	**570**	**1,319**
Disposals	**(120)**	**(109)**	**(229)**
As at 31 December 2010	**4,156**	**3,732**	**7,888**
Net carrying amount:			
As at 31 December 2010	**3,344**	**1,937**	**5,281**
As at 31 December 2009	**3,995**	**1,632**	**5,627**

16. PROPERTY AND EQUIPMENT (CONTINUED)

Company (Continued)

2009

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
As at 31 December 2008 and at 1 January 2009	7,585	4,713	12,298
Additions	178	719	897
Disposals	(241)	(529)	(770)
As at 31 December 2009	7,522	4,903	12,425
Accumulated depreciation:			
As at 31 December 2008 and at 1 January 2009	2,783	3,237	6,020
Provided for the year	859	484	1,343
Disposals	(115)	(450)	(565)
As at 31 December 2009	3,527	3,271	6,798
Net carrying amount:			
As at 31 December 2009	3,995	1,632	5,627
As at 31 December 2008	4,802	1,476	6,278

The Group's land included in property and equipment is situated in Mainland China and under a long term lease.

As at 31 December 2010, certain items of the Group's properties with a book value of approximately RMB45,092,000 (2009: RMB94,718,000) were pledged to secure bank loans amounting to RMB47,325,000 (2009: RMB74,379,000), as set out in note 33(a).

17. INVESTMENT PROPERTIES

	Note	2010 RMB'000	2009 RMB'000
Carrying amount at 1 January		**2,057,400**	429,000
Addition from acquisition	40.1	**2,400,000**	—
Transfer from properties under development		**—**	1,981,996
Additional development cost		**239,189**	—
Transfer to properties under development		**(2,410,000)**	—
Gain from a fair value adjustment		**264,578**	75,404
Disposal		**—**	(429,000)
Carrying amount at 31 December		**2,551,167**	2,057,400

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

The Group's investment properties were revalued on 31 December 2010 by Jones Lang LaSalle Sallmanns Limited, an independent professionally qualified valuer at RMB2,551,167,000, on an open market. The valuation was made on the estimated amount for which a property should exchange on the dates of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 42 to the financial statements.

At 31 December 2010, the Group's investment properties with a net carrying amount of approximately RMB2,551,167,000 (2009: RMB2,057,400,000) were pledged to secured bank loans amounting to RMB1,171,955,000 (2009: RMB1,172,067,000), as set out in note 33(a).

18. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Land costs	**10,704,014**	8,869,790	**12,993**	12,993
Construction costs	**3,838,185**	2,605,321	**14,872**	14,872
Financial costs	**647,952**	781,710	**1,829**	1,829
	15,190,151	12,256,821	**29,694**	29,694
Portion classified as current assets	**(10,003,199)**	(7,089,469)	**—**	—
	5,186,952	5,167,352	**29,694**	29,694

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

As at 31 December 2010, certain items of the Group's properties under development with a book value of approximately RMB5,778,577,000 (2009: RMB4,639,332,000) were pledged to secure bank loans amounting to RMB2,636,585,000 (2009: RMB2,971,063,000), as set out in note 33(a).

19. GOODWILL

Group

	Note	RMB'000
At 1 January 2009:		
Cost		64,976
Accumulated impairment		(29,257)
Net carrying amount		35,719
Cost at 1 January 2009, net of accumulated impairment		35,719
Acquisition of non-controlling interests		33,327
Impairment during the year		(3,179)
At 31 December 2009		65,867
At 31 December 2009:		
Cost		98,303
Accumulated impairment		(32,436)
Net carrying amount		65,867
Cost at 1 January 2010, net of accumulated impairment		**65,867**
Acquisition of a subsidiary	40.1	**69,642**
Impairment during the year		**(64,983)**
Cost and net carrying amount at 31 December 2010		**70,526**
At 31 December 2010:		
Cost		**167,945**
Accumulated impairment		**(97,419)**
Net carrying amount		**70,526**

Impairment testing of goodwill

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

Key assumptions were used in the value-in-use calculation of the CGU for 31 December 2010 and 31 December 2009. 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.

During the year ended 31 December 2010, total impairment losses in the amount of RMB64,983,000 (2009: RMB3,179,000) were recognised for three subsidiaries engaged in property development and one in decoration as the recoverable amount of the CGU are less than the goodwill carrying amount. The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 11% (2009: 12%). 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.

20. INTANGIBLE ASSETS

Group

	Licence RMB'000
31 December 2010	
Cost at 1 January 2010, net of accumulated amortisation	**5,198**
Amortisation provided during the year	**(582)**
At 31 December 2010	**4,616**
At 31 December 2010:	
Cost	**5,829**
Accumulated amortisation	**(1,213)**
Net carrying amount	**4,616**
31 December 2009	
Cost at 1 January 2009, net of accumulated amortisation	5,780
Amortisation provided during the year	(582)
At 31 December 2009	5,198
At 31 December 2009 and 1 January 2010:	
Cost	5,829
Accumulated amortisation	(631)
Net carrying amount	5,198

21. INVESTMENTS IN SUBSIDIARIES

Company

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**2,167,248**	1,948,370
Impairment for unlisted shares	**(7,200)**	(7,200)
	2,160,048	1,941,170

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB10,376,157,000 (2009: RMB8,319,057,000) and RMB6,494,204,000 (2009: RMB3,285,993,000), respectively, are unsecured, interest-free and repayable on demand, as set out in note 32 and note 37.

21. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of principal subsidiaries as at 31 December 2010 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 Perth Property Co., Ltd.	Mainland China 14 November 2002	50,000	70%	30%	Property development
Shanghai Songting Forte Property Development Co., Ltd.	Mainland China 1 July 2003	35,000	90%	10%	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	80,000	100%	—	Investment management
Xi'an Sanxin Real Estate Development Co., Ltd.	Mainland China 31 December 2005	20,000	—	95%	Property development
China Alliance Properties Limited ("China Alliance")	Hongkong 6 October 2005	HKD10,000	100%	—	Investment management
Wuhan Zhongbei Real Estate Development Co., Ltd. ("Wuhan Zhongbei")	Mainland China 3 April 2007	933,000	—	70%	Property development
Shanghai Yihua Property Development Co., Ltd.	Mainland China 11 January 2001	10,000	50%	—	Property development
Zhejiang Forte Property Development Co., Ltd	Mainland China 20 November 2006	440,000	60%	15%	Property development
Shanghai Donghang Forte Property Development Co., Ltd.	Mainland China 25 February 2004	10,000	55%	—	Property development
Beijing Xidan Jiahui Property Development Co., Ltd.	Mainland China 27 August 2002	41,379	80%	20%	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.

As at 31 December 2010, equity interests in the Company's subsidiaries with a book value of approximately RMB632,619,000 (2009: Nil) were pledged to secure bank loans and other borrowings amounting to RMB1,423,305,000 (2009: Nil), as set out in note 33(a).

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Unlisted investments, at cost	**—**	—	**181,753**	134,342
Share of net assets	**372,863**	273,337	**—**	—
	372,863	273,337	**181,753**	134,342
Loans to jointly-controlled entities	**636,210**	416,400	**—**	—
	1,009,073	689,737	**181,753**	134,342

The loans to jointly-controlled entities of RMB636,210,000 are unsecured, interest-free and have no fixed terms of repayment. 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 32 and note 37 to the financial statements.

