FORTE 复地

FOR BETTER LIVING

ANNUAL REPORT 2009

STOCK CODE: 02337

Shanghai Forte Land Co.,Ltd.

Contents

Corporate Profile

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.

Park twon, Shanghai

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. Existing property projects span eleven cities which include Shanghai, Beijing, Tianjin, Wuhan, Chongqing, Chengdu, Xi'an, Changchun, Hangzhou, Nanjing and Wuxi.

Corporate and Shareholder Information

Corporate Information

Board of Directors

Executive Directors
Mr. Fan Wei (Chairman)
Mr. Zhang Hua (President)
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
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Tel: (8621) 6332 0055/6332 2337
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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 2009, 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 on 3 November 2009. 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

2009 Corporate Schedule

Interim results announcement
19 August 2009

Annual results announcement
15 March 2010

Last day for lodging transfer
7 May 2010

Suspension of share registration
8 May 2010 to 8 June 2010
(both days inclusive)

Annual General Meeting
8 June 2010

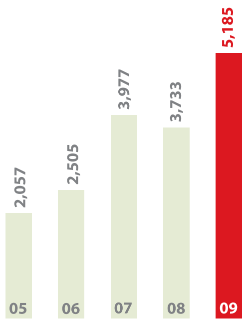
Proposed distribution of final dividend for 2009
RMB 0.06 per share (pre-tax)

Investors relationship contact
Mr. Wang Zhe
Tel: (8621) 6332 0055-7026
Fax: (8621) 6332 5018
Email: IR@forte.com.cn

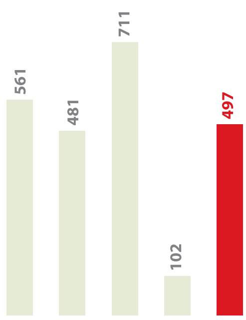

Park twon, Shanghai

Financial Highlights

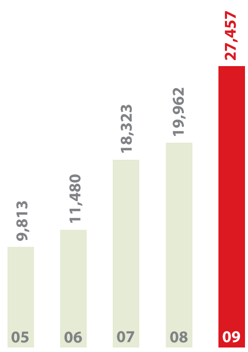
Turnover (RMB million)



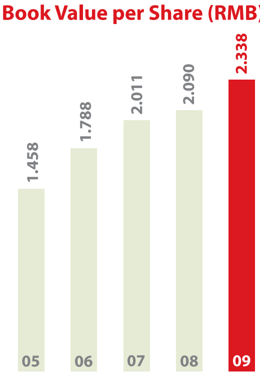
Net Profit attributable to owners of the parent (RMB million)



Total assets (RMB million)



Book Value per Share (RMB)



As at the end of 31 December 2009

RMB million	2005	2006	2007	2008	2009
		(restated)			
Turnover	2,057	2,505	3,977	3,733	5,185
Gross Profit	845	962	1,252	1,773	1,529
Gross Margin	41.1%	38.4%	31.5%	47.5%	29.5%
Earnings before interest and Tax	890	973	1,328	931	1,137
Net Profit attributable to owners of the parent	561	481	711	102	497
Comprehensive Income attributable to owners of the parent	561	481	664	155	645
Net Margin	27.2%	19.2%	17.9%	2.7%	9.6%
Earning Per Share (RMB)	0.241	0.194	0.281	0.040	0.196
Total Assets	9,813	11,480	18,323	19,962	27,457
Equity attributable to owners of the parent	3,432	4,521	5,085	5,285	5,913
Return on Equity (ROE)	16.3%	10.6%	14.0%	1.9%	8.4%
Asset Turnover Rate	25.2%	23.3%	26.7%	19.5%	21.9%
Net Assets per Share (RMB)	1.458	1.788	2.011	2.090	2.338
ROE (Average)	18.1%	12.1%	14.8%	2.0%	8.9%
Number of shares as at the end of the period (million shares)	2,353	2,529	2,529	2,529	2,529
Weighted average number of shares (million shares)	2,329	2,481	2,529	2,529	2,529

Project Overview

No.	City	Project Name	Address	Approximate Total GFA (sq.m.)	Approximate Attributable GFA (sq.m.)	Interest Attributable to the Company	Remarks
1	Shanghai	Yi He Hua Cheng (Phase 3C-1)	No.479 East Wuwei Road, Putuo District, Shanghai	21,604	50.00%	10,802	Completed and in occupation
2		Yi He Hua Cheng (Phase 3C-2)	No.479 East Wuwei Road, Putuo District, Shanghai	83,755	50.00%	41,877	Construction in process
3		Allen Poem (Phase 2B-1)	Lane 599 Lai Ting South Road, Qingpu District, Shanghai	19,057	100.00%	19,057	Completed and in occupation
4		Allen Poem (Phase 2B-2)	Lane 599 Lai Ting South Road, Qingpu District, Shanghai	7,313	100.00%	7,313	Newly commenced
5		Jinshan Chempark (Phase 1)	Block 0018, Shanyang Town Jinshan District, Shanghai	86,999	100.00%	86,999	Completed and in occupation
6		Fashion Block (Phase A1)	Lane 883, Jiuting Street Songjiang District, Shanghai	50,992	100.00%	50,992	Construction in process
7		Park town (East)	Dushi Road/Jinyang Road, Minhang District, Shanghai	155,209	100.00%	155,209	Construction in process
8		Glorious Times	Yongxing Road/Gongxing Road, Zhabei District, Shanghai	120,195	60.00%	72,117	Construction in process
9		Villa Espana (Phase 2)	Lane 6666 Waiqingsong Road, Qingpu District, Shanghai	81,520	55.00%	44,836	Newly commenced
10		Golden City (D)	Yuqiao Road/Yushui Road Pudong District, Shanghai	128,124	40.00%	51,250	Completed and in occupation
11		Golden City (C-1)	Yuqiao Road/Yushui Road Pudong District, Shanghai	52,721	40.00%	21,088	Newly commenced
12		Golden City (C-2)	Yuqiao Road/Yushui Road Pudong District, Shanghai	85,902	40.00%	34,361	Newly commenced
13	Beijing	Peking House (D4)	No.21 Xidawang Road Chaoyang District, Beijing	11,987	100.00%	11,987	Completed and in occupation
14		Peking House (underground garage)	No.21 Xidawang Road Chaoyang District, Beijing	19,932	100.00%	19,932	Completed and in occupation
15		Value Stream (Phase 1B, Phase 2)	Changxing Chuang, Xiaotangshan Town, Changping District, Beijing	60,720	100.00%	60,720	Completed and in occupation
16		Value Stream (Clubhouse)	Changxing Chuang, Xiaotangshan Town, Changping District, Beijing	5,148	100.00%	5,148	Construction in process
17		Value Stream (Phase 3)	Changxing Chuang, Xiaotangshan Town, Changping District, Beijing	11,542	100.00%	11,542	Newly commenced
18		Xirong xian 26 (Basement, Phase 2&3)	F2 Area, South East Area, Xicheng District, Beijing	62,725	100.00%	62,725	Construction in process
19		Marriott Hotel	Zhangdong Road, Dongcheng District, Beijing	130,664	37.00%	48,346	Construction in process
20	Tianjin	Tianjin Center (Continued)	Nanjing Road, Heping District, Tianjin	116,459	75.00%	87,344	Completed and in occupation
21		Tianjin Center (Apartment)	Nanjing Road, Heping District, Tianjin	35,444	75.00%	26,583	Completed and in occupation

No.	City	Project Name	Address	Approximate Total GFA (sq.m.)	Approximate Attributable GFA (sq.m.)	Interest Attributable to the Company	Remarks
22	Nanjing	Graceful Oasis (A5-2.2, A6-1, B, C2-2, E-1)	No.59 Puzhu North Road, Pukou District, Nanjing	178,295	40.95%	73,012	Construction in process
23		Graceful Oasis (A5-2.1, B3, C1-3, A/C/D-underground garage)	No.59 Puzhu North Road, Pukou District, Nanjing	88,811	40.95%	36,368	Completed and in occupation
24		Graceful Oasis (A6-2, E-2, E-3, A2#garage)	No.59 Puzhu North Road, Pukou District, Nanjing	246,252	40.95%	100,840	Newly commenced
25		Ronchamp Villa (Phase 4-1)	No.138~158 Fucheng Xi Road, Nanjing	10,624	100.00%	10,624	Newly commenced
26	Hangzhou	Invaluable City (Phase 1.1, 1.2)	Hanghai Road/East Shitang Road, Yuhang District, Hangzhou	99,021	75.00%	74,265	Completed and in occupation
27		Invaluable City (Phase 2, 3)	Hanghai Road/East Shitang Road, Yuhang District, Hangzhou	190,363	75.00%	142,772	Construction in process
28		Invaluable City (Phase 4.1, 4.2)	Hanghai Road/East Shitang Road, Yuhang District, Hangzhou	68,563	75.00%	51,423	Newly commenced
29		Northern City Center	Moganshan Road/Qingmiao Road, Gongshu District, Hangzhou	160,418	100.00%	160,418	Construction in process
30		Forte Times (Phase 1)-Fuyang Phase 1	Comprehensive market, Fuchun Road, Fuyang, Zhejiang	104,684	100.00%	104,684	Newly commenced
31	Wuxi	Australian Garden (Phase 3)	No.99 Zhenghe Main Road, Huishan District, Wuxi	57,369	50.00%	28,685	Construction in process
32	Chongqing	Yuanyang Jiedao (Phase 1A)	No.81 Jinyu Main Road, Jingkai District, Chongqing	57,020	100.00%	57,020	Completed and in occupation
33		Yuanyang Jiedao (Phase 1B)	No.81 Jinyu Main Road, Jingkai District, Chongqing	97,380	100.00%	97,380	Construction in process
34		Uptown (A-3)	No.81 Jinyu Main Road, Jingkai District, Chongqing	181,671	100.00%	181,671	Newly commenced
35	Wuhan	Forte International East Lake (Phase 1A, 1B)	No.147 Zhongbei Road Wuchang District, Wuhan	140,126	70.00%	98,088	Construction in process
36		Forte International East Lake (Phase 2A)	No.147 Zhongbei Road Wuchang District, Wuhan	94,796	70.00%	66,357	Newly commenced
37	Xi'an	Yotown (Phase 1)	Yuhua Town Gaoxin District, Xi'an	138,274	95.00%	131,360	Construction in process
38		Yotown (Phase 2)	Yuhua Town Gaoxin District, Xi'an	94,125	95.00%	89,419	Newly commenced
39	Changchun	Natural City (C)	Boxue Road Jingyue Development District, Changchun	66,996	100.00%	66,996	Completed and in occupation
40		Natural City (D)	Boxue Road Jingyue Development District, Changchun	23,307	100.00%	23,307	Newly commenced
41		Natural City (E-1)	Boxue Road Jingyue Development District, Changchun	105,120	100.00%	105,120	Newly commenced
	Total:			3,551,228		2,630,038	

Chairman's Statement

Chairman | **Fan Wei**

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 report of the Company for the year ended 31 December 2009.

At the beginning of 2009, based on the optimistic outlook of the real estate industry, the Company decided to actively increase new property supplies for the year and cautiously acquire land bank when the market was at the lowest point in years. For the year of 2009, the rebound of China's real estate industry far exceeded the expectations. Benefiting from the market recovery and management decisions, the Company's 2009 annual results were excellent. The Company's audited turnover and net profit attributable to the shareholders were RMB5,185,000,000 and RMB497,000,000, representing an increase of 38.9% and 388.6% from the previous year, respectively.

China led the economic rebound in 2009; the market liquidity was adequate resulting from the low interest rate policy and abundant money supplies. The Central and local government's policies showed high consensus, i.e., stimulating various housing purchasing demands by actively employing different measures. It is fair to say that 2009 is the most favorable year for the real estate market in terms of macro environment. It is not difficult to understand that different types of capitals, including those from state-owned enterprises and private capital flooded into the real estate market for returns which are above average. The strong reaction of the real estate market is surprising. The data from various regions demonstrated record growth. People almost forget their desperation at the beginning of the year when the market slumped.

From this perspective, the year of 2009 provided the touchstone of China's real estate market demands and its fundamental driving force. As long as the macro environment is not adversely impacted, together with the public's demand to improve their living conditions and the investment needs of middle class and wealthy individuals, people will purchase houses as soon as practicable based on their judgment of one basic condition in China: a large amount of people with limited land resources. The short term fluctuation of macro environment will only accelerate or defer their house purchasing process. Behind these demands, the sustainable fundamental driving forces of the middle to long term growth of the market include rapidly growing economy, urbanization and demographic dividend and the fast accumulation of social wealth.