Particulars of the principal jointly-controlled entities as at 31 December 2010 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
Wuxi Forte Real Estate Development Co., Ltd.	Mainland China 28 September 2004	195,000	50%	—	Property development
Show All Limited ("Show All")	Hong Kong 27 November 2007	—*	—	50%	Property development
Shaanxi Jianqin Real Estate Development Co., Ltd. ("Shaanxi Jianqin")	Mainland China 22 September 1992	130,000	—	50%	Property development
Sichuan Forte Huanglong Real Estate Development Co., Ltd. ("Huanglong Real Estate")	Mainland China 19 October 2009	150,000**	—	50%	Property development
Shiner Way Limited ("Shiner Way")	Hong Kong 9 February 2009	HKD10,000	—	50%	Investment management

* The paid-up capital of Show All is HKD2.

** The paid-up capital of Huanglong Real Estate as at 31 December 2010 is RMB45,000,000.

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the nets assets of the Group. To give details of other jointly-controlled entities would, in the opinion of directors, result in particulars of excessive length.

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

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

	2010 RMB'000	2009 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**2,363,846**	968,594
Non-current assets	**880,242**	302,329
Current liabilities	**(2,477,357)**	(733,803)
Non-current liabilities	**(393,868)**	(263,783)
Net assets	**372,863**	273,337
Share of the jointly-controlled entities' results:		
Revenue	**100,214**	192,209
Other income	**2,782**	2,986
	102,996	195,195
Total expenses	**(129,906)**	(176,285)
Tax	**1,135**	(4,051)
(Loss)/profit after tax	**(25,775)**	14,859

23. INVESTMENTS IN ASSOCIATES

	Group		**Company**	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Unlisted shares, at cost	**—**	—	**187,560**	187,560
Share of net assets	**1,367,501**	598,892	**—**	—
Goodwill on acquisition	**212,854**	—	**—**	—
	1,580,355	598,892	**187,560**	187,560
Loan to an associate	**200,000**	—	**—**	—
	1,780,355	598,892	**187,560**	187,560

The loan to an associate of RMB200,000,000 is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the loan is considered as a quasi-equity investment in an associate.

The market value of listed shares of investments in associates was RMB589,752,000, of which the carrying amount was RMB852,321,000.

The Group's amounts due from associates and amounts due to associates are disclosed in note 32 and note 37 to the financial statements, respectively.

23. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates as at 31 December 2010 are as follows:

Name of company	Place of incorporation/ registration	Percentage of ownership/ equity interest attributable to the Group	Principal activities
Nanjing Dahua Investment Development Co., Ltd. ("Nanjing Dahua")	Mainland China	41%	Property development
Beijing Hehua Property Development Co., Ltd. ("Beijing Hehua")	Mainland China	37%	Property development
Shanghai Zendai Property Limited* ("Shanghai Zendai")	Bermuda	19.47%	Property development
Chongqing Langfu Property Co., Ltd. ("Chongqing Langfu")	Mainland China	50%	Property development

* Not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network

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 Group's shareholding in the above mentioned associates, except for Nanjing Dahua, all comprise equity shares held by three wholly-owned subsidiaries of the Company.

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

	2010 RMB'000	2009 RMB'000
Assets	**28,903,440**	8,373,671
Liabilities	**(22,164,157)**	(6,318,233)
Revenue	**4,197,801**	962,501
(Profit)/Loss	**(85,530)**	12,656

As at 31 December 2010, certain item of the Group's investments in an associate with a book value of approximately RMB865,487,000 (2009: Nil) were pledged to secure bank loans amounting to RMB974,085,000 (2009: Nil), as set out in note 33(a).

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Listed equity investments at fair value:				
Hong Kong	**—**	240,690	**—**	—
Unlisted equity investments, at cost	**55,503**	57,420	**10,510**	10,510
	55,503	298,110	**10,510**	10,510

On 7 January 2010, the Group entered into a subscription agreement with Shanghai Zendai to subscribe for 1,550,000,000 new shares issued by Shanghai Zendai at the subscription price of HKD0.31 per share with a total cash consideration of HKD480,500,000. Immediately after the completion of the subscription on 26 January 2010, the Group increased its equity interest in Shanghai Zendai from 8.47% to 19.47% and Shanghai Zendai was accounted for as an associate instead of an available-for-sale investment of the Group. Therefore, the changes in fair value of RMB152,931,000 in respect of the previously held equity interest in Shanghai Zendai were reversed against other comprehensive income in the year ended 31 December 2010 and the impairment loss of RMB190,226,000 provided in prior year was reversed against retained earnings as an opening adjustment.

As at 31 December 2010, certain unlisted equity investments with a carrying amount of RMB55,503,000 (2009: RMB57,420,000) were stated at cost less impairment 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 them in the near future.

25. LOAN RECEIVABLES

Group

	Notes	**2010** **RMB'000**	2009 RMB'000
Loan receivables from a jointly-controlled entity		**330,000**	220,000
Portion classified as current	(a)	**220,000**	—
Non-current portion	(a, b)	**110,000**	220,000

(a) As at 31 December 2010, the current portion of loan receivables represented an entrusted bank loan of RMB220,000,000 (31 December 2009:RMB220,000,000) provided to Shaanxi Jianqin, a jointly-controlled entity, to support its property development. This loan is unsecured, interest-bearing at an interest rate of 7.61% (2009: 7.02%) per annum, based on the rates quoted by People's Bank of China ("PBOC") and repayable on 20 October 2011.

(b) As at 31 December 2010, the non-current portion of loan receivables represented an entrusted bank loan of RMB110,000,000 (31 December 2009: Nil) provided to Shaanxi Jianqin, a jointly-controlled entity, to support its property development. This loan is unsecured, interest-bearing at a fixed interest rate of 12.25% (2009: Nil) per annum and repayable on 20 August 2012.

26. PREPAYMENTS AND OTHER RECEIVABLES

Group

	Notes	2010 RMB'000	2009 RMB'000
Prepayment for the proposed acquisition of an equity interest in			
– Shanghai Dijie Real Estate Limited ("Dijie")	(a)	**616,313**	616,313
– Chengdu Meijili Business Service Co., Ltd. ("Chengdu Meijili")	(b)	**65,000**	—
Other receivables			
– Chongqing Yukaifa Company Limited ("Chongqing Yukaifa")	(c)	**30,435**	—
		711,748	616,313

(a) Prepayments for the proposed acquisition of an equity interest in Dijie

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 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 2010, the Group advanced RMB616,313,000 (31 December 2009: RMB616,313,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2010 amounted to RMB355,963,000 (31 December 2009: RMB355,963,000) is set out in note 43.

(b) Prepayments for the proposed acquisition of an equity interest in Chengdu Meijili

On 17 December 2010, Forte Investment entered into cooperative agreements with Chengdu Youpindao Property Development Co. Ltd., ("Chengdu Youpindao") in respect of the joint development of a property development project in Chengdu, pursuant to which Chengdu Youpindao and Forte Investment will jointly acquire an equal share in Chengdu Meijili, respectively.

As at 31 December 2010, the Group advanced RMB65,000,000 (31 December 2009: Nil).

(c) Preferential dividend deposit provided to Chongqing Yukaifa

On 19 August 2010, Forte Investment entered into a cooperative agreement with Chongqing Yukaifa in respect of the joint development of a property development project in Chongqing, pursuant to which: (i) Forte Investment will jointly acquire 50% equity interests in Chongqing Langfu for a consideration of RMB230,000,000 and (ii) In order to guarantee Chongqing Yukaifa receive a preferential dividend generated and declared by Chongqing Langfu, Forte Investment shall additionally pay RMB233,000,000 to Chongqing Yukaifa as a deposit. This deposit will be repaid upon the receipt of dividend by Chongqing Yukaifa.

As at 31 December 2010, the Group advanced RMB34,100,000 (31 December 2009: Nil) to Chongqing Yukaifa which was interest-free, unsecured and estimated to be repayable in 2012. The fair value of this deposit at the date of inception was estimated with reference to the prevailing interest rate with the same repayment period published by the PBOC and the difference between the fair value and its carrying amount was charged to investments in associate. Subsequent to its initial recognition, the financial asset is measured using the effective interest method. As at 31 December 2010, the amortised cost of this deposit was RMB30,435,000. The remaining capital commitment not paid as at 31 December 2010 amounted to RMB198,900,000 (31 December 2009: Nil) is set out in note 43.

27. DEFERRED TAX

Group

Deferred tax assets

	Notes	Loss 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 2009		51,257	8,750	275,360	16,957	29,708	1,517	383,549
Deferred tax credited/(charged) to the income statement during the year		15,280	(4,897)	28,192	(13,506)	25,822	—	50,891
As at 31 December 2009 and 1 January 2010		**66,537**	**3,853**	**303,552**	**3,451**	**55,530**	**1,517**	**434,440**
Deferred tax credited/(charged) to the income statement during the year	10	**(2,062)**	**51,307**	**110,885**	**1,038**	**(12,053)**	**—**	**149,115**
Disposal of subsidiaries	41	**(9,324)**	**—**	**(6,431)**	**—**	**(650)**	**—**	**(16,405)**
As at 31 December 2010		**55,151**	**55,160**	**408,006**	**4,489**	**42,827**	**1,517**	**567,150**

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	Deferred LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009		28,413	165,931	62,562	—	4,781	261,687
Deferred tax charged/(credited) to the income statement during the year		(9,562)	(43,636)	—	—	(730)	(53,928)
Deferred tax debited to equity during the year		—	—	9,755	—	—	9,755
As at 31 December 2009 and 1 January 2010		**18,851**	**122,295**	**72,317**	**—**	**4,051**	**217,514**
Acquisition of subsidiaries	40.1	**—**	**248,589**	**—**	**—**	**—**	**248,589**
Deferred tax charged/(credited) to the income statement during the year	10	**66,145**	**(6,044)**	**—**	**214,464**	**14,403**	**288,968**
Deferred tax debited to equity during the year		**—**	**—**	**36,954**	**—**	**—**	**36,954**
As at 31 December 2010		**84,996**	**364,840**	**109,271**	**214,464**	**18,454**	**792,025**

27. DEFERRED TAX (CONTINUED)

The following is an analysis of the deferred tax assets of the Group for financial reporting purposes:

	2010 **RMB'000**	2009 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**567,150**	434,440
Deferred tax assets in the disposal group	**—**	(7,081)
	567,150	427,359

As at 31 December 2010, except for the deferred tax assets in respect of tax losses amounting to RMB265,156,000 (2009: RMB111,868,000), no deferred tax assets arising from temporary differences have not been recognised.

The above tax losses will expire in one to five years for offsetting against future taxable profits.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		**Company**	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Cash and bank balances	**4,950,804**	3,751,771	**57,645**	396,485
Less: Pledged deposits	**(214,379)**	(122,000)	**—**	—
Cash and cash equivalents	**4,736,425**	3,629,771	**57,645**	396,485

At 31 December 2010, the Group's pledged deposits with a net carrying amount of approximately RMB179,091,000 (2009: RMB91,158,000) were pledged to secure bank loans amounting to RMB173,331,000 (2009: RMB82,614,000) as set out in note 33(a).

29. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

Group

	2010 **RMB'000**	2009 RMB'000
Undue	**182,072**	230,606
Overdue, within six months	**6,654**	11,869
	188,726	242,475

Credit terms granted to the Group's customers range from 30 to 360 days.

29. TRADE RECEIVABLES (CONTINUED)

Group

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

	2010 RMB'000	2009 RMB'000
Neither past due nor impaired	**182,072**	230,606
Less than six months past due	**6,654**	11,869
	188,726	242,475

Receivables that were neither past due nor impaired related to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to certain independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Prepayments	**193,681**	217,802	**94**	616
Deposits and other receivables	**1,005,898**	1,314,187	**209,269**	612,959
	1,199,579	1,531,989	**209,363**	613,575

Deposits and other receivables mainly represented deposits for land use rights through a tendering system and deposits for proposed acquisition of equity interests. Deposits for land acquisition would be transferred to properties under development when the land use right is acquired while deposits for acquisition of equity interests would be transferred to investments when the acquisition is concluded.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

31. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2010 **RMB'000**	2009 RMB'000
Listed equity investments, at market value:		
Hong Kong	**2,414**	—
Elsewhere	**82,181**	—
	84,595	—

The above equity investments at 31 December 2010 were classified as held for trading.

32 AMOUNTS DUE FROM RELATED COMPANIES

		Group		**Company**	
	Notes	**2010** **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Due from subsidiaries	(c)	**—**	—	**10,376,157**	8,319,057
Due from associates	(a, c)	**550,473**	567,822	**142,580**	112,073
Due from jointly-controlled entities	(c)	**1,206,892**	348,750	**316,642**	342,523
Due from other related parties	(c)	**8,056**	—	**4**	—
		1,765,421	916,572	**10,835,383**	8,773,653
Portion classified as current		**(1,351,628)**	(724,667)	**(10,835,383)**	(8,773,653)
	(a)	**413,793**	191,905	**—**	—
Due from holding company	(b)	**246,279**	98,462	**246,279**	98,462

(a) Included in the amounts due from associates, RMB459,700,000 (31 December 2009: RMB213,190,000) provided to an associate was interest-free, unsecured and was estimated to be repayable in 2012. The fair value of these loans at the date of inception was estimated with reference to the prevailing interest rate with the same repayment period published by the PBOC and the difference between the fair value and its carrying amount was charged to interests in associates. Subsequent to its initial recognition, the financial asset is measured using the effective interest method. As at 31 December 2010, the amortised cost of this loan to an associate was RMB413,793,000 (31 December 2009: RMB191,905,000).

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

(c) Except for the amount due from associates and the amount due from the holding company as mention above in (a) and (b), respectively, the amounts due from other related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

33. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		Group		Company	
	Notes	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Bank loans, secured	(a)	**6,226,686**	4,710,043	**—**	—
Bank loans, unsecured		**1,246,875**	1,509,750	**—**	540,000
		7,473,561	6,219,793	**—**	540,000
Other borrowings, secured	(a)	**429,900**	—	**—**	—
Other borrowings, unsecured		**1,210,387**	2,221,970	**270,000**	1,470,000
		1,640,287	2,221,970	**270,000**	1,470,000
Corporate bonds, unsecured	(b)	**1,874,980**	1,869,304	**1,874,980**	1,869,304
		10,988,828	10,311,067	**2,144,980**	3,879,304
Repayable:					
Within one year		**2,006,159**	2,966,897	**270,000**	560,000
In the second year		**1,815,739**	1,527,633	**—**	—
In the third to fifth years, inclusive		**6,328,025**	4,934,399	**1,874,980**	3,319,304
Beyond five years		**838,905**	882,138	**—**	—
		10,988,828	10,311,067	**2,144,980**	3,879,304
Portion classified as current liabilities		**(2,006,159)**	(2,966,897)	**(270,000)**	(560,000)
Non-current portion		**8,982,669**	7,344,170	**1,874,980**	3,319,304

The bank loans bear interest at rates ranging from 2.12% to 7.313% (2009: 2.179% to 6.75%) per annum. The other borrowings bear interest at rates ranging from 3.28% to 12.18% (2009: 3.179% to 12.18%) per annum.