With the increase rate of real estate prices recording historical high in 2009, macro environment and market structure will undergo subtle changes. Despite the fact that market liquidity will continue to be moderately loose in 2010, the expectation of inflation will force the government to take a conservative approach in both fiscal and monetary policies. In order to prevent market bubble and restrain significant increase of prices from middle 2009, both central and local government had issued a series of regulatory policies. The market participants had differetiated in short term expectations, which led to slipped transaction volume in various degrees and evidently slowed-down increase in prices during the 1st quarter of the year in various regions. Nevertheless, The Company believes that moderate regulation can facilitate healthy development in real estate market, bring a more rational and stable market and an environment for a more sustainable developing real estate market. As a result, The Company is cautiously optimistic about the 2010 market.

Based on the judgment of the real estate market characteristics, long term development trend of the industry and the company resources, The Company has enacted development strategies for the next 10 years, which introduces a “Dual Engine” structure that advances both development and investment, and explores high growth with risk management. Under this development strategy, to cope with short term changes in the market, The Company’s 2010 operating strategy is much clearer: continuing to improve asset turnover of the projects; maintaining reasonable number of reserved projects and stable accounting structure; expanding mid-high end projects development in each region; steadily optimizing organizational structure and incentive mechanism; increasing research and inputs in real estate investments while focusing on residential projects development; responding to the short term industry fluctuation and continuing to maximize shareholder values.

Our strategy is much clearer, our goal is more specific, and our belief in real estate market is as confident as ever. We believe that with our collective efforts, the Company will present even better results in 2010.

Finally, 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
Fan Wei

Shanghai, the PRC
15 March 2010

Management Discussion and Analysis

President | **Zhang Hua**

Market Overview

Since the 4th quarter of 2008, responding to the severe impacts from global financial crisis, the PRC government adopted a series of strong and effective stimulus plans, including large interest rate cuts, RMB 4,000 billion investment stimulating plan, encouraging consumptions and plans to revitalize key industries. The above mentioned measures quickly slowed down the rapid downtrend of the economy. Each major economic indicator exhibited an evident rebound from the 3rd quarter of 2009. The annual GDP growth still reached 8.7% for the year; The GDP growth reached 10.7% for the 4th quarter of the year.

China's fiscal and momentary policy was loose in 2009. The interest rate of loans maintained at the lowest in five years; the amount of new loans reached at a historical record of RMB 9,590 billion, representing an increase of 95% from that of 2008. At the end of December 2009, M1 increased 32.4% compared to the same period of last year. At the same time, central and local government modified the restraining policies towards the real estate market adopted in 2007. A series of stimulus measures were introduced including lowering mortgage rates and transaction taxes, and decreasing percentage of down-payment, etc.

With abundant market liquidity, loose monetary policy and strong rebound of economy, different demands were released with the significant stimulation. The real estate market emerged from the downturn at the beginning of 2009, creating a trend from property recovery to frenzy. From March, the monthly residential prices in 70 cities had been increasing continually for 10 months on a month-to-month, seasonally adjusted basis, reaching a highest level in 26 months at the end of the year. Each of major cityes' transaction volume for new houses doubled compared to the same period of 2008, most of which were close to or above those historical highs in 2007. Under the influence of residential property market transactions, the land market became very active in the middle of 2009 with the re-emerging of land grabbing and "lank kings" in varion regions.

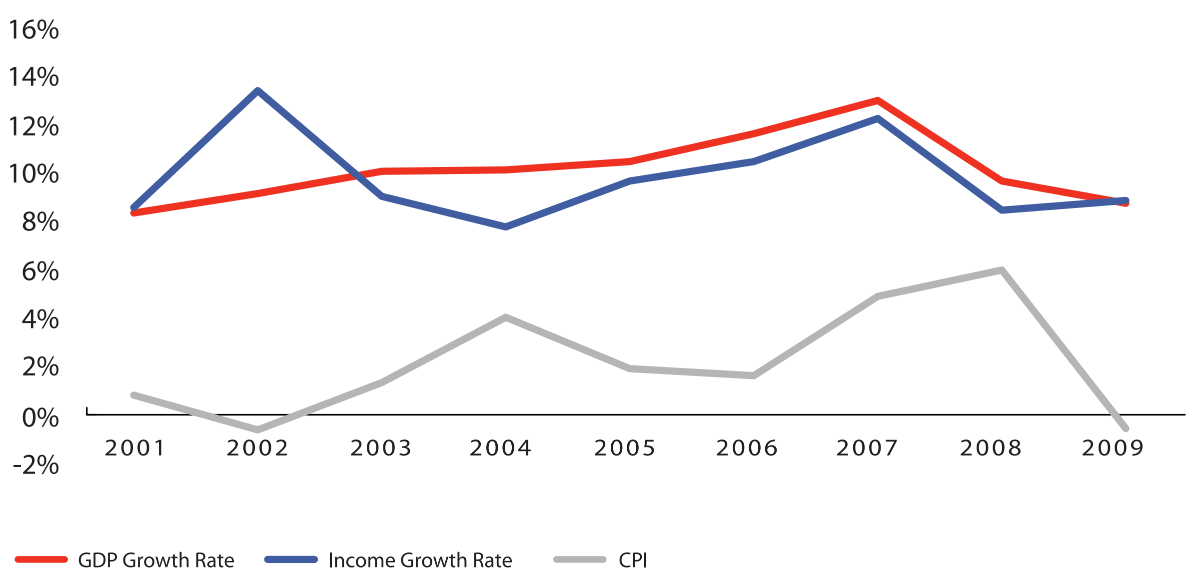
Looking forward to 2010, market supplies are still inadequate. Because the market was so good last year, there are insufficient inventory supplies in different cities, especially in the 1st tier cities. New housing supplies are still tight in 2010 due to insufficient land supplies year after year in different cities. Nevertheless, the market trend will be mostly determined by the changes of both economic and policy environment.

The possibility of introducing more strict policies in the 1st half of 2009 is relatively low and the economy will maintain moderately loose. Three months since the end of last year, the government has raised mortgage rates several times and also increased down payment percentages, the market had responded rather quickly and strongly with shrinked transaction volume and stagnant prices. To prevent inflation, monetary supply will be frequently but modestly tightened. To keep the economic recovery trend, the basic tune of the government policy is still "active fiscal policy and reasonably moderate monetary policy". Thus, in 2010, the capital abundancy will be slightly less than that of previous year, but will far exceed the other years. With the possible increas of interest rates once or twice, the interest rate will remain low.

The uncertainties lie in the strength and effectiveness of real estate regulatory policies. The real estate industry and property prices again moved to the center stage of the social issues due to significant increses in housing prices nationwide in 2009. To curb excessive price increases while preventing slump in transaction volume, real estate regulatory policy will be inplemented under the guidance of "increasing supplies, restraining speculations, strengthening supervisions and promoting welfare housing constructions". The regulating and supervising methods will be implemented step by step and will be toughening based on market reactions.

We are of the view that with comprehensive influence of moderate loose economic environment and negative policy environment, the market will quickly become more active after the implementation of negative policies in the first

Major Macro Economic Indicator Growth Rate 2001-2009



Source: National Bureau of Statistics of China

half of 2010. However, the market will face more uncertainties in the second half, depending on whether or not the housing prices exceed the limits set by the government and whether the buyer's expectation as well as that of the real estate companies become pessimistic with the implementation of the government's restraining policies.

1) Shanghai

2009 Supply & Demand and Price Trend of Commodity Residential Housing in Shanghai

	Shanghai	
	Figures	**Growth Rate**
Shanghai GDP(RMB 100 mil)	14901	8.2%
Average Disposable Income per Capita (RMB)	28838	8.1%
Commodity Residential Housing Available for Sale GFA with Permits(10,000 sq.m.)	1387	9.5%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	1764	101.0%
Weighted Average Commodity Residential Housing Price(RMB/M2)	16186	15.9%

Source: Shanghai Municipal Bureau of Property and Land

In 2009, benefiting from the market recovery, developers began to increase the scale of new developments and constructions in the second quarter, reversing the lasting slipping trend in newly added property supplies and ensuing a 9.5% increase of newly added property supplies for the whole year. The newly added property supplies were still the 2nd lowest in recent years.

At the end of the first quarter, purchasers for self occupying housing entered the market after one year's watch and see with the stimulations of a series of policies. While transaction volume doubly increased, the market started to experience strong stimulating effects from abundant liquidity and low interest rate. From May, Shanghai residential housing prices increased on a month-by-month basis. The transaction volume quickly increased to a high level of 2-3million sq.m. per month from June.

The residential transactions for the whole year were experiencing a spurt; the transaction volume in terms of GFA increased multiple times and reached 17.64 million sq.m., which is close to that of 2007. The monthly average transaction price was beyond RMB20,000/sq.m. at the end of the year. Some housing projects even had a 100% increase in prices, hitting a historical high. Thus, 2009 became the year in which Shanghai experienced the most rapid price increase in the past 10 years.

Glorious Times, Shanghai

Glorious Times, Shanghai

Fashion Block, Shanghai

National New Development GFA, Contract Sales GFA 2001-2009

Source: National Bureau of Statistics of China


Park twon, Shanghai


Park twon, Shanghai


Park twon, Shanghai

2) Beijing

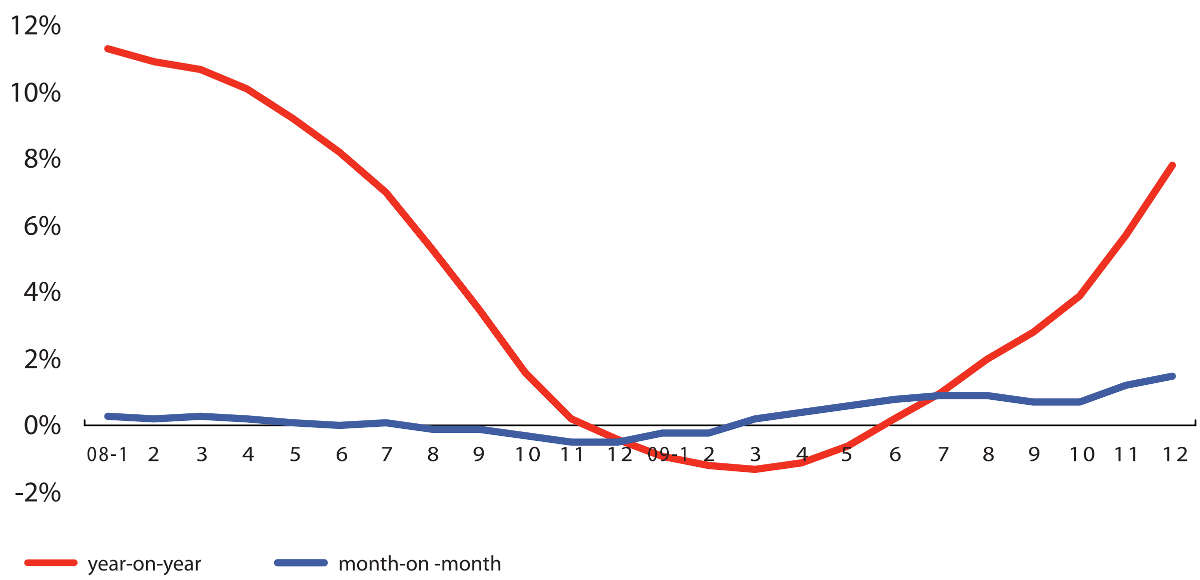
2009 Supply & Demand and Price Trend of Commodity Residential Housing in Beijing

	Beijing	
	Figures	Growth Rate
Beijing GDP(RMB 100 mil)	11866	10.1%
Average Disposable Income per Capita (RMB)	26738	8.1%
Commodity Residential Housing Available for Sale GFA with Permits(10,000 sq.m.)	1131	-22.4%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	1817	147.7%
Weighted Average Commodity Residential Housing Price(RMB/M2)	14320	10.7%

Source: Beijing Real Estate Trading Center

Impacted by the suspensions of the projects constructions during Olympics, Beijing's residential supplies decreased by 22.4%. Property supplies for the whole year were only 11.31 million sq.m., which was the lowest in 5 years. Like other cities in China, Beijing's residential transaction volume increased significantly by 147.7%, the transaction volume in terms of GFA was more than 18 million sq.m., hitting a historical record in Beijing's transaction volume. From statistic point of view, Beijing's residential housing prices only increased 10.7% when the property supplies and transactions were quickly shifting outside 5th ring. It was more common that some projects had more than 30% or even higher increases in prices. The main characteristics of Beijing market were the influx of private funds from northern regions (mainly from Shan'xi, Inner Mongolia and Northeastern regions), which resulted in both increased transaction volume and prices.