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

	Notes	**2010 RMB'000**	2009 RMB'000
Pledged deposits	28	**179,091**	91,158
Equity interests in subsidiaries	21	**632,619**	—
Investment in an associate	23	**865,487**	—
Available-for-sale investment		**—**	163,769
Investment properties	17	**2,551,167**	2,057,400
Property and equipment	16	**45,092**	94,718
Properties under development	18	**5,778,577**	4,639,332
Completed properties held for sale		**315,519**	309,490
		10,367,552	7,355,867

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

(b) Corporate bonds

	No. 122020 Corporate bonds RMB'000
Net proceeds from issue of corporate bonds	1,867,741
Transaction costs amortised	1,563
Carrying value at 31 December 2009 and 1 January 2010	1,869,304
Transaction costs amortise	**5,676**
Carrying value at 31 December 2010	**1,874,980**

On 25 September 2009, the Company issued five-year domestic corporate bonds at an aggregate principal amount of RMB1,900,000,000. The bonds are listed on the Shanghai Stock Exchange.

The bonds that are guaranteed by Fosun High Technology as set out in note 45(II), bear a fixed coupon rate of 7.3% per annum payable annually in arrears on 22 September, and the maturity date is 22 September 2014.

34. LOANS FROM RELATED COMPANIES

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Loans from				
–a jointly-controlled entity	**86,887**	81,324	**86,887**	81,324
–an associate	**26,678**	25,294	**—**	—
	113,565	106,618	**86,887**	81,324
Repayable:				
Within one year	**26,678**	—	**—**	—
In the second to fourth year, inclusive	**86,887**	106,618	**86,887**	81,324
	113,565	106,618	**86,887**	81,324
Portion classified as current liabilities	**(26,678)**	—	**—**	—
Non-current portion	**86,887**	106,618	**86,887**	81,324

Loans from related companies are interest-free and unsecured. Subsequent to the initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

35. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within six months	**1,565,907**	1,029,176	**—**	—
More than six months, but within one year	**144,854**	137,250	**196**	195
Over one year	**428,745**	325,496	**19,128**	19,155
	2,139,506	1,491,922	**19,324**	19,350

36. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payables related to:				
Payroll	**50,082**	54,416	**21,383**	26,969
Deposits received	**152,019**	389,506	**—**	20,000
Business taxes and government surcharges	**212,837**	115,060	**—**	1,616
Consideration in respect of acquisition of subsidiaries	**138,802**	216,313	**90,877**	—
Accruals	**93,982**	75,070	**40,678**	45,562
Advance from Dijie	**339,587**	415,694	**—**	—
Others	**404,853**	275,913	**15,263**	14,309
	1,392,162	1,541,972	**168,201**	108,456

37. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due to associates	**412,469**	70,771	**40,000**	78,000
Due to jointly-controlled entities	**242,637**	50,000	**38,143**	—
Due to other related parties	**20,175**	150,214	**—**	—
Due to subsidiaries	**—**	—	**6,494,204**	3,285,993
	675,281	270,985	**6,572,347**	3,363,993

The amounts due to related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

38. ISSUED CAPITAL

Group and Company

	2010 Number of shares '000	2009 Number of shares '000	2010 RMB'000	2009 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.

39. 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.

39. RESERVES (CONTINUED)

(b) Company

	Issued capital RMB'000 (note 38)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 13)	Total equity RMB'000
Balance at 1 January 2009	505,861	2,624,510	187,687	271,721	905,501	50,586	4,545,866
Total comprehensive income for the year	—	—	—	—	145,914	—	145,914
Final 2008 dividend declared	—	—	—	—	—	(50,586)	(50,586)
Proposed 2009 final dividend	—	—	—	—	(151,758)	151,758	—
Indemnity receivable of LAT from the holding company	—	—	39,021	—	—	—	39,021
Tax effect of LAT indemnity	—	—	(9,755)	—	—	—	(9,755)
At 31 December 2009	**505,861**	**2,624,510**	**216,953**	**271,721**	**899,657**	**151,758**	**4,670,460**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**194,409**	**—**	**194,409**
Final 2009 dividend declared	**—**	**—**	**—**	**—**	**—**	**(151,758)**	**(151,758)**
Indemnity receivable of LAT from the holding company	**—**	**—**	**147,817**	**—**	**—**	**—**	**147,817**
Tax effect of LAT indemnity	**—**	**—**	**(36,954)**	**—**	**—**	**—**	**(36,954)**
At 31 December 2010	**505,861**	**2,624,510**	**327,816**	**271,721**	**1,094,066**	**—**	**4,823,974**

40. ACQUISITION OF SUBSIDIARIES

40.1 Acquisition of Garden Plaza SRL ("SRL")

On 31 May 2010, the Group acquired 100% interest in SRL, a society with restricted liability organised and existing under the laws of Barbados. SRL is engaged in property investment in Shanghai. The acquisition was made as part of the Group's strategy to increase its competitive strength in the property market in Shanghai. The purchase consideration for the acquisition was in the form of cash and amounted to RMB731,051,000, of which RMB12,743,000 remained unpaid as at 31 December 2010. In addition, the Group provided RMB742,500,000 to SRL for the repayment of bank loans. The Group accounted for this acquisition of a subsidiary as a business combination.

The fair value of the identifiable assets and liabilities of SRL as at the date of acquisition was as follows:

	Fair value recognised on acquisition RMB'000
Property and equipment	**19,584**
Investment property	**2,400,000**
Cash and bank balances	**90,728**
Trade receivables	**135**
Prepayments, deposits and other receivables	**52,015**
Trade payables	**(266)**
Advances from customers	**(6,816)**
Tax payables	**(2,553)**
Accrued liabilities and other payables	**(32,815)**
Amount due to shareholders	**(867,514)**
Interest-bearing bank loans	**(742,500)**
Deferred tax liabilities	**(248,589)**
	661,409
Goodwill on acquisition	**69,642**
	731,051
Satisfied by cash	**731,051**

The fair values of trade receivables and other receivables approximate to their carrying amounts. None of the receivables have been impaired and it is expected that the full amount can be collected.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	**(718,308)**
Cash and bank balances acquired	**90,728**
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(627,580)**

The goodwill recognised above is attributed to the substantial potential in value increase in the acquired property. None of the recognised goodwill is expected to be deductible for income tax purposes.

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

40.1 Acquisition of Garden Plaza SRL ("SRL") (Continued)

The Group incurred transaction costs of RMB19,436,000 for the acquisition. These transaction costs have been expensed and are included in the consolidated income statement.

Since its acquisition, SRL's contributed RMB71,881,000 to the Group's turnover and RMB195,291,000 of loss to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the loss for the year ended 31 December 2010 would have been RMB191,580,000 and the revenue would have been RMB126,379,000.

40.2 Acquisition of City Faith Properties Limited ("City Faith")

On 26 January 2010, the Group entered into an equity transfer agreement with a third party in respect of the acquisition of 100% equity interest in City Faith. The acquisition was made as the Group's strategy to obtain a parcel of land in Chengdu and increase its market presence in Western China. The purchase consideration for the acquisition was in the form of cash and amounted to RMB88,000,000, which was fully paid as at 31 December 2010. The Group accounted for this acquisition of a subsidiary as an asset acquisition.

The allocation of acquisition consideration of City Faith as at the date of acquisition was as follows:

	Allocation of acquisition consideration RMB'000
Property under development	**88,000**
	88,000
Satisfied by cash	**88,000**

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	**(88,000)**
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(88,000)**

Since the date of acquisition, City Faith's results have had no impact on the Group's consolidated turnover or net profit for the year ended 31 December 2010.

No transaction cost was incurred for the acquisition.