Prices Comparison in 70 Cities 08.1-09.12

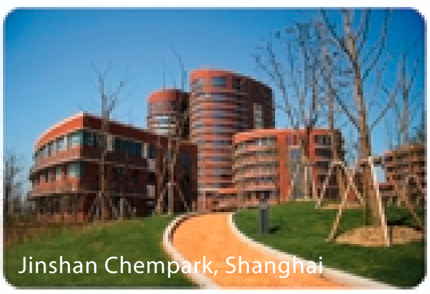


Source: National Bureau of Statistics of China

Jinshan Chempark, Shanghai

3) Hangzhou, Nanjing, Wuxi

	Hangzhou		Nanjing		Wuxi	
	Figures	Growth Rate	Figures	Growth Rate	Figures	Growth Rate
GDP(RMB 100 mil)	5099	10.0%	4230	11.5%	4992	11.6%
Average Disposable Income per Capita (RMB)	26176	11.2%	25504	10.3%	24576	4.1%
Commodity Residential Housing Available for Sale GFA with Permits (10,000 sq.m.)	411	7.1%	624	-25.6%	363	-25.5%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	673	220.3%	1070	120.5%	696	150.4%
Weighted Average Commodity Residential Housing Price (RMB/M2)	14372	12.1%	7367	13.1%	6433	11.6%



Jinshan Chempark, Shanghai

Jinshan Chempark, Shanghai

Due to the composition of its customers, the Hangzhou market was highly sensitive to policy changes. In 2009, the transaction volume in Hangzhou market increased 220%; it was the city which had the largest percentage increases in transaction areas. Due to the limited city center and insufficient land supplies, 70% of transaction areas in Hangzhou market were outside the city center in 2009. Although doubled price was not an exceptional case,

Value Stream, Beijing

Hangzhou's residential housing price only increased 12.1% in 2009 from statistic view. In 2009, Hangzhou increased its land supply. More than 6 million sq.m. in residential land supplies were available, a peak in term of land supplies in the recent 10 years. Land prices were at record highs, Hangzhou became the city which had highest amount of land transactions in China in 2009.

Despite being the first city announcing "stimulus" policies, Nanjing's residential transaction prices did not follow the increase in transaction volume; it did not stop the downward trend until April and May. This is largely due to the fact that large amount of property supplies were available in suburbs, new residential supplies in the city center were not available until the second quarter. In the second half of the year, the real estate market in Nanjing showed a steady increase in both transaction volume and prices.

Wuxi has always been the most balanced city in respect of city development in Yangtze delta. The customer structure, which mainly comprised of local customers for self occupying housing, has prevented Wuxi market to experience substantial fluctuations like other cities. Last year, influenced by nationwide housing sales, Wuxi's transaction volume also increased 150.4% with the total residential transaction volume of approximataly 7 million sq.m. hitting a historical record. Investors from Jiangsu and Zhejiang started to pay close attention to and purchased Tai Lake New City and etc. The high end projects near Tai Lake and Li Lake had big percentage increase in prices and had became major driving forces in Wuxi's real estate market.

Value Stream, Beijing

PekingHouse, Beijing


Invaluable City, Hangzhou


Invaluable City, Hangzhou

4) Chongqing, Chengdu, Xi'an

	Chongqing		Chengdu		Xi'an	
	Figures	Growth Rate	Figures	Growth Rate	Figures	Growth Rate
GDP(RMB 100 mil)	6529	14.9%	4503	14.7%	2719	14.5%
Average Disposable Income per Capita (RMB)	15749	11.0%	18650	10.1%	18963	24.7%
Commodity Residential Housing Available for Sale GFA with Permits (10,000 sq.m.)	1698	150.3%	895	-8.2%	1045	-18.4%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	2329	137.2%	1460	141.8%	1327	121.8%
Weighted Average Commodity Residential Housing Price(RMB/M2)	4548	7.5%	5896	4.5%	4882	9.6%

Land supply in Chongqing is always adequate. Chongqing's newly added supply available for sale was close to 10 million sq.m. even during the real estate market correction in 2009; those figures were setting a new record, which was close to 17million sq.m. last year. Abundant market supplies ensured the transaction volume in 2009. For the whole year, residential transaction volume in term of GFA was 23.29 million sq.m.; Chongqing was the city which had the largest transaction areas for three consecutive years in the nation. Meanwhile, due to abundant supply and large inventory level, its price increase percentage was a little bit lower compared to that of 1st tier cities. In the second half of last year, average housing prices in Chongqing increased close to 8%; it was common that some projects had 20%-30% increase in prices.

Chengdu deployed a series of incentive policies to stimulate house purchasing after 2008 earthquake. Since some of these incentive policies were to expire by the end of May, many customers with self occupying needs and investment needs chose to purchase before the expiration of the incentive policies. As a result, Chengdu's transaction volume maintained at a high level of 1.3million sq.m. per month for the first 5 months of 2009; the volume slumped to 0.65 million sq.m. in June but quickly swung up along with the extraordinary housing market nationwide in the 2nd half, reaching 1.5 million sq.m. per month, housing prices also increased quickly. City's average housing prices only increased 4.5% compared to those of 2008, due to large reduction in proportion of newly available for sale supply in the city center compared to previous years.

Market fluctuation in Xi'an is always lesser than other cities because of lack of speculators. The housing prices were at a relatively low level, and the responses to policy changes was also behind the curve for 3-6 months compared to other cities. In 2009, the needs for self occupying became active in June, after the watch and see for more than a year; nevertheless, it still pushed Xi'an's transaction volume to a historical record of 13.27 million sq.m. for the year, 120% increase from that of 2008. At the same time, to protect historical relics, Xi'an's city center almost had no new residential supplies. With exuberant self occupancy needs, each new district's percentage increase in housing prices was higher than prior years. The city's average housing price increased close to 10% compared to those of 2008.


Uptown, Chongqing


Uptown, Chongqing

5) Tianjin, Wuhan, Changchun

	Tianjin		Wuhan		Changchun	
	Figures	Growth Rate	Figures	Growth Rate	Figures	Growth Rate
GDP(RMB 100 mil)	7501	16.5%	4560	13.7%	2919	15.0%
Average Disposable Income per Capita (RMB)	21430	10.3%	18385	10.0%	16277	8.5%
Commodity Residential Housing Available for Sale GFA with Permits (10,000 sq.m.)	990	16.9%	530	-41.3%	382	-22.1%
Commodity Residential Housing Contract Sales GFA (10,000 sq.m.)	1329	165.7%	1082	104.4%	628	75.2%
Weighted Average Commodity Residential Housing Price(RMB/M2)	7414	7.9%	5428	11.1%	4399	19.2%

Benefiting from Binhai New Area's important strategic position granted by central government which is equivalent to the status of Pudong New District, the speed of Tianjin's industrial development, infrastructure constructions, demographics expansion, were at the forefront nationwide in the past 3 years; structure of real estate market has quickly moved close to that of 1st tier cities. In 2009, the land transactions areas were the largest in the nation; transaction volume in residential housing for the year increased 70% from that of 2008, reaching a record high of 13.29 million sq.m. In addition to supply structure gradually shifting to suburban, Tianjin's housing prices only stopped decreasing and began to rebound in the 2nd quarter. Even though price increases in city center was more than 20%, the average price increase in the city was only 7.9%, averaging RMB7,414 per sq.m., only approximately half of those in Beijing during the same period.

Impacted by severe market correction in 2008, many projects under the development were suspended and planned projects were delayed. In 2009, Wuhan's newly added property supplies were only 5.3 million sq.m., a large reduction of 40%; but transaction volume increased multiple times and exceeded 10 million sq.m. A variety of investment needs became more active again, together with very limited new supplies, it caused Wuhan's housing price to increase quickly in 2009. The price for high end housing properties in city center increased almost 50%, average housing price increased 11% from 2008.

Although the newly added property supplies decreased approximately 20%, the transaction volume in Changchun's housing market increased almost 75%. Compared to the other 2nd tier cities, there were no major changes in the proportion of newly added supplies in main district of the city; Changchun's average housing price increased 20%, reflecting rather directly price performance of each project for sale. The main reasons which caused Changchun's percentage of price increases reaching new high and standing forefront among 2nd tier cities are: national developers' market share in the city increased significantly after years of operations; housing prices were still at a low level compared to other north eastern cities; different types of property

Forte International East Lake, Wuhan

Forte International East Lake, Wuhan

Forte International East Lake, Wuhan

buyers, especially mid end buyers' purchasing power and desire, had made a leap forward in 2009, as the result of apparent initial success of difficult economic structure transformation. This also signals that Changchun's housing market has entered a phase of rapid development.

Business Review

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

Project Developments

During the year, there were 41 projects under development (including the projects of joint ventures in which the Group owns equity interests and associate companies). Total gross floor area ("GFA") of these projects was approximately 3,551,228 sq.m., of which a total GFA of approximately 2,630,038 sq.m. was attributable to the Company, representing an increase of approximately 9.90% compared to the same period last year (2008: GFA attributable to the Company of 2,393,126 sq.m.).

Natural City, Changchun

Of the aforementioned 41 projects, 14 projects with a total GFA of approximately 1,168,140 sq.m were new, of which a total GFA of approximately 852,585 sq.m. was attributable to the Company, representing a decrease of 27.37% compared to the same period last year (2008: GFA attributable to the Company of 1,173,922 sq.m.).

Of the aforementioned 41 projects, 13 projects with a total GFA of approximately 812,174 sq.m were completed, of which a total GFA of approximately 609,324 sq.m. was attributable to the Company, representing an increase of 35.50% compared to the same period last year (2008: GFA attributable to the Company of 449,680 sq.m.).

Projects Reserved

During the year, 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. The Group secured a total of 7 projects with a total GFA of approximately 1,430,000 sq.m., of which a total GFA of approximately 1,210,000 sq.m. was attributable to the Company, representing a decrease of 4.72% compared to the same period last year (2008: GFA attributable to the Company of 1,270,000 sq.m.).

Newly Acquired Projects During the Reporting Period

City	Project Name	Approximate Total GFA (sq.m.)	Interest Attributable to the Company	Approximate Total GFA Attributable to the Company (sq.m.)	Usage
Shanghai	Allen Poem (Phase2B)	7,313	100.00%	7,313	Residential
Shanghai	Jinguang North Project	49,100	100.00%	49,100	Residential
Shanghai	Jinshan Chempark (Phase2)	27,249	100.00%	27,249	Industrial
Hangzhou	Hangzhou Fuyang Project	254,574	100.00%	254,574	Residential, Commercial
Tianjin	Tianjin Konggang Project	405,233	70.00%	283,663	Residential
Chengdu	Forte Yunyue Project	311,183	80.00%	248,946	Residential
Nanjing	Nanjin Runchang Project	379,518	90.00%*	341,566	Residential
Total		1,434,170		1,212,411	

* From the perspective of accounting in substance, the acquisition of Nanjing Runchang was accounted for an assets deal, which was completed at the end of the reporting date.

Note: Information was updated based on the most recent project planning documents

In addition to the Group's existing land bank, as of 31 December 2009, the Group acquired projects with planned GFA of approximately 10,880,000 sq.m., located in 11 cities, namely Shanghai, Beijing, Tianjin, Nanjing, Hangzhou, Wuxi, Chongqing, Wuhan, Xi'an, Chengdu and Changchun. The nationwide scale and sustainable development strategy will contribute to the stable growth of the Group's core business and profits in the coming years.

Natural City, Changchun

Natural City, Changchun

Reserved Projects For the Year Ended 31 December 2009 (Unit: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	1,727,564	1,065,736	637,607	427,793	1,089,957	637,942
Beijing	210,080	127,761	210,080	127,761	0	0
Tianjin	405,233	283,663	0	0	405,233	283,663
Nanjing	1,479,645	833,504	435,171	184,476	1,044,474	649,027
Hangzhou	830,575	726,679	524,028	459,297	306,547	267,383
Wuxi	701,997	350,999	57,369	28,685	644,628	322,314
Chongqing	568,929	568,929	279,051	279,051	289,878	289,878
Wuhan	1,064,490	745,143	234,922	164,445	829,568	580,698
Xi´an	2,590,453	1,399,806	232,399	220,779	2,358,054	1,179,027
Chengdu	511,183	448,946	0	0	511,183	448,946
Changchun	793,842	793,842	128,427	128,427	665,415	665,415
Total	10,883,991	7,345,007	2,739,054	2,020,714	8,144,937	5,324,293

Note:

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 8,144,937 sq.m. (which include projects without land use right certificates but with executed land grant contracts or approved by the PRC government), the GFA of the projects with land use right certificates is approximately 5,844,678 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 year, the Group achieved aggregate sales of approximately 1,163,009 sq.m. and RMB 10,923,747,000 (including joint ventures in which the Group owns equity interests and associate companies). Total sales attributable to the Company was approximately 892,179 sq.m. and RMB 8,516,545,000, representing an increase of approximately 150.33% and 169.09%, compared to the same period last year (2008: Aggregate sales attributable to the Company of 356,407 sq.m. and RMB 3,164,996,000).

The Group actively expanded its property development business into 11 cities in the PRC. During the year, property sale had commenced in 10 cities.

Total GFA and Amount Sold by Contract (As of 31 December 2009)

			Sales GFA (sq.m.)		Sales Revenue (RMB'000)	
No.	City	Name of Project	In Total	Attributable to the Company	In Total	Attributable to the Company
1	Shanghai	Park town (Phase 1)	1,038	1,038	7,119	7,119
2		Park town (Phase 2)	274	274	3,350	3,350
3		Park town (Phase 3)	55,961	55,961	972,080	972,080
4		Villa Espana (Phase1)	420	231	4,064	2,235
5		Villa Espana (Phase2)	40,229	22,126	409,572	225,265
6		Yi He Hua Cheng (Phase 2A)	914	457	2,780	1,390
7		Yi He Hua Cheng (Phase 4)	221	110	2,792	1,396
8		Yi He Hua Cheng (Phase 3-B1)	2,045	1,023	44,084	22,042
9		Yi He Hua Cheng (Phase 3-B2)	9,148	4,574	167,743	83,872
10		Yi He Hua Cheng (Phase 3-B3)	28,172	14,086	450,632	225,316
11		Fashion Block (Phase1.1)	24,227	24,227	323,155	323,155
12		Allen Poem (Phase3.1)	2,171	2,171	32,330	32,330
13		Allen Poem (Phase3.2)	7,433	7,433	113,377	113,377
14		Forte Times	22,558	16,998	339,227	255,548
15		Golden City (resettlement housing)	50,523	20,209	262,717	105,087
16		Golden City (AvenueC, Phase 1)	47,810	19,124	848,128	339,251
17		Golden City (AvenueC, Phase 2)	14,998	5,999	350,089	140,036
18		Other Projects	3,590	2,578	24,570	18,331
19	Beijing	Value Stream (Phase 1.1, 2.1)	1,416	1,416	27,942	27,942
20		Value Stream (Phase 2.2)	25,519	25,519	368,225	368,225
21		Jia Du Town	22,528	22,528	455,000	455,000
22		Peking House (South)*	139,033	139,033	609,520	609,520
23		Peking House (North ABC)	3,113	3,113	122,836	122,836
24		Peking House (North D)	21,299	21,299	579,427	579,427
25		Forte International Apts	14,731	14,731	296,336	296,336
26		Xirong Xian 26 (2th Building)	7,049	7,049	249,948	249,948
27		Xirong Xian 26 (3th Building)	6,439	6,439	293,698	293,698
28		Spring Town (Phase 1)	649	195	2,715	815

No.	City	Name of Project	Sales GFA (sq.m.) In Total	Sales GFA (sq.m.) Attributable to the Company	Sales Revenue (RMB'000) In Total	Sales Revenue (RMB'000) Attributable to the Company
29	Tianjin	Tianjin Center	2,609	1,957	52,119	39,089
30	Xi´an	Yotown (Phase1)	62,839	59,697	279,182	265,223
31	Changchun	Natural City (District C)	9,304	9,304	35,113	35,113
32		Natural City (District D)	11,695	11,695	53,818	53,818
33		Natural City (District E, Phase2.1)	39,576	39,576	194,524	194,524
34	Hangzhou	Invaluable City (Phase 1)	11,363	8,523	113,277	84,958
35		Invaluable City (Phase 2)	59,134	44,350	376,037	282,028
36		Invaluable City (Phase 3)	51,143	38,357	453,949	340,462
37		Northern City Center (Phase 1.1)	3,534	3,534	30,178	30,178
38	Chongqing	Uptown (Phase 1)	961	961	2,923	2,923
39		Uptown (Phase 2)	14,891	14,891	77,271	77,271
40		Uptown (Phase 3)	46,230	46,230	257,542	257,542
41		Uptown (Phase 4)	40,053	40,053	172,646	172,646
42	Wuhan	Forte International East Lake (Phase1.1)	9,112	6,379	68,487	47,941
43		Forte International East Lake (Phase1.2)	60,097	42,068	450,579	315,406
44		Forte International East Lake (Phase2.1)	188	131	1,689	1,182
45		Cui Wei New City	6,138	3,683	27,777	16,666
46	Wuxi	Australian Garden (Phase1)	366	183	1,448	724
47		Australian Garden (Phase2.1)	41,740	20,870	197,407	98,704
48		Australian Garden (Phase2.2)	8,656	4,328	45,493	22,746
49	Nanjing	Ronchamp Villa (Phase1)	828	828	11,780	11,780
50		Ronchamp Villa (Phase3-west)	1,160	1,160	10,300	10,300
51		Ronchamp Villa (Phase4)	1,883	1,883	26,336	26,336
52		Graceful Oasis	126,002	51,598	620,416	254,060
	Total		1,163,009	892,179	10,923,747	8,516,545

Note: Beijin Peking House South was a primary land development project.

Property Booked

During the year, booked GFA and revenue amounted to 764,436 sq.m. and RMB 6,964,989,000 (including joint ventures in which the Group owns equity interests and associate companies). Booked GFA and revenue attributable to the Company amounted to 577,237 sq.m. and RMB 5,679,967,000, representing an increase of approximately 59.88% and 73.05%, compared to the same period last year (2008: Booked GFA and revenue attributable to the Company of 361,051 sq.m. and RMB 3,282,326,000).

Booked GFA and Revenue in 2009

			Booked Sales GFA (sq.m.)		Booked Sales Revenue (RMB'000)	
No.	City	Name of Project	In Total	Attributable to the Company	In Total	Attributable to the Company
1	Shanghai	Forte Times	26,015	19,590	421,525	317,271
2		Allen Poem (Phase 3)	17,926	17,926	247,214	247,214
3		Yi He Hua Cheng (Phase 3-B1)	3,110	1,555	64,104	32,052
4		Yi He Hua Cheng (Phase 2A)	914	457	2,780	1,390
5		Yi He Hua Cheng (Phase 4)	221	110	2,792	1,396
6		Yi He Hua Cheng (Phase 3-B2)	21,667	10,834	390,974	195,487
7		Park twon (Phase 1)	1,038	1,038	7,119	7,119
8		Park twon (Phase 2)	274	274	3,350	3,350
9		Villa Espana (Phase1-A,B)	420	231	9,899	5,444
10		Golden City	115,323	46,129	599,677	239,871
11		Other projects	3,794	2,758	25,819	19,431
12	Tianjin	Tianjin Center	18,421	13,815	375,028	281,271
13	Beijing	Peking House (South)	139,033	139,033	609,520	609,520
14		Forte International Apts	19,367	19,367	379,479	379,479
15		Peking House (diban)	6,846	6,846	231,699	231,699
16		Peking House (gaoban)	26,190	26,190	719,414	719,414
17		Value Stream (Phase 1.1)	3,247	3,247	52,493	52,493
18		Value Stream (Phase 1.2)	12,134	12,134	117,161	117,161
19		Value Stream (Phase 2.2)	44,612	44,612	645,467	645,467
20		Spring Town (Phase 1)	649	195	2,715	815
21		Jia Du Town	22,528	22,528	455,000	455,000
22	Hangzhou	Invaluable City (Phase 1)	58,746	44,059	519,126	389,344
23	Nanjing	Ronchamp Villa (Phase1)	828	828	11,780	11,780
24		Ronchamp Villa (Phase3-west)	1,160	1,160	10,300	10,300
25		Graceful Oasis	80,117	32,808	356,116	145,830
26	Wuxi	Australian Garden (Phase1.2)	366	183	1,448	724
27		Australian Garden (Phase2.1)	55,226	27,613	262,675	131,338
28	Wuhan	Cui Wei New City	6,374	3,824	30,019	18,012
29	Chongqing	Uptown (Phase1)	496	496	948	948
30		Uptown (Phase2)	16,889	16,889	88,711	88,711
31		Uptown (Phase3)	45,507	45,507	252,846	252,846
32	Changchun	Natural City (District C)	14,999	14,999	67,791	67,791
	Total		764,436	577,237	6,964,989	5,679,967

Note: Beijin Peking House South was a primary land development project.

During the year, GFA sold but not yet booked and unbooked revenue amounted to 761,683 sq.m. and RMB7,448,307,000. GFA sold but not yet booked and unbooked revenue attributable to the Company amounted to 545,537 sq.m. and RMB5,432,886,000, representing an increase of approximately 136.91% and 109.75% as compared to the same period last year (2008: GFA sold but not yet booked and unbooked revenue attributable to the Company of 230,274 sq.m. and RMB2,590,196,000).

During the year, two properties of the Group, namely Fosun International Centre and Nort Centre Downtow were transferred to investment properties. As at 31 December 2009, the fair value of these two investment properties amounted to RMB2,057,400,000.

Major Events

Major Events During the Year

Issuance of Domestic Corporate Bond

On 25 September 2009, the Company completed RMB1,900,000,000, five year domestic corporate bond, with a 7.3% coupon interest rate. On 3 November 2009, the Company's corporate bond (SH: 122020) was listed on the Shanghai Stock Exchange.

Disposal of A 67.1% Equity Interest in Resource Property Consultancy

On 1 December 2009, Shanghai Fosun Venture Capital Investment Management Co., Ltd. and Shanghai Forte Investment Management Co., Ltd., each a wholly-owned subsidiary of Fosun International Limited and Shanghai Forte Land Co., Ltd., respectively, entered into the Equity Transfer Agreement, whereby Shanghai Fosun Venture Capital Investment Management Co., Ltd. has agreed to acquire from Shanghai Forte Investment Management Co., Ltd a 67.1% equity interest in Shanghai Resource Property Consultancy Co., Ltd. for a consideration of RMB91,440,000 (equivalent to approximately HK$103,804,107.21).

Disposal of a 75% Equity Interest in Tianjin Project Company

On 24 December 2009, Shanghai Forte Land Co., Ltd., Tianjin Forte Puhe Development Co., Ltd. and HNA Group entered into the Equity Transfer Agreement , whereby HNA Group has agreed to acquire from Shanghai Forte Land Co., Ltd. a 75% equity interest in Tianjin Forte Puhe Development Co., Ltd. for a consideration of RMB2,001,790,000 (including the consideration for equity transfer and the Shareholders) (equivalent to approximately HK$2,273,004,951).

Major Events After the Year

Subscription of Shares in Shanghai Zendai Property Limited

On 7 January 2010, China Alliance Properties Limited, a wholly owned subsidiary of the Company, entered into the Subscription Agreement with Shanghai Zendai Property Limited, pursuant to which China Alliance Properties Limited has agreed to subscribe for, and Shanghai Zendai Property Limited has agreed to allot and issue to China Alliance Properties Limited, the Subscription Shares (being 1,550,000,000 new Shares) for a consideration of HK$480,500,000 at the Subscription Price (being HK$0.31) per Subscription Share. Immediately after completion of the Subscription, China Alliance will hold 2,431,815,000 shares of Zendai Property, representing approximately 19.68% of the issued share capital of the Zendai Property as enlarged by the allotment and issue of the Subscription Shares.

Acquisition of the Entire Issued Quotas in the Capital of Garden Plaza Capital SRL

On 10 February 2010, Skysail Investments (the "Purchaser") , a wholly-owned subsidiary of Forte, Garden Plaza 2005, Garden Plaza 2007, Garden Plaza DM and Baekdu Investments (the "Vendors") entered into a sale and purchase agreement , whereby the Vendors have agreed to transfer the entire issued Quotas in the capital of Garden Plaza Capital SRL and assign the Shareholder Loans to the Purchaser for a total consideration of US$328,000,000 (equivalent to approximately HK$2,548,562,549) plus the Actual Closing Net Adjustment.

Future Prospects

Operating Environment

In 2009, China's economy remained volatile under the impact of global financial crisis. The central government continued to implement stimulative fiscal policies, moderately loose monetary policy and a series of other related polices stimulating internal demand, which stabilized and eventually improved economic growth trend. At the same time, both the central and local government promulgated measures to improve the real estate market. With abundant liquidity and the wealth effect, the real estate market quickly rebounded in respect of transaction volume and unit price in the second half. By the end of the year, the real estate sector and housing prices have again attracted the attention. According to data from the National Statistics Bureau, 2009 transaction volume in commercially developed residential real estate amounted to RMB 3.8 trillion, a historical increase of 80% from last year.

In 2010, China's macro environment has gradually walked out of the shadow of the global financial storm and shown signs of strong recovery. At the beginning of the year, the central government has already committed to maintaining a moderately loose monetary policy, the credit amount will remain at a higher level. However, different industries will be treated differently. We believe the real estate sector will be among the industries facing a different credit policy, with the bank adopting a tightening monetary policy. As the property prices have been moving too fast, both the central and local government adopted a series of policies to increase supply, restrain speculation, tighten supervision and promote development of welfare housing. The environment for China's real estate sector has begun to change.