41. DISPOSAL OF SUBSIDIARIES

41.1 Disposal of Shanghai Yizhou Investment Management Co., Ltd. ("Shanghai Yizhou")

On 3 March 2010, the Group entered into an equity transfer agreement to dispose of its 100% equity interest in Shanghai Yizhou and its subsidiary at a total consideration of RMB888,121,000. The disposal was completed on 18 May 2010.

	18 May 2010 RMB'000
Net assets disposed of:	
Property and equipment	4,986
Deferred tax assets	7,081
Cash and bank balances	29,666
Trade receivables	741
Prepayments, deposits and other receivables	92,288
Completed properties held for sale	1,430,875
Trade payables	(135,635)
Advances from customers	(486)
Tax payables	(53,427)
Accruals and other payables	(1,277,092)
	98,997
Non-controlling interests	(75,006)
Professional fee directly attributable to the disposal	36,000
Gain on disposal of subsidiaries	828,130
	888,121
Satisfied by cash	888,121

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

	RMB'000
Cash consideration received	888,121
Cash and cash equivalents paid for the professional fee directly attributable to the disposal	(36,000)
Cash and bank balances disposed of	(29,666)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	822,455

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

41.2 Disposal of Shanghai Resource Property Consultancy Co., Ltd. ("Shanghai Resource")

On 1 December 2009, the Group entered into an equity transfer agreement to dispose of its 67.1% equity interest in Shanghai Resource and its subsidiaries at a total consideration of RMB91,440,000. Subsequent to the completion of the equity transfer on 28 February 2010, the remaining 9.9% equity investments in Shanghai Resource were accounted for as financial assets under the caption of available-for-sale investments.

	28 February 2010 RMB'000
Net assets disposed of:	
Property and equipment	**6,189**
Deferred tax assets	**9,324**
Cash and bank balances	**51,423**
Trade receivables	**31,438**
Prepayments, deposits and other receivables	**562,569**
Completed properties held for sale	**80,012**
Interest-bearing bank loans	**(210,000)**
Trade payables	**(1,586)**
Tax payables	**(3,061)**
Accruals and other payables	**(429,169)**
	97,139
Non-controlling interests	**(38,698)**
Retained interests in subsidiaries disposed of	**(12,592)**
Gain on disposal of subsidiaries	**45,591**
	91,440
Satisfied by cash	**91,440**

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

	RMB'000
Cash consideration received	**91,440**
Cash and bank balances disposed of	**(51,423)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**40,017**

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

41.3 Disposal of Shiner Way

On 8 June 2010, the Group entered into an equity transfer agreement to dispose of its 50% equity interest in Shiner Way and its subsidiary at a total consideration of RMB64,117,000. Subsequent to the completion of the equity transfer on 30 June 2010, the remaining 50% equity investments in Shiner Way were accounted for as investments in jointly-controlled entities.

	30 June 2010 RMB'000
Net assets disposed of:	
Property and equipment	1,697
Cash and bank balances	192,623
Prepayments, deposits and other receivables	76,287
Properties under development	434,966
Interest-bearing bank loans	(150,000)
Trade payables	(43,564)
Advances from customers	(148,376)
Tax payables	(11,567)
Accruals and other payables	(355,241)
	(3,175)
Retained interests in subsidiaries disposed of	(68,742)
Gain on disposal of subsidiaries	136,034
	64,117
Satisfied by cash	64,117

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

	RMB'000
Cash consideration received	51,596
Cash and bank balances disposed of	(192,623)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(141,027)

42. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 17 to the financial statements, under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within one year	**64,806**	32,333	**—**	—
In the second to fifth years, inclusive	**111,202**	71,463	**—**	—
After five years	**28,554**	25,244	**—**	—
	204,562	129,040	**—**	—

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 nineteen years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within one year	**42,655**	37,340	**1,055**	—
In the second to fifth years, inclusive	**160,388**	150,103	**1,055**	—
After five years	**349,689**	368,141	**—**	—
	552,732	555,584	**2,110**	—

43. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Contracted, but not provided for:				
- investments	**610,167**	460,013	**—**	34,050
- properties under development	**3,576,589**	4,531,525	**—**	—
- property and equipment	**39,449**	44,253	**—**	—
	4,226,205	5,035,791	**—**	34,050

43. 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, are as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Contracted, but not provided for:				
- properties under development	**199,999**	33,499	**199,999**	33,499

44. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

		Group		Company	
	Notes	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Guarantees given to banks in connection with banking facilities granted to associates	(a, b)	**541,000**	541,000	**541,000**	541,000
Guarantees given to banks in connection with banking facilities granted to its customers	(c)	**3,013,599**	2,762,666	**—**	—
		3,554,599	3,303,666	**541,000**	541,000

(a) On 23 October 2008, Beijing Hehua, an associate of the Group 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 guarantee provided by the Company was RMB441,000,000.

(b) On 3 December 2009, Beijing Yuquan entered into a borrowing agreement ("Agreement") with Huarong International Trust Co., Ltd. to obtain an unsecured 18-month borrowing amounting to RMB400,000,000. Pursuant to the Agreement: i) this bank loan bears an interest rate of 9% per annum; and ii) the guarantee provided by the Company was RMB100,000,000.

(c) As at 31 December 2010, the Group provided guarantees of approximately RMB3,013,599,000 (2009: RMB2,762,666,000), for their customers in favour of the banks in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties.

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 current net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

45. RELATED PARTY TRANSACTIONS

(I) 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	**2010 RMB'000**	2009 RMB'000
Recurring transactions			
Shanghai Fosun Property Management Co., Ltd. *(note (a))*	Operating lease in respect of office buildings leased from the related company *(note (b))*	**5,023**	5,023
	Property management services provided by the related company *(note (b))*	**4,165**	3,780
Shanghai Foreal Property Management Co., Ltd. *(note (a))*	Property management services provided by the related company *(note (b))*	**12,765**	13,392
Wuxi Forte Real Estate Development Co., Ltd. *(note (a))*	Consulting services provided to the related company *(note (b))*	**993**	—
	Sales agency services provided to the related company *(note (b))*	**—**	877
	Notional interest *(note (d))*	**5,562**	5,206
Yangzte Tianjin Limited *(note (a))*	Notional interest *(note (e))*	**5,553**	5,840
Tianjin Binhai Auto Parts Industry Base Co., Ltd. *(note (a))*	Loan provided by the related company *(note (f))*	**—**	28,000
	Notional interest *(note (f))*	**1,384**	86
Fosun High Technology	LAT indemnity receivable from the holding company *(note (c))*	**147,817**	39,021
	Interest expenses of entrusted bank loan provided by the holding company *(note (g))*	**44,516**	81,752
	Property management services provided to the related company *(note (b))*	**895**	1,063

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) 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: (Continued)

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Recurring transactions (Continued)			
Shanghai Fosun Industrial Investment Co., Ltd. *(note (a))*	Interest expenses of entrusted bank loan provided by the related company	**—**	32,965
Shaanxi Jianqin *(note (a))*	Entrusted bank loan provided to the related company *(note (h))*	**110,000**	220,000
	Interest income of entrusted bank loan provided to the related company *(note (h))*	**23,191**	13,740
Show All *(note (a))*	Shareholder loan provided to the related company *(note (i))*	**219,810**	—
FIL	Other borrowings provided by the related company *(note (j))*	**1,270,450**	288,078
	Interest expenses of other borrowings provided by the related company *(note (j))*	**27,854**	1,523
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. *(note (a))*	Other borrowing provided by the related company *(note (k))*	**150,000**	247,792
	Interest expenses of other borrowings provided by the related company *(note (k))*	**13,984**	6,690
Nanjing Dahua *(note (a))*	Interest income of shareholder loans provided to the related company *(note (l))*	**10,507**	—
Shanghai Fujie Decoration Engineering Co., Ltd. *(note (a))*	Decoration services provided by the related company *(note (b))*	**3,166**	—