Notwithstanding the aforementioned, undersupply is still the overall trend in the real estate market. We therefore believe China's real estate market will remain strong in the first half but pricing will be stable due to the adjusted policy. However, as inflation and expectations for overheating economy rise in the second half, the macro environment will perhaps undergo a period of adjustment, thereby negatively impacting the real estate sector and leading to increased uncertainty.

However, we believe the adjustment will promote the healthy development of the real estate market, and bring the Company a more rational market and a sustainable developing real estate development environment. Based on China's stable economic growth and rapid urbanization process, China's real estate industry's long term growth is indisputable. We will capitalize on industry opportunities and bring better returns to shareholders and the society.

Business Strategy

Outline new development strategy

Based on an analysis of the characteristics and the trend of China's real estate industry and the Company's unique strengths, the Group has outlined a development strategic for the next ten years: focus on both property development and investment and maximize returns with risk management; Property development focuses on key regions and increase returns with the strategy of concentrating on short to medium development projects accompanied with long term property reserves, accelerate property development with continued optimized management, provide value-added products to bring better returns. For our investment, we are commited to value discovery, value enhancement through management and consolidate industry resources.

Optimize organizational structure and business management

To accommodate the new growth strategy, the Group will consolidate existing investment businesses, actively optimize organisational structure and explore regional strategic development management model.

Maintain flexible sales strategy to achieve sales target

Be sensative to the market environment, adopt flexible sales strategy for the changing market based on balanced profit expectation and secured cashflow.

Promote establishment of operational management system

Promote establishment of information management system, standardized business management system. By implementing design management, progress management, bidding management, etc, to project management efficiency.

Continue to promote multiple channel financing

Continue with A share listing process, strengthen the Group's financial position. Based on 2009 accomplishments, continue to develop the real estate investment fund business, further broaden financing channels and business development.

Appropriately add the project reserve

Based on the Group's strategy and business targets, prudently and appropriately add to existing project reserve by consolidating external and parent company resources to acquire quality land and projects.

Business outlook

In the long run, urbanization, upgrade of wealthier middle class and investment needs will continue to drive demand. Market scale of second tier cities have also reached its fast growth stage. The Group continues to be optimistic of the long term growth trend of the industry, and is cautiously optimistic of our development prospect in 2010.

The Group will continue to improve the rate of project turnover, maintain reasonably sized project reserve and stable financial structure., increase development of middle to high end products in all regions. While developing residential properties, the Group will, under the guidance of the new development strategy, increase resources dedicated to the research and investment in real estate industry, to counter the effect of short term volatility.

The Board is very confident of the Group's future, and of a successful and accomplished 2010 fiscal year.

Financial Analysis

1. Turnover and Operating Results

In 2009, the Group recorded a total turnover of approximately RMB 5,184,804,000, an increase of 38.9% as compared to that of RMB 3,733,255,000 in 2008. The increase in turnover was mainly due to an increase of the booked GFA attributable to the Group to approximately 490,000 sq.m., representing an increase of approximately 50.3% as compared to that of 2008 of 326,000 sq.m.

The Group's gross profit in 2009 was approximately RMB1,529,043,000, representing an decrease of 13.8 % as compared to approximately RMB1,773,282,000 in 2008. The Group's gross profit margin during the year was 29.5%, a decrease of 18% as compared to 47.5% in 2008, which was mainly attributable to the facts that i) approximately 40% of the total booked GFA in 2009 was pre-sold in 2008, when the selling price of the properties was at a relatively lower level, leading to the lower gross profit margin; ii) the underlying land associated to the booked turnover in 2009 was acquired in recent years with higher average cost, while in 2008 the booked turnover was generated by sales of projects with land acquired in prior years, hence the average cost was lower; and iii) the booked project of Xintianjiayuan (South) was a primary land development project, which has a lower gross profit margin than that of the normal property development business.

In 2009, profit attributable to owners of the parent was approximately RMB496,648,000 representing an increase of 388.6% as compared to approximately RMB101,655,000 in 2008, which was mainly due to the following facts: i) no impairment loss for the available-for-sale investment and inventory provision in 2009 while impairment amounting to RMB270,682,000 were provided in 2008; ii) the gross profit margin of projects booked in 2008 was considerably higher while during 2009, the gross profit margin was around the normal level, resulted in the decrease in the additional LAT provision by RMB319,647,000 to RMB112,768,000 for the year ended 31 December 2009.

Based on the total weighted number of Shares of the Group of 2,529,306,000 Shares in current year, earnings per share was RMB0.196.

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

	2009 RMB'000
Sale of properties	5,286,497
Rental income	26,529
Property agency income	86,209
Property sales planning and advertising income	6,998
Property management income	38,645
Construction supervisory and consulting income	12,884
Decoration and provision of construction materials	10,058
Less:business tax and government surcharges	(283,016)
Revenue	5,184,804

2. LAT prepayments and provisions

In 2009, pursuant to tax notices issued by the relevant local tax authorities, the Group made a LAT prepayment of the amount of approximately RMB86,939,000 at rates ranging from 1% to 3% on proceeds of the sale and pre-sale of properties. Meanwhile, in 2009, the Group made LAT provision in the amount of approximately RMB112,768,000 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 a decrease of 73.9% as compared to RMB432,415,000 in 2008. Pursuant to the deed of tax indemnity entered into by the Group and Shanghai Fosun High Technology (Group) Company Limited ("Fosun High Technology"), the indemnity of LAT from Fosun High Technology in respect of the additional LAT provision made by the Group in 2009 was approximately RMB39,021,000.

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 2009, the total assets of the Group amounted to approximately RMB27,456,713,000, in which current assets accounted for approximately RMB16,827,047,000. Total liabilities amounted to approximately RMB20,950,998,000. Current liabilities amounted to approximately RMB13,282,696,000 and non-current liabilities amounted to approximately RMB7,668,302,000. The equity attributable to owners of the parent amounted to approximately RMB5,912,546,000. As at 31 December 2009, the Group's cash and bank deposits amounted to approximately RMB3,629,771,000. The Group has sufficient working capital for its operation, liquidity of assets and solvency is healthy.

4. Pledge of assets

As at 31 December 2009 properties under development with total book value of approximately RMB4,639,332,000, completed properties for sale with total book value of approximately RMB309,490,000, self-owned properties of approximately RMB94,718,000, investment properties with total book value of approximately RMB2,057,400,000, pledged deposits with total book value of approximately RMB91,158,000 and available-for-sale financial assets with total book value of approximately RMB163,769,000 were pledged to financial institutions for the guarantee of bank loans to the Group. The corresponding bank loans from the financial institutions amounted to approximately RMB4,710,043,000.

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 2009, the remaining amount of bank guarantees provided amounted to approximately RMB2,762,666,000.

As at 31 December 2009, the Company 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 maximum guarantees provided by the Company was RMB441,000,000.

As at 31 December 2009, the Company and Beijing Urban Construction Real Estate 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 2009.

6. Commitments

As at 31 December 2009, the Group has irrevocable operational leases of approximately RMB555,584,000, of which approximately RMB37,340,000 must be repaid within one year, approximately RMB150,103,000 should be repaid within two to five years (inclusive) and approximately RMB368,141,000 should be repaid after five years.

As at 31 December 2009, the Group has approximately RMB5,035,791,000 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 RMB33,499,000.

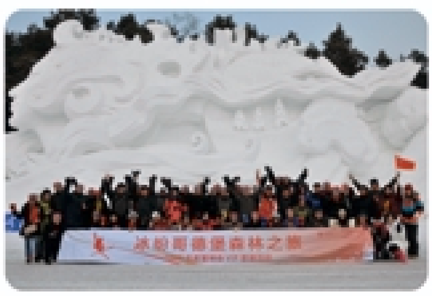
Dividends

The Directors recommend the payment of a final dividend of RMB0.06 per share (pre-tax) in 2009, to be distributed subject to the approval by resolution at the forthcoming Annual General Meeting.

Employees and Remuneration Policy

As at 31 December 2009, the Group had a total of 2,019 employees, representing an increase of approximately 2.49% as compared to the same period last year (2008: 1,970 employees).

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



Customer Service

During the year, the Group, under the guidance of improving customer satisfaction and with the focus on customer loyalty, had been consistently paying attention to customer needs, improving overall service quality, establishing service platform providing customer in-depth experience, and winning the customer approval by consistently providing excellent services. In 2009, customer loyalty improved 12%, customer satisfaction improved 10%, customer satisfaction for property management improved 18%, and many indicators for customer satisfaction were better than industry averages. At the same time, emotional attachment for Forte brand of Forte's property owners increased steadily, confidence level improved 12% and sense of pride improved 13%.

The activities of the Forte Club in 2009 were as follows:

January - December	"Happy Points, Joyful Delivery" Members Points Program —Shanghai, Beijing, Wuhan, Chongqing, Hangzhou, Wuxi, Nanjing, Xi'an, Changchun
February - December	Major Holiday Customer Care Events (Spring Festival, Lantern Festival, Valentine's Day, Mid-autumn Festival, Children's Day, The Double Ninth Festival, Women's Day, and Christmas) —Shanghai, Beijing, Wuhan, Chongqing, Hangzhou, Wuxi, Nanjing, Xi'an, Changchun
March	East Lake Fortune Conference —Wuhan
April - November	Community Property Owner Carnival —Shanghai, Wuhan, Hangzhou, Xi'an
May - November	Health and Travel Activities —Shanghai, Wuhan, Chongqing, Hangzhou, Wuxi
June - November	Family And Kids Activities —Shanghai, Beijing, Wuhan, Chongqing
June - August	Experiencing Quality Life Style Activities —Beijing, Hangzhou, Xi'an
July - November	Photograph and Culinary Competitions —Wuhan, Chongqing
August - December	Membership Card Upgrade for Forte Club-National Member Privilege Program —Shanghai, Beijing, Wuhan, Chongqing, Hangzhou, Wuxi, Nanjing, Xi'an, Changchun
December	2009 Forte Club Nationwide VIP Member Appreciation Events —Shanghai, Beijing, Wuhan, Chongqing, Hangzhou, Wuxi, Nanjing, Xi'an, Changchun

Profile of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Fan Wei, 40, graduated from Fudan University with a bachelor degree in engineering and is an engineer. He is the chairman of the Board. Mr. Fan is one of the co-founders of Fosun High Technology. Mr. Fan is the vice chairman of the Shanghai Real Estate Association, a deputy chief council member of the Real Estate Research Centre of the Shanghai Academy of Social Sciences and chairman of the Housing Industry Association of Shanghai Federation of Industry and Commerce. In 2005, he was awarded the "Top 100 Property Entrepreneurs in China in 2005" and was named the "Outstanding Young Entrepreneur of Shanghai in the Property Industry" in the first session of the award. In May 2009, Mr. Fan resigned from his position as president and was appointed Chairman of the Company. Mr. Fan is an executive director of Fosun International (Stock Code: 00656. HK) and a director of Fosun High Technology Co., Ltd.

Mr. Zhang Hua, 44, graduated from Tongji University, He is an executive Director and the president of the Company. He is a Non-executive director of Shanghai Zendai Property Limited (Stock Code: 00755. HK). He is an Engineer as well as a Certified Real Estate Appraiser. He previously worked for the Production and Infrastructure Department of Shanghai No. 2 Commerce Bureau and Shanghai Shanglian Real Estate Co., Ltd. He was the deputy manager of Shanghai Puhua Real Estate Development Co., Ltd., the general manager of Shanghai Forte Zhibao Real Estate Development Co., Ltd., the general manager of Shanghai Northern Region of the Company. Mr. Zhang was appointed executive president of Company in February 2009, and was appointed president of Company in May 2009. Mr Zhang was appointed executive director in October 2009.

Mr. Wang Zhe, 39. He is the executive Director, vice president and chief financial officer of the Company. He is a Non-executive director of Shanghai Zendai Property Limited (Stock Code: 00755. HK). He graduated from the Global Economics Faculty of Fudan University in the PRC with a bachelor's degree in economics in 1992 and obtained a master's degree in International Finance from the International Economics Faculty of Fudan University in 1999. He became a qualified economist in 1997. Mr. Wang worked for the Agricultural Bank of China and Shanghai Pudong Development Bank prior to joining the Company in 2002.