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) 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: (Continued)

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Recurring transactions (Continued)			
Shanghai Resource *(note (a))*	Sales agency services provided by the related company *(note (b))*	**20,942**	—
Shanghai Resource Advertisement Co.,Ltd. *(note (a))*	Advertising services provided by the related company *(note (b))*	**10,217**	—
Shanghai Resource Property Brokerage Co., Ltd. *(note (a))*	Sales agency services provided by the related company *(note (b))*	**5,897**	—
Chongqing Cetong Real Estate Agency Co., Ltd. *(note (a))*	Sales agency services provided by the related company *(note (b))*	**2,863**	—
Non-recurring transactions			
Fosun Property Holdings Company Limited *(note (a))*	Acquisition of 100% equity interest in a subsidiary from the related company *(note (m))*	**—**	150,214
Shanghai Fosun Venture Capital Investment Management Co., Ltd. *(note (a))*	Disposal of 67.1% equity interest in a subsidiary to the related company *(note (n))*	**91,440**	—
Zhejiang Fosun Commerce Development Co., Ltd. *(note (a))*	Disposal of 30% equity interest in an associate to the related company *(note (o))*	**1,600,000**	—

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) 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: (Continued)

Notes:

(a) Shanghai Fosun Property Management Co., Ltd. and Shanghai Fosun Industrial Investment Co., Ltd. are subsidiaries of Fosun High Technology, the holding company. Fosun Property Holdings Company Limited ("Fosun Property") is a wholly-owned subsidiary of FIL. Shanghai Yuyuan Mart Real Estate Development Co., Ltd. is an entity significantly influenced by a party that has an interest in the Company. Shanghai Foreal Property Management Co., Ltd., Nanjing Dahua and Tianjin Binhai Auto Parts Industry Base Co., Ltd. ("Tianjin Binhai") are associates of the Group. Wuxi Forte Real Estate Co., Ltd. ("Wuxi Forte"), Show All and Shaanxi Jianqin are jointly-controlled entities of the Group. Yangzte Tianjin Limited ("Yangtze") is a shareholder of a subsidiary, Tianjin Forte which was disposed in 2010 as set out in note 41.1. Shanghai Fujie Decoration Engineering Co., Ltd., Shanghai Resource, Shanghai Resource Advertisement Co., Ltd., Shanghai Resource Property Brokerage Co., Ltd., Chongqing Cetong Real Estate Agency Co., Ltd., Shanghai Fosun Venture Captial Investment Management Co., Ltd. ("Fosun Venture Captial") and Zhejiang Fosun Commerce Development Co., Ltd. ("Zhengjiang Fosun") are companies controlled by the ultimate holding company of the Group.

(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, income received from sales agency services provided to related companies, as well as fees for consulting services, decoration services, sales agency services and advertising services paid 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 corresponding notional interest computed with reference to the prevailing interest rate for the year ended 31 December 2010 amounting to approximately RMB5,562,000 was arising from the entrusted bank loan in the amount of RMB93,000,000 provided by Wuxi Forte in 2006, which is interest-free, unsecured and repayable by 2012.

(e) The corresponding notional interest computed with reference to the prevailing interest rate for the year ended 31 December 2010 amounting to approximately RMB5,553,000 was arising from the loan in the amount of USD12,798,000 (equivalent to RMB99,716,000) provided by Yangzte in 2006, which is interest-free, unsecured and repaid in 2010.

(f) The corresponding notional interest computed with reference to the prevailing interest rate for the year ended 31 December 2010 amounting to approximately RMB1,384,000 was arising from the entrusted bank loan in the amount of RMB28,000,000 provided by Tianjin Binhai in 2009, which is interest-free, unsecured and repayable by 2011.

(g) 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 charge.

Pursuant to a supplemental agreement entered into by the Group and FIL on 30 October 2009, Fosun High Technology and FIL agreed to extend the entrusted bank loans to 23 October 2013.

On 13 April 2010, the Group and FIL entered into a financial assistance supplemental agreement, pursuant to which, Fosun High Technology and FIL agreed to increase its bank guarantees provided to the Group from RMB1,300,000,000 to the aggregate amount not excluding RMB5,300,000,000, free of charge.

The interest expenses on these entrusted bank loans amounted to RMB44,516,000 for the year ended 31 December 2010. As at 31 December 2010, entrusted bank loans have been repaid.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) 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: (Continued)

Notes: (Continued)

(h) The entrusted bank loan in the amount of RMB110,000,000 was provided by the Group as set out in note 25, and the relevant interest income for the year ended 31 December 2010 amounted to RMB23,191,000.

(i) Shareholder loans in the amount of RMB219,810,000 were provided by the Group to Show All for the year ended 31 December 2010.

(j) Other borrowings in the amount of USD154,700,000 and HKD289,000,000 (equivalent to RMB1,270,450,000 in aggregate) were provided to China Alliance, bearing an interest rate at 2.5% above the LIBOR and the HIBOR, respectively, and are repayable by 22 October 2013. The relevant interest expenses amounted to RMB27,854,000 for the year ended 31 December 2010.

(k) The other borrowing in the amount of RMB150,000,000 was provided to Wuhan Zhongbei, bearing an interest rate at 5.85% per annum, and is repayable by 20 December 2012. The relevant interest expenses amounted to RMB13,984,000 for the year ended 31 December 2010.

(l) The interest income in the amount of RMB10,507,000 for the year ended 31 December 2010 represented the interest income that is related to the shareholder loan provided to an associate of the Group.

(m) On 21 April 2009, Shiner Way, a wholly-owned subsidiary of the Company entered into an equity transfer agreement with Fosun Property to acquire 100% equity interest in Fuyang Furun at a consideration of RMB150,214,000.

(n) On 1 December 2009, the Group entered into an equity transfer agreement with Fosun Venture Capital to dispose 67.1% equity interest in Shanghai Resource at a consideration of RMB91,440,000. Subsequently, Shanghai Resource became available-for-sale investments as set out in note 41.2.

(o) On 28 June 2010, the Group entered into an equity transfer agreement with Zhejiang Fosun to dispose 30% equity interest in Shanghai Haizhimen Property Investment Management Co., Ltd. at a consideration of RMB1,600,000,000.

(II) Guarantees provided by related companies of the Group

According to the financial assistance agreement and its supplemental agreements, as at 31 December 2010, (i) the Group's short-term bank loans amounting to HKD514,730,000 (equivalent to RMB437,999,000), long-term bank loans amounting to HKD980,000,000 (equivalent to RMB833,911,000) and USD190,000,000 (equivalent to RMB1,258,313,000) were guaranteed by FIL; (ii) the Group's short-term other borrowings amounting to RMB270,000,000 were guaranteed by Fosun High Technology; and (iii) the Group's corporate bonds amounting to RMB1,900,000,000 were guaranteed by Fosun High Technology.

(III) Guarantees provided to related companies by the Company

As at 31 December 2010, part of non-current portion of interest-bearing bank loans of two associates amounting to RMB541,000,000 (2009: RMB541,000,000) in aggregate was guaranteed by the Company as set out in note 44 (a) and (b).

As at 31 December 2010, the Company guaranteed banking facilities to its subsidiaries in the amount of RMB2,169,356,000 (2009: RMB2,194,110,000).

45. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2010 RMB'000	2009 RMB'000
Short-term employee benefits	**14,872**	11,447
Pension scheme contributions	**298**	277
Total compensation paid to key management personnel	**15,170**	11,724

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

The related party transaction in respect of note (I) (k) above also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010

Financial assets

	Group			
	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**Held for trading RMB'000**	**Total RMB'000**
Available-for-sale investments	**—**	**55,503**	**—**	**55,503**
Loan receivables	**330,000**	**—**	**—**	**330,000**
Trade receivables	**188,726**	**—**	**—**	**188,726**
Equity investments at fair value through profit or loss	**—**	**—**	**84,595**	**84,595**
Financial assets included in prepayments, deposits and other receivables	**676,256**	**—**	**—**	**676,256**
Cash and cash equivalents	**4,736,425**	**—**	**—**	**4,736,425**
Pledged deposits	**214,379**	**—**	**—**	**214,379**
Amounts due from related companies	**1,765,421**	**—**	**—**	**1,765,421**
Amount due from holding company	**246,279**	**—**	**—**	**246,279**
	8,157,486	**55,503**	**84,595**	**8,297,584**

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2010 (Continued)

Financial liabilities

	Group Financial liabilities at amortised cost RMB'000
Interest-bearing bank loans and other borrowings	**10,988,828**
Trade and bills payables	**2,139,506**
Financial liabilities included in other payables and accruals	**1,109,832**
Amounts due to related companies	**675,281**
Loans from related companies	**113,565**
	15,027,012

2009

Financial assets

		Group	
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	298,110	298,110
Loan receivables	220,000	—	220,000
Trade receivables	242,475	—	242,475
Financial assets included in prepayments, deposits and other receivables	1,051,554	—	1,051,554
Cash and cash equivalents	3,629,771	—	3,629,771
Pledged deposits	122,000	—	122,000
Amounts due from related companies	916,572	—	916,572
Amount due from holding company	98,462	—	98,462
	6,280,834	298,110	6,578,944

Financial liabilities

	Group Financial liabilities at amortised cost RMB'000
Interest-bearing bank loans and other borrowings	10,311,067
Trade and bills payables	1,491,922
Financial liabilities included in other payables and accruals	1,084,430
Amounts due to related companies	270,985
Loans from related companies	106,618
	13,265,022

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2010

Financial assets

		Company	
	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**Total RMB'000**
Available-for-sale investments	**—**	**10,510**	**10,510**
Financial assets included in prepayments, deposits and other receivables	**209,268**	**—**	**209,268**
Cash and cash equivalents	**57,645**	**—**	**57,645**
Amounts due from related companies	**10,835,383**	**—**	**10,835,383**
Amount due from holding company	**246,279**	**—**	**246,279**
	11,348,575	**10,510**	**11,359,085**

Financial liabilities

	Company
	Financial liabilities at amortised cost RMB'000
Interest-bearing bank loans and other borrowings	**2,144,980**
Trade payables	**19,324**
Financial liabilities included in other payables and accruals	**168,201**
Amounts due to related companies	**6,572,347**
Loans from related companies	**86,887**
	8,991,739

2009

Financial assets

		Company	
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	10,510	10,510
Financial assets included in prepayments, deposits and other receivables	612,959	—	612,959
Cash and cash equivalents	396,485	—	396,485
Amounts due from related companies	8,773,653	—	8,773,653
Amount due from holding company	98,462	—	98,462
	9,881,559	10,510	9,892,069

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2009 (Continued)

Financial liabilities

	Company Financial liabilities at amortised cost RMB'000
Interest-bearing bank loans and other borrowings	3,879,304
Trade payables	19,350
Financial liabilities included in other payables and accruals	88,454
Amounts due to related companies	3,363,993
Loans from related companies	81,324
	7,432,425

47. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Financial assets				
Available-for-sale investments	**55,503**	298,110	**55,503**	298,110
Loan receivables	**330,000**	220,000	**337,551**	220,000
Trade receivables	**188,726**	242,475	**188,726**	242,475
Equity investments at fair value through profit or loss	**84,595**	—	**84,595**	—
Financial assets included in prepayments, deposits and other receivables	**676,256**	1,051,554	**676,256**	1,051,554
Cash and cash equivalents	**4,736,425**	3,629,771	**4,736,425**	3,629,771
Pledged deposits	**214,379**	122,000	**214,379**	122,000
Amounts due from related companies	**1,765,421**	916,572	**1,765,421**	916,572
Amount due from holding company	**246,279**	98,462	**246,279**	98,462
	8,297,584	6,578,944	**8,305,135**	6,578,944
Financial liabilities				
Interest-bearing bank loans and other borrowings	**10,988,828**	10,311,067	**11,061,390**	10,327,663
Trade and bills payables	**2,139,506**	1,491,922	**2,139,506**	1,491,922
Financial liabilities included in other payables and accruals	**1,109,832**	1,084,430	**1,109,832**	1,084,430
Amounts due to related companies	**675,281**	270,985	**675,281**	270,985
Loans from related companies	**113,565**	106,618	**114,400**	108,303
	15,027,012	13,265,022	**15,100,409**	13,283,303

47. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The carrying amounts and fair values of the Group's and Company's financial instruments are as follows: (Continued)

Company

	Carrying amounts		Fair values	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Financial assets				
Available-for-sale investments	**10,510**	10,510	**10,510**	10,510
Financial assets included in prepayments, deposits and other receivables	**209,268**	612,959	**209,268**	612,959
Cash and cash equivalents	**57,645**	396,485	**57,645**	396,485
Amounts due from related companies	**10,835,383**	8,773,653	**10,835,383**	8,773,653
Amount due from holding company	**246,279**	98,462	**246,279**	98,462
	11,359,085	9,892,069	**11,359,085**	9,892,069
Financial liabilities				
Interest-bearing bank loans and other borrowings	**2,144,980**	3,879,304	**2,222,482**	3,895,481
Trade payables	**19,324**	19,350	**19,324**	19,350
Financial liabilities included in other payables and accruals	**168,201**	88,454	**168,201**	88,454
Amounts due to related companies	**6,572,347**	3,363,993	**6,572,347**	3,363,993
Loans from related companies	**86,887**	81,324	**87,722**	83,017
	8,991,739	7,432,425	**9,070,076**	7,450,295

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, pledged deposits, trade receivables, amount due from holding company, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related companies and the current portion of financial assets included in prepayments, deposits and other receivables, loan receivables, interest-bearing bank loans and other borrowings, amounts due from related companies and loans from related companies approximated to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the non-current portion of financial assets included in prepayments and other receivables, loan receivables and interest-bearing bank loans and other borrowings, amounts due from related companies and loans from related companies have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair value of listed equity investments and corporate bonds in the interest-bearing bank loans and other borrowings are based on quoted market prices.

47. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Assets measured at fair value

As at 31 December 2010:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Equity investments at fair value through profit or loss	**84,595**	**—**	**—**	**84,595**

As at 31 December 2009:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investment	240,690	—	—	240,690

During the year, there were no transfers into or out of Level 3 fair value measurements (2009: Nil).

48. 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, amounts 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.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 United States dollars ("USD") and Hong Kong dollars ("HKD") as 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 currency risk.