Non-executive Directors

Mr. Guo Guangchang, 42, 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 one of the co-founders of Fosun High Technology, and is primarily responsible for the overall strategic planning, management and business development of Fosun High Technology. Mr. Guo is a deputy to the Tenth and Eleventh National People's Congress of the PRC and a member of the Ninth National Committee of the Chinese People's Political Consultative Conference, and was appointed as a policy consultant to the Shanghai municipal government from 2001 to 2002. Mr. Guo was named one of Shanghai's "Ten most outstanding youths" in 1998. In 2002, Mr. Guo was elected deputy chairman of Shanghai Federation of Industry and Commerce. In 2003, Mr. Guo was named as one of the "Ten leaders in future economy of China" and "Ten new private entrepreneurs in 2003". In 2004, Mr. Guo was elected chairman of Shanghai Zhejiang Chamber of Commerce and was named as one of the "CCTV 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 "Import Personnel For Innovation of Shanghai from 1978 to 2008" by Xinmin Weekly. In 2009, he was awarded "Outstanding Contribution for Guangcai Program" by China Society for Guangcai Program. Mr. Guo is an executive director and chairman of the board of directors of Fosun International, the 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 the non-executive director and chairman of the board of directors of Sinopham Group Co., Ltd. (Stock Code: 01099.HK)

Mr. Chen Qiyu, 37, is a non-executive Director of the Company. Mr Chen received a bachelor degree in genetics from Fudan University and a Master degree in Business Administration from China Europe International Business School. He was the vice president, chief financial officer, secretary to the board of directors, and deputy general manager of Fosun Pharmaceutical Group. Currently, Mr. Chen is the president, vice chairman and director of Fosun Pharmaceutical Group. He is the vice chairman of Shanghai Pharmaceutical Industry Association and a council member of Shanghai Society of Genetics. He is the vice chairman of Shanghai Licensed Pharmacist Association and the vice president of Shanghai China pharmaceutical Technology Association the 4th council.

Mr. Feng Xiekun, 58, is a non-executive Director of the Company. Mr. Feng was the deputy head of the Housing and Land Administration Bureau of Shanghai Changning District and Shanghai Changning Construction Bureau. He was also the manager of the Shanghai Changning District Municipal Construction Company. Mr. Feng is currently the chairman of the Shanghai Xinchangning (Group) Company Limited.

Independent non-executive Directors

Mr. Charles Nicholas Brooke, 68, graduated from the University of London. He is an independent non-executive Director of the Company. He is the Chairman of Professional Property Services Limited, headquartered in Hong Kong, which provides a wide range of property advisory services across Asia-Pacific region. He is a fellow of and the former president of the Royal Institution of Chartered Surveyors. Currently, he is the Chairman of the Hong Kong Science and Technology Parks Corporation, and is a member of the 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 sits as a non-executive director on the boards of directors of a number of companies including Majid Al Futtaim Properties, one of Middle East's leading shopping centres developers and VinaLand Limited,the first Vietnam property fund to be listed on the AIM board of the London Stock Exchange. In 1999, he was awarded the Bronze Bauhinia Star by the Chief Executive of the Government of HKSAR.

Mr. Chen Yingjie, 61, graduated from Fudan University. He is an independent non-executive Director of the Company. Mr. Chen was a visiting scholar at the Chinese University of Hong Kong. He is currently an associate professor in the School of Management at Fudan University, specializing in financial analysis and corporate financial management. He has received the Class Three National Award for Scientific and Technological Improvements, Class One Award for Scientific and Technological Improvements from the National Education Committee and the Class Three Award for Shanghai Scientific and Technological Improvements.

Mr. Zhang Hongming, 64. He 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, a member of The Chinese People's Political Consultative Conference, a member of the Specialist Committee of the Ministry of Construction of the PRC, vice president of the Real Estate Industry Research Centre of the Shanghai Academy of Social Sciences, chief editor of the magazine "China Real Estate Research" and vice president of Shanghai Real Estate Economics Association.

Ms. Wang Meijuan, 46, graduated from the Shanghai University of Finance and Economics, a Certified Public Accountant in the PRC. She is an independent non- executive Director of the Company. She was formerly a lecturer of the Department of Management of the Shanghai Institute of Building Materials and a senior manager of Da Hua Certified Public Accountants. She is currently the deputy general manager of the risk control headquarters of Hai Tong Securities Co., Ltd..

Supervisors

Mr. Zhang Guozheng, 44, 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, the audit director and the chief financial officer of Bright Dairy & Food Co., Ltd. and the deputy general manager of Fosun Pharmaceutical Group . He is a director of Fosun Pharmaceutical Group and an assistant to the president and a deputy general manager of finance business department of Fosun High Technology.

Mr. Ma Suxiang, 54, a postgraduate from 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 the director of the audit department of 704 Research Institute, the supervisor of China Hi-Tech Group Co., Ltd., the head of the CCPC Office and the head of the supervisory and audit office. Mr. Ma is currently the director of the Legal Affairs and Audit Centre of the Company.

Mr. Sun Wenqiu, 42, graduated from the Shanghai University of Finance and Economics with a master degree and is a senior accountant. He is a supervisor of the Company. Mr. Sun was a teacher of the Nanjing Military Resources Management Institute. He was also appointed to the positions of finance manager, deputy chief accountant, chief accountant and manager of the securities investment department of the Shanghai Oriental Pearl (Group) Co., Ltd.. He is currently the vice president of Shanghai Oriental Pearl (Group) Co., Ltd..

Mr. Liu Zhangxi, 70, graduated from the University of Science and Technology of China. He is a supervisor of the Company. Mr. Liu was appointed as an engineer and director of the technology office at the Jiuquan Satellite Launch Centre. Mr. Liu was a vice director of Shanghai Municiple Putuo Science and Technology Committee and a senior engineer, a standing member of Shanghai's Putuo District's 9th Political Consultative Committee, a director and vice chairman of Shanghai Municiple Putuo Science and Technology Association. He was also the general manager of Shanghai Xidatang Technological Investment and Development Company Limited. He was the deputy secretary of the CCP of Fosun High Technology.

Mr. Shen Guoliang, 53, 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, 51, is the company secretary of the Company. Ms. Lo is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. She has over 20 years of experience in the company secretarial area and has been serving a number of companies listed on the Stock Exchange.

Board Secretary

Ms. Zhang Qian, 47, graduated from Shanghai Academy of Social Sciences. She is the secretary to the Company's Board. In 1996, she was certified as a Board Secretary by the Shanghai Stock Exchange. She was previously employed by Shanghai Hu Chang Special Steel Co., Ltd. as the representative of its board of director's securities business. She has also worked for Shanghai Fudan Forward Startup Investment, Ltd. as the representative of its board of director's securities business, as well as the director of the Department of Securities Investment. Ms. Zhang was also the deputy general manager of Shanghai Fudan Forward Startup Investment, Ltd.

Senior Management

Mr. Zhang Lin, 51, graduated from Tongji University and is an engineer. He is 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.

Mr. Cao Zhidong, 39, graduated from Jiaotong Univeristy with a doctor degree in Management and is a Senior Economist. He is the Vice President of the Company. Mr. Cao was previously a lecturer of the Institute of Construction and Kinetic Studies of Shanghai Jiaotong University and was appointed as the project director of the PRC national social security and insurance symposium consultation project. Mr. Cao was also the deputy manager of the human resources department, a group strategic management and human resource consultant of the Shanghai New Huang Pu (Group) Company Limited as well as the Human Resources director, director and supervisor of its various subsidiaries.

Mr. Zhang Weigang, 52, graduated from Shanghai Normal University. He is 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.

Mr. Liu Yicheng, 62, graduated from Harbin Normal University and is a Vice President of the Company. He is a Senior Professional Manager of Chinese Real Estate industry, a deputy in Shanghai's Eleventh People's Congress. He was previously the general manager of Shanghai Agricultural, Industrial & Commercial Group's Dongwang Company, Chairman of Shanghai Nongkou Real Estate Company and Vice Chairman & President of Shanghai Agricultural, Industrial and Commercial Group.

Mr. Bo Wei, 46, graduated from Tongji University and is a Senior Engineer. He is a Vice President of the Company. Mr. Bo was previously the director and senior engineer of Shanghai Construction Design Institute, Deputy General Manager of Shanghai Hongji Real Estate Corporation, Deputy Manager of Shanghai Xinyiyuan Technology Development Inc. Ltd. (Shanghai Sunshine Group), Deputy Manager and Chief Engineer of Shanghai Pengxin Real Estate Development Corporation.

Corporate Governance Report

The Board of the Company hereby presents the corporate governance report of the Company for the year ended 31 December 2009.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made enquiries with all the Directors and all the Directors confirmed that they have complied with the required standards throughout the year ended 31 December 2009.

The Board of Directors

As of the year ended 31 December 2009, the Board comprised ten Directors, and they were:

Executive Directors:	Mr. Fan Wei (chairman) (appointed as chairman on 13 May 2009) Mr. Zhang Hua (president) (appointed as president on 13 May 2009 and executive director on 10 October 2009) 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

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

The chairman of the Board of the Company is Mr. Fan Wei, 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 year, 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 2009, 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 of the Company ("Audit Committee") is mainly responsible for the examination and supervision of the reporting procedures of the Company's financial information and the internal control system , so as to ensure the objectivity and trustworthiness of the financial information of the Group, as well as providing suggestions and advice to the Board.

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

Remuneration Committee

As of the year ended 31 December 2009, the remuneration committee of the Company ("Remuneration Committee") comprised of four members, and they were:

Mr. Fan Wei (chairman) (Appointed on 15 March 2010)
Mr. Charles Nicholas Brooke
Mr. Chen Yingjie
Mr. Zhang Hongming

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

During the year, the Remuneration Committee held one meeting. All members of the Remuneration Committee attended the meeting. The Remuneration Committee reviewed the remuneration policy, the terms of the Directors' service contracts and the performance of each executive Director. The Remuneration Committee is of the view that the executive Directors' remuneration was in accordance with the terms of the service contracts, reasonable and did not add undue burden to the Company's finances.

Nomination Committee

As of the year ended 31 December 2009, 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

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

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

Strategy Committee

As of the year ended 31 December 2009, 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 2009, 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 2009, 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 year, 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 2009, the remuneration paid to the external auditors was RMB3,630,000. (For the year 2008: RMB3,120,000).

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 finance department at the Group's financial center. A centralized vertical 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 year, the Group complied with the Appendix 14 of the Listing Rules code provision C.2.1. and conducted thorough evaluation of the effectiveness of the internal control system. The evaluation covered financial control, operational control, regulatory control and risk management.

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

Disclosure of information

The Company has endeavoured to maintain amicable relationships and communication with its shareholders and investors as well as enhance the Company's transparency. All legally required announcements were regularly published on the Company's website www.forte.com.cn, in which a news centre and an 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.

2009 Investor conferences

Month	Conference
January	UBS 2009 Greater China Conference
March	Shanghai Forte 2008 Annual Results Announcement Hong Kong Roadshow
May	JP Morgan 2009 China Investment Forum
August	Shanghai Forte 2009 Interim Result Hong Kong Roadshow
September	CLSA China Forum
	Nomura Securities China Investor Conference
October	Goldman Sachs Gaohua China Forum
November	Morgan Stanley Asia Pacific Summit
December	Merrill Lynch Greater China Real Estate Summit
	Shenyin & Wanguo Annual Meeting

Annual general meeting

The 2008 annual general meeting of the Company was held on 23 June 2009 and its voting results were announced on 23 June 2009.

The 2009 annual general meeting will be held on Tuesday, 8 June 2010. Notice of the annual general meeting will be published and dispatched in accordance with the requirements of the Listing Rules.

Closure of register of member

The register of shareholders of the Company will be closed from 8 May 2010 (Saturday) to 8 June 2010 (Tuesday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and be eligible to attend and vote at the annual general meeting, all 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 7 May 2010 (Friday).

Report of the Directors

The Board of the Company presents its report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

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 2009 are set out in the financial statements for the year ended 31 December 2009.

The Directors recommend a final dividend of RMB0.06 per ordinary share (pre-tax) to sharesholders of the Company (including holders of domestic shares and holders of H shares) whose names appear on the register of members of the Company as at 8 June 2010 (Tuesday). This recommendation has been included in the financial statements as distribution of retained profits in the equity section of the balance sheet. Cheques for the final dividend will be despatched to the shareholders of the Company on or before 28 July 2010 (Wednesday).

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

Summary financial information

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out in the section 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 Company and the Group 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" in the annual report.

Share capital

Details of changes in the Company's share capital during the year are set out in note 37 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 2009, 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 substantial shareholders	Class of shares	Number of shares	Approximate percentage in the relevant class of share capital (%)	Approximate percentage in the total share capital (%)
Fosun High Technology	Domestic shares	1,458,963,765(L)(Note 1)	99.00	57.68
Fosun International Limited	Domestic shares H shares	1,458,963,765(L)(Note 2) 325,710,000(L)	99.00 30.86	57.68 12.88
Fosun Holdings Limited	Domestic shares H shares	1,458,963,765(L)(Note 3) 325,710,000(L)	99.00 30.86	57.68 12.88
Fosun International Holdings Ltd.	Domestic shares H shares	1,458,963,765(L)(Note 4) 325,710,000(L)	99.00 30.86	57.68 12.88
Shanghai Fosun Pharmaceutical Development Company Limited ("Fosun Pharmaceutical")	Domestic shares	241,917,615(L) (Note 5)	16.41	9.56
Fosun Pharmaceutical Group	Domestic shares	241,917,615(L)(Note 6)	16.41	9.56
Wong Sung Kau	H Shares	64,920,000(L)	6.15	2.57

Notes:

1. Out of these 1,458,963,765 shares, 1,217,046,150 shares are directly held by Fosun High Technology and 241,917,615 shares are deemed corporate interests indirectly held through the wholly owned subsidiary of Fosun Pharmaceutical Group. The directors of the Company, Guo Guangchang and Fan Wei, are the directors of Fosun High Technology.

2. Fosun High Technology is a wholly-owned subsidiary of Fosun International Limited. Fosun International Limited is deemed to be interested in the 1,217,046,150 shares directly held by Fosun High Technology and 241,917,615 shares directly held by Fosun Pharmaceutical. The directors of the Company, Guo Guangchang and Fan Wei, are the directors of Fosun International Limited.

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

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

5. The director of the Company, Guo Guangchang, is the director of Fosun Pharmaceutical.

6. Fosun Pharmaceutical Group owns 100% equity interest in Fosun Pharmaceutical. It is deemed to be interested in the 241,917,615 shares held by Fosun Pharmaceutical. The director of the Company, Guo Guangchang, is the director of Fosun Pharmaceutical Group.

7. The letter ("L") denote a long position.

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

As at 31 December 2009, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) 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 under the Listing Rules.

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

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

Reserves

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

Distributable reserves

As at 31 December 2009, the Company's reserves available for distribution, calculated based on the lower of the Company's profits determined under PRC Generally Accepted Accounting Principles and International Financial Reporting Standards in accordance with relevant rules and regulations and the articles of association of the Company, amounted to RMB3,675,925,000 (including the 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 RMB3,015,000.

Major customers and suppliers

The five largest customers contributed to less than 30% of the total operating revenue of the Group during the year. The five largest construction contractors also contributed to less than 30% of the total construction costs during the year.

Directors

The Directors of the Company during the year were:

Executive Directors:
Mr. Fan Wei (chairman)
Mr. Zhang Hua (president)
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 article 95 of the articles of association of the Company, the term of each Director's service contract is three years (expiring in June 2011).

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

Directors', Supervisors' and senior management's biographies

Biographical details of the Directors and supervisors of the Company and senior management of the Group are set out under the section 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 general meetings. Other emoluments are determined by the Company's Board with reference to Directors' duties and responsibilities.

Directors' and Supervisors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

Directors' and Supervisors' rights to acquire shares

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

Directors' and Supervisors' interests in a competing business

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

Connected transactions and continuing connected transactions

For the year ended 31 December 2009, the Company had the following connected transactions, 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 2009, the Company had the following new connected transactions.

Below is a summary of the connected transaction of the Group for the year ended 31 December 2009 which are not exempt under rule 14A.31 of the Listing Rules:

1. Non-Competition Arrangements and Connected and Dicloseable Transactions Investment in Fuyang Project

NON-COMPETITION ARRANGEMENTS

Pursuant to the 2003 Non-competition Agreement, each of Mr. Guo, Fosun Technology, Guangxin Technology and Fosun Hi-Tech Group had undertaken to the Company that (i) the Covenantors will not, except through the Company or its Associates, and procure that their Associates will not, engage or be interested, directly or indirectly, in the Company Core Business during the subsistence of the 2003 Non-competition Agreement; and (ii) immediately upon becoming aware of a business opportunity in the PRC which directly or indirectly competes, or may lead to competition, with the Company Core Business, the Covenantors will notify the Company of such business opportunity and use their best efforts to assist the Company to secure such opportunity.

On the basis that the protection under the 2003 Non-competition Agreement on the part of the Group will not be undermined and in order to (i) business opportunities which are not suitable and/or appropriate for the Company to take up at the relevant time due to legal, financial and/or commercial reasons; and (ii) transfer back to the Company if and when the Company is of the view that the relevant business opportunities are suitable and/or appropriate for the Company to take up, On 21 April, 2009 Fosun and the Company entered into the Amended and Restated Non-Competition Agreement to supersede the 2003 Non-competition Agreement.

Fosun is the controlling shareholder of the Company and is therefore a connected person of the Company. The Non-competition Arrangements under the Amended and Restated Non-Competition Agreement and the termination of the 2003 Non-competition Agreement constitutes a connected transaction for the Company under the Hong Kong Listing Rules.

INVESTMENT IN FUYANG PROJECT

For the purpose of the investment by the Company in the Fuyang Project, Fosun Property and Shiner, a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement dated 21 April 2009, whereby Shiner has agreed to acquire from Fosun Property the entire equity interest in the Fuyang Project Company for a consideration of approximately RMB150.21 million (equivalent to approximately HK$170.48 million). In consideration of Shiner entering into the Equity Transfer Agreement, Fosun has agreed to guarantee the performance by Fosun Property of its obligations under the Equity Transfer Agreement.

Fosun is the controlling shareholder of the Company and is therefore a connected person of the Company. The Fuyang Project Investment constitutes a connected transaction for the Company under the Hong Kong Listing Rules.

2. Acquisition of a 30% Equity Interest in Songjiang Porte Property

On 13 August 2009, Forte Investment, a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Shanghai Yuanjing Property, pursuant to which, Forte Investment has agreed to acquire from Shanghai Yuanjing Property a 30% equity interest in Songjiang Forte Property for a consideration of RMB24,493,344.12 (equivalant to approximately HK$27,787,209.04). Forte Investment is a wholly owned subsidiary of the Company. Shanghai Yuanjing Property is a substantial shareholder of Songjiang Forte Property, a non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. The transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

3. Acquisition of a 25% Equity Interest in Quyang Project Company

Forte Investment, a wholly owned subsidiary of Forte, ING, Forte, and the Quyang Project Company entered into the Equity Transfer Agreement on 27 August 2009, whereby Forte Investment has agreed to acquire from ING a 25% equity interest in the Quyang Project Company for a consideration of approximately RMB165,000,000 (equivalent to approximately HK$187,197,931). Forte Investment is a subsidiary of Fosun (via Forte). ING is a substantial shareholder of the Quyang Project Company, a subsidiary of Fosun, and is therefore a connected person of Fosun. The Acquisition under the Equity Transfer Agreement constitutes a connected transaction of Fosun under the Hong Kong Listing Rules.

4. Proposed Amendments to the Non-competition Agreement Connected Transaction and Disposition of a 67.1% Equity Interest in Resource Property Consultancy

On 1 December 2009, Fosun and Forte entered into the Supplemental Agreement in order to amend the scope of the Forte Core Business as set out under the Non-competition Agreement and set out certain further undertakings from Fosun. Fosun is the controlling shareholder of Forte and is therefore a connected person of Forte. The proposed amendments to the Non-competition Agreement under the Supplemental Agreement constitutes a connected transaction for Forte under the Hong Kong Listing Rules.

Fosun Venture Capital and Forte Investment, each a wholly-owned subsidiary of Fosun and Forte, respectively, entered into the Equity Transfer Agreement on 1 December 2009, whereby Fosun Venture Capital has agreed to acquire from Forte Investment a 67.1% equity interest in Resource Property Consultancy for a consideration of RMB91,440,000 (equivalent to approximately HK$103,804,107.21).

Fosun is the controlling shareholder of Forte and is therefore a connected person of Forte. The Acquisition constitutes a connected transaction for Forte under the Hong Kong Listing Rules.

Continuing connected transactions during the year

For the year ended 31 December 2009, the Company had the following continuing connected transactions which are not exempt under rule 14A.33 of the Listing Rules.

5. Office Tenancy Agreement

On 16 May 2007, the Company and Shanghai Fuxin Property Management Co., Ltd. ("Fuxin Property") entered into an office tenancy agreement (the "Office Tenancy Agreement"). Under the Office Tenancy Agreement, Fuxin Property agreed to let office premises located at Levels 5-7 of Fuxing Business Building with a total floor area of 5,005.84 sq.m. (the "Office Premises") to the Company for a term of three years commencing from 1 January 2007. In light of the factors driving office prices within the next three years, the rental increase is expected to be under 15% per year.

During the year, the rent payable by the Company under the Office Tenancy Agreement is RMB2.81 per sq.m. per day plus an additional RMB2.11 per sq.m. per day in management fees and other utility expenses. The Company has paid an annual rent and management fees of approximately RMB8,803,000 to Fuxin Property.

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

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

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

(ii) on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable to the Group than terms available to or from (as appropriate) 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.

Ernst & Young, the auditors of the Company, have also reviewed the continuing connected transactions described above and confirmed in a letter to the Directors stating that such continuing connected transactions:

(i) have received the approval of the Board;

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

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

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

Events after the reporting period

Details of the significant events after the reporting period of the Group are set out in the notes to the financial statements.

Issuance of domestic corporate bonds in the PRC

On 25 September 2009, the company issued RMB1,900,000,000, five year domestic corporate bond with a coupon interest rate of 7.3%. On 3 November 2009, the company corporate bond (SH: 122020) was listed on the Shanghai Stock Exchange, details of which are set out in the announcement and circular.

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

The Directors confirm that for the year ended 31 December 2009, 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 2010.

ON BEHALF OF THE BOARD

Fan Wei
Chairman

Shanghai, the PRC
15 March 2010

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

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

During the second half of 2009, members of the Committee reviewed the establishment and implementation of the Company's internal control system. Afterwards, the Committee issued a case report and offered suggestions to improve the system. At the same time, the Committee began to review Invaluable City, a project from Zhejiang Forte 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 2009 Annual Report, 2009 Annual Results Announcement and 2009 Annual Profits Allocation Resolution, and has reviewed and approved (i) the 2009 financial statements and a preliminary draft of the audit report prepared in accordance with the PRC GAAP and (ii) the 2009 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 year, 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
15 March 2010

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 financial statements of Shanghai Forte Land Co., Ltd. set out on pages 58 to 136, which comprise the consolidated and company statements of financial position as at 31 December 2009, 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 notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
15 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	5	**5,184,804**	3,733,255
Cost of sales		**(3,655,761)**	(1,959,973)
Gross profit		**1,529,043**	1,773,282
Other income and gains	5	**157,959**	50,446
Selling and distribution costs		**(233,993)**	(287,970)
Administrative expenses		**(288,427)**	(263,142)
Other expenses	7	**(36,997)**	(335,985)
Finance costs	8	**(76,302)**	(44,421)
Share of profits and losses of:			
Jointly-controlled entities		**14,859**	(6,354)
Associates		**(5,433)**	1,222
PROFIT BEFORE TAX	6	**1,060,709**	887,078
Tax	10	**(451,854)**	(645,472)
PROFIT FOR THE YEAR		**608,855**	241,606
Attributable to:			
Owners of the parent	11	**496,648**	101,655
Minority interests		**112,207**	139,951
		608,855	241,606
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT - Basic (RMB)	14	**0.196**	0.040

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 2009

	2009 RMB'000	2008 RMB'000
PROFIT FOR THE YEAR	**608,855**	241,606
OTHER COMPREHENSIVE INCOME		
Available-for-sale assets:		
Changes in fair value	**145,770**	(143,363)
Reclassification adjustments for gains included in the consolidated income statement		
- impairment losses	**—**	190,226
Income tax effect	**—**	—
	145,770	46,863
Share of other comprehensive income of a jointly-controlled entity	**2,515**	—
Exchange differences on translation of foreign operations	**464**	6,517
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**148,749**	53,380
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**757,604**	294,986
Attributable to:		
Owners of the parent	**645,397**	155,035
Minority interests	**112,207**	139,951
	757,604	294,986