The original contract amounts of the Group's foreign currency denominated monetary liabilities without discounting at the end of the reporting period are as follows:

		Group		Company	
	Note	**2010 '000**	2009 '000	**2010 '000**	2009 '000
United States dollars		**205,436**	29,198	**—**	—
Hong Kong dollars	45(II)	**1,494,730**	626,850	**—**	—

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in 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
2010			
If Renminbi weakens against USD	**5**	**(68,027)**	**—**
If Renminbi strengthens against USD	**5**	**68,027**	**—**
If Renminbi weakens against HKD	**5**	**(63,596)**	**—**
If Renminbi strengthens against HKD	**5**	**63,596**	**—**
2009			
If Renminbi weakens against USD	5	(9,968)	—
If Renminbi strengthens against USD	5	9,968	—
If Renminbi weakens against HKD	5	(27,596)	—
If Renminbi strengthens against HKD	5	27,596	—

* *Excluding retained earnings*

The effect of foreign currency risk on borrowings of USD205,436,000 and HKD1,494,730,000, not directly attributable to property development, would be recorded in the consolidated income statement directly.

48. 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
2010			
RMB	**25**	**(15,568)**	**—**
	(25)	**15,568**	**—**
2009			
RMB	25	(14,260)	—
	(25)	14,260	—

* *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, and sales as well as the cost of sales were recognised.

Credit risk

The Group's credit risk is primarily attributable to trade receivables and other 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, pledged deposits, loan receivables, 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 44 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 29 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 buyers, thereby mitigating any significant concentrations of credit risk.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contracted undiscounted payments, was as follows:

Group

	As at 31 December 2010					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank loans and other borrowings	**—**	**595,108**	**1,411,051**	**8,168,784**	**838,905**	**11,013,848**
Trade and bills payables	**2,139,506**	**—**	**—**	**—**	**—**	**2,139,506**
Accrued liabilities and other payables	**1,071,304**	**—**	**38,528**	**—**	**—**	**1,109,832**
Amounts due to related companies	**675,281**	**—**	**—**	**—**	**—**	**675,281**
Loans from related companies	**—**	**—**	**28,000**	**93,000**	**—**	**121,000**
	3,886,091	**595,108**	**1,477,579**	**8,261,784**	**838,905**	**15,059,467**

	As at 31 December 2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans and other borrowings	—	171,034	2,795,863	6,492,728	882,138	10,341,763
Trade and bills payables	1,491,922	—	—	—	—	1,491,922
Accrued liabilities and other payables	1,045,902	—	38,528	—	—	1,084,430
Amounts due to related companies	270,985	—	—	—	—	270,985
Loans from related companies	—	—	—	121,000	—	121,000
	2,808,809	171,034	2,834,391	6,613,728	882,138	13,310,100

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on contracted undiscounted payments, was as follows:

Company

			As at 31 December 2010			
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans and other borrowings	—	—	270,000	1,900,000	—	2,170,000
Trade payables	19,324	—	—	—	—	19,324
Accrued liabilities and other payables	129,673	—	38,528	—	—	168,201
Amounts due to related companies	6,572,347	—	—	—	—	6,572,347
Loans from related companies	—	—	—	93,000	—	93,000
	6,721,344	—	308,528	1,993,000	—	9,022,872

			As at 31 December 2009			
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans and other borrowings	—	—	560,000	3,350,000	—	3,910,000
Trade payables	19,350	—	—	—	—	19,350
Accrued liabilities and other payables	49,926	—	38,528	—	—	88,454
Amounts due to related companies	3,363,993	—	—	—	—	3,363,993
Loans from related companies	—	—	—	93,000	—	93,000
	3,433,269	—	598,528	3,443,000	—	7,474,797

In addition, the guarantees provided by the Group/Company will be called in case of default in payments by the guarantees as set out in note 44.

48. 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 investments classified as equity investments at fair value through profit or loss (note 31) as at 31 December 2010 and available-for-sale investments (note 24) as at 31 December 2009. The Group's listed investments are listed on the Main Board of the Hong Kong, Shenzhen and Shanghai stock exchanges and are valued at the quoted market price at the end of the reporting period.

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

	31 December 2010	**High/low 2010**	31December 2009	High/low 2009
Hong Kong – Hang Seng Index	**23,035**	**24,964/ 18,986**	21,873	22,944/ 11,345
Shenzhen – A Share Index	**1,351**	**1,455/ 965**	1,261	1,296/ 600
Shanghai – A Share Index	**2,940**	**3,443/ 2,478**	3,437	3,644/ 1,956

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 end of the reporting period.

	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**
2010				
Investments listed in:				
Hong Kong –Held for trading	**5**	**2,414**	**121**	**—**
	(5)		**(121)**	**—**
Shenzhen –Held for trading	**5**	**103**	**5**	**—**
	(5)		**(5)**	**—**
Shanghai –Held for trading	**5**	**82,078**	**4,104**	**—**
	(5)		**(4,104)**	**—**
2009				
Investments listed in:				
Hong Kong – Available-for-sale	5	240,690	—	12,035
	(5)	240,690	—	(12,035)

* *Excluding retained earnings*

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are 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 2010 and 31 December 2009.

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 and loans from related companies, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and minority interests. The gearing ratio as at the end of the reporting period was as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Interest-bearing bank loans and other borrowings	**10,988,828**	10,311,067
Loans from related companies	**113,565**	106,618
Less: Cash and cash equivalents	**(4,736,425)**	(3,629,771)
Net debt	**6,365,968**	6,787,914
Total equity	**8,682,008**	6,505,715
Capital and net debt	**15,047,976**	13,293,629
Gearing ratio	**42%**	51%

49. EVENTS AFTER THE REPORTING PERIOD

On 20 January 2011, FIL made a voluntary conditional offer to acquire all of the issued H shares of the Company and subject to the H share offer becoming unconditional in all respects, FIL will make a voluntary conditional offer to acquire all of the issued domestic shares of the Company.

The cash consideration for the H share offer was HKD3.50 per share and the consideration for the domestic share offer was equivalent RMB in cash. Upon the H Share Offer becoming unconditional, the Company will make an application for the listing of the H Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.12 of the Listing Rules.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2011.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2010 annual general meeting ("AGM") of Shanghai Forte Land Co., Ltd. (the "Company") will be held at 10:00 a.m. 15 June 2011 (Wednesday) 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 of the Company for the year ended 31 December 2010.

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2010.

3. To consider and approve the audited financial statements and the report of the auditors for the year ended 31 December 2010.

4. To consider and approve the profit distribution proposal for the year 2010 and not to declare a final dividend for the year ended 31 December 2010.

5. To authorize the Board to decide matters relating to the payment of interim dividend for the six months ending 30 June 2011.

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 proposals relating to guarantees for the Company's subsidiaries

   Under the following circumstances, the Board can approve that the Company provides to its subsidiaries guarantees with an amount not exceeding RMB 6 billion.

   1) any external guarantee provided by the Company and its subsidiaries (including guarantees to its subsidiaries) reaches or exceeds 50% of its latest audited net assets;

   2) any external guarantee (including guarantees for its subsidiaries) provided by the Company reaches or exceeds 30% of its latest audited total assets;

   3) any guarantee provided by Company to its subsidiaries with asset liability ratio exceeding 70%; and

   4) any guarantee provided by Company to its subsidiaries with single guarantee amount exceeding 10% of its latest audited net assets;

   The above authorization is for a period of one year.

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
Zhang Hua
Chairman

Shanghai, PRC
11 April 2011

As at the date of this Notice, the executive directors of the Company are Mr. Zhang Hua, Mr. Fan Wei and Mr. Wang Zhe, the non-executive directors of the Company are Mr. Guo Guangchang, 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 16 May 2011 (Monday) to 15 June 2011 (Wednesday) (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on 13 May 2011 (Friday).

(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 Secretariat of the Board at 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:

Rooms 1712-1716
17th 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 of directors at the Company's principal place of business in the PRC (for holders of the Domestic Shares) and to the Company's H share registrar in Hong Kong (for holders of the H shares) on or before 25 May 2011 (Wednesday) (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 certified 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.