Statement of Financial Position

31 December 2009

	Notes	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000	Company 2008 RMB'000
NON-CURRENT ASSETS					
Property and equipment	16	**291,533**	202,187	**5,627**	6,278
Investment properties	17	**2,057,400**	429,000	**—**	—
Properties under development	18	**5,167,352**	6,718,930	**29,694**	29,678
Goodwill	19	**65,867**	35,719	**—**	—
Other intangible assets	20	**5,198**	5,780	**—**	—
Investments in subsidiaries	21	**—**	—	**1,941,170**	1,858,120
Interests in jointly-controlled entities	22	**689,737**	629,232	**134,342**	134,342
Interests in associates	23	**598,892**	256,278	**187,560**	187,560
Available-for-sale investments	24	**298,110**	77,018	**10,510**	250
Amount due from related companies	31	**191,905**	—	**—**	—
Loan receivables	25	**220,000**	220,000	**—**	—
Prepayments	26	**616,313**	1,156,383	**—**	—
Deferred tax assets	27	**427,359**	383,549	**—**	—
Total non-current assets		**10,629,666**	10,114,076	**2,308,903**	2,216,228
CURRENT ASSETS					
Cash and cash equivalents	28	**3,629,771**	1,213,089	**396,485**	26,834
Pledged deposits	28	**122,000**	19,449	**—**	—
Income tax recoverable		**141,028**	95,684	**—**	—
Trade receivables	29	**242,475**	185,189	**—**	221
Prepayments, deposits and other receivables	30	**1,531,989**	569,331	**613,575**	12,834
Amounts due from related companies	31	**724,667**	454,759	**8,773,653**	7,166,736
Amount due from holding company	31	**98,462**	59,441	**98,462**	59,441
Completed properties for sale		**1,698,292**	987,604	**12,534**	14,249
Properties under development	18	**7,089,469**	6,263,042	**—**	—
		15,278,153	9,847,588	**9,894,709**	7,280,315
Assets of disposal group classified as held for sale	12	**1,548,894**	—	**—**	—
Total current assets		**16,827,047**	9,847,588	**9,894,709**	7,280,315

	Notes	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000	Company 2008 RMB'000
CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	32	**2,966,897**	2,507,736	**560,000**	812,000
Trade and bills payables	34	**1,491,922**	1,275,421	**19,350**	20,145
Advances from customers		**4,696,858**	2,110,091	**—**	—
Accrued liabilities and other payables	35	**1,541,972**	447,005	**108,456**	21,146
Tax payable		**1,316,669**	1,191,732	**8,408**	5,814
Amounts due to related companies	36	**270,985**	227,368	**3,363,993**	2,014,892
		12,285,303	7,759,353	**4,060,207**	2,873,997
Liabilities directly associated with the assets of disposal group classified as held for sale	12	**997,393**	—	**—**	—
Total current liabilities		**13,282,696**	7,759,353	**4,060,207**	2,873,997
NET CURRENT ASSETS		**3,544,351**	2,088,235	**5,834,502**	4,406,318
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,174,017**	12,202,311	**8,143,405**	6,622,546
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	32	**7,344,170**	5,938,232	**3,319,304**	1,938,000
Loans from related companies	33	**106,618**	152,193	**81,324**	76,118
Deferred tax liabilities	27	**217,514**	261,687	**72,317**	62,562
Total non-current liabilities		**7,668,302**	6,352,112	**3,472,945**	2,076,680
Net assets		**6,505,715**	5,850,199	**4,670,460**	4,545,866
EQUITY					
Equity attributable to owners of the parent:					
Issued capital	37	**505,861**	505,861	**505,861**	505,861
Reserves	39	**5,254,927**	4,728,140	**4,012,841**	3,989,419
Proposed final dividends	13	**151,758**	50,586	**151,758**	50,586
		5,912,546	5,284,587	**4,670,460**	4,545,866
Minority interests		**593,169**	565,612	**—**	—
Total equity		**6,505,715**	5,850,199	**4,670,460**	4,545,866

Fan Wei
Director

Zhang Hua
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2009

	Notes	Issued capital RMB'000 (note 37)	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	Minority interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent										
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
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		—	—	—	—	—	—	—	—	—	23,511	23,511
Capital contribution from minority shareholder of subsidiaries		—	—	—	—	—	—	—	—	—	89,200	89,200
Acquisition of a subsidiary	40.1	—	—	—	—	—	—	—	—	—	4,550	4,550
Acquisition of minority interests		—	—	—	—	—	—	—	—	—	(135,730)	(135,730)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	—	(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 land appreciation tax ("LAT") from the holding company	10	—	—	—	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

		Attributable to owners of the parent										
	Notes	Issued capital RMB'000 (note 37)	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	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008		505,861	2,624,510	(46,863)	193,099	481,302	50	1,327,012	—	5,084,971	524,616	5,609,587
Total comprehensive income for the year		—	—	46,863	—	—	6,517	101,655	—	155,035	139,951	294,986
Capital contribution from minority shareholder of subsidiaries		—	—	—	—	—	—	—	—	—	62,838	62,838
Acquisition of minority interests		—	—	—	—	—	—	—	—	—	(18,068)	(18,068)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	—	(143,725)	(143,725)
Propose 2008 final dividend	13	—	—	—	—	—	—	(50,586)	50,586	—	—	—
Indemnity receivable of LAT from the holding company	10	—	—	—	59,441	—	—	—	—	59,441	—	59,441
Tax effect of LAT indemnity	27	—	—	—	(14,860)	—	—	—	—	(14,860)	—	(14,860)
Transfer from retained profits		—	—	—	—	110,870	—	(110,870)	—	—	—	—
At 31 December 2008		505,861	2,624,510	—	237,680	592,172	6,567	1,267,211	50,586	5,284,587	565,612	5,850,199

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Profit before tax		**1,060,709**	887,078
Adjustments for:			
Impairment of available-for-sale investments	7	**—**	190,226
(Reversal of)/impairment of inventories	5, 7	**(19,168)**	80,456
Impairment of goodwill	7	**3,179**	6,965
Share of profits and losses of associates and jointly-controlled entities		**(9,426)**	5,132
Bank interest income	5	**(1,649)**	(5,966)
Interest income for loan receivables	5	**(6,870)**	(17,257)
Changes in fair value of investment properties	5, 7	**(75,404)**	27,000
Gain on acquisition of minority interests	5	**(4,057)**	—
Gain on disposal of available-for-sale investments	5	**(2,351)**	—
(Gain)/loss on disposal of items of property and equipment	5, 7	**(1,022)**	575
Loss on disposal of an investment property	7	**790**	—
Depreciation	6	**19,636**	19,227
Amortisation of other intangible assets	6	**582**	49
Finance costs	8	**73,609**	48,820
Equity-settled share-based payment expense	6	**16,426**	—
		1,054,984	1,242,305
(Increase)/decrease in trade receivables		**(68,385)**	95,680
Increase in properties under development and completed properties held for sale		**(1,572,583)**	(3,066,626)
(Increase)/decrease in prepayments, deposits and other receivables		**(376,447)**	656,537
Increase in amounts due from related companies		**(511,030)**	(243,091)
Increase in trade and bills payables		**501,889**	354,164
Increase/(decrease) in advances from customers		**2,591,162**	(500,542)
Increase/(decrease) in accrued liabilities and other payables		**408,475**	(2,454)
Cash generated from/(used in) operations		**2,028,065**	(1,464,027)
Interest paid		**(525,378)**	(696,032)
Tax paid		**(432,829)**	(480,330)
Net cash flows from/(used in) operating activities		**1,069,858**	(2,640,389)

	Notes	2009 RMB'000	2008 RMB'000
Net cash flows from/(used in) operating activities		**1,069,858**	(2,640,389)
Cash flows from investing activities			
Purchases of items of property and equipment		**(45,080)**	(35,673)
Proceeds from disposal of items of property and equipment		**7,303**	1,775
Interest received		**15,389**	27,947
Dividends received from associates		**587**	51,353
Acquisition of minority interests		**(165,000)**	(24,019)
Acquisition of subsidiaries		**(482,428)**	(157,827)
Capital contribution to jointly-controlled entities		**(50,000)**	(5,000)
Capital contribution to/acquisition of associates		**(270,674)**	—
Acquisition of available-for-sale investments		**(78,777)**	(22,068)
Proceeds from disposal of subsidiaries		**—**	(688)
Proceeds from disposal of jointly-controlled entities		**—**	52,000
Proceeds from partial disposal of equity interests in subsidiaries		**—**	232,000
Proceeds from disposal of available-for-sale investments		**5,630**	—
Proceeds from closure of associates		**1,150**	—
Proceeds from disposal of an investment property		**428,210**	—
Prepayments for acquisitions		**(111,938)**	(40,435)
Return of prepayment in respect of a proposed acquisition		**—**	311,330
Shareholder loans provided to related companies		**—**	(266,400)
Increase in pledged deposits		**(102,551)**	(17,199)
Net cash flows (used in)/from investing activities		**(848,179)**	107,096
Net proceeds from issue of corporate bonds		**1,870,250**	—
Other transaction costs paid in respect of issue of corporate bonds		**(1,509)**	—
New interest-bearing bank loans and other borrowings		**7,126,179**	6,675,644
Repayment of bank loans and other borrowings		**(6,727,532)**	(5,418,352)
Dividends paid		**(50,586)**	—
Dividends paid to minority shareholders		**(66,181)**	(143,725)
Capital contribution from minority shareholders of subsidiaries		**89,200**	62,838
LAT indemnity received from holding company		**—**	190,808
Net cash flows from financing activities		**2,239,821**	1,367,213
Net increase/(decrease) in cash and cash equivalents		**2,461,500**	(1,166,080)
Cash and cash equivalents at beginning of year		**1,213,089**	2,379,169
Cash and cash equivalents at end of year		**3,674,589**	1,213,089
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the statement of financial position	28	**3,629,771**	1,213,089
Cash and cash equivalents attributable to assets of disposal group classified as held for sale	12	**44,818**	—
Cash and cash equivalents as stated in the statement of cash flows		**3,674,589**	1,213,089

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. 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 property and certain financial assets that have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.3. 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

The consolidated financial statements comprise the financial statements of the Group for the year ended 31 December 2009. The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from inter-company transactions and inter-company balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

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

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 Amendments	Amendments to IFRS 2 *Share - based Payment - Vesting Conditions and Cancellations*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosure - Improving Disclosures about Financial Statements*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 18 Amendment*	Amendment to Appendix to IAS 18 *Revenue - Determining whether an entity is acting as a principal or as an agent*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements-Puttable Financial Instruments* and *Obligations Arising on Liquidation*
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement-Embedded Derivatives*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
IFRIC 18	*Transfers of Assets from Customer* (adopted from 1 July 2009)
Improvements to IFRSs (May 2008)	Amendments to a number of IFRSs

* Included in *Improvements to IFRSs* 2009 (as issued in April 2009)

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

(a) IFRS 8 *Operating Segments*

IFRS 8, which replaces IAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customer. The revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(b) IAS 1 (Revised) *Presentation of Financial Statements*

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(c) In May 2008, the IASB issued its first *Improvements to IFRSs* which sets out amendments to a number of IFRSs. Except for the amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual reporting periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 40 *Investment Property*: Revised the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

Other than as explained above regarding the impact of IFRS 8, IAS 1 (Revised) and Improvements to IFRSs, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 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 (Revised)	*First-time Adoption of IFRS* [1]
IFRS 1 Amendments	Amendments to IFRS 1 *Fist-time Adoption of IFRS - Additional Exemptions for First-time Adopters* [2]
Amendment to IFRS 1	*Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [4]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions* [2]
IFRS 3 (Revised)	*Business Combinations* [1]
IFRS 9	*Financial Instruments* [6]
IAS 24 (Revised)	*Related Party Disclosures* [5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* [3]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[5]
IFRIC 17	*Distribution of Non - cash Assets to Owners* [1]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to IFRS 5 included in *Improvements to IFRS* issued in October 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Improvements to Interest in a Subsidiary* [1]

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Apart from the above, the IASB has issued *Improvements to IFRSs 2009* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for financial years beginning on or after 1 July 2009
2 Effective for financial years beginning on or after 1 January 2010
3 Effective for financial years beginning on or after 1 February 2010
4 Effective for financial years beginning on or after 1 July 2010
5 Effective for financial years beginning on or after 1 January 2011
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 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The Group expects to adopt IFRS 3 (Revised) and IAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

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.

The amendments to IFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Other than as explained above regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), IFRS 9 and the amendments to IFRS 5, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Jointly-controlled entities

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

The Group's interests in jointly-controlled entities are stated in the consolidated 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 interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

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

Associates

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

The Group's interests in associates are stated in the consolidated 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 interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

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

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a before-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 or 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over the estimated useful life of the assets. The estimated useful lives of property and equipment are as follows:

Properties	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.

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 or investment properties 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 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets and disposal group held for sale (Continued)

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.

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 their estimated useful lives 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 assets, 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.

2.3 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.

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 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 gains, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement 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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and other financial assets (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

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. The 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;
- 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.

2.3 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 assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not 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.

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 the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial 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.

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:

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement (Continued)

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 cost in the income statement.

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.

Properties under development

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

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

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

Completed properties for sale

Completed properties for sale are recognised in the statement of financial position at the lower of cost and the net realisable value. Net realisable value is estimated by the directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Any excess of cost over net realizable value of individual item of completed properties for sale is accounted for as a provision.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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 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 interests in joint ventures, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

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.

Revenue recognition

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

(a) income from sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated 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 discounts the estimated future cash receipts through the expected life of the financial instrument or a to the net carrying amount of the financial asset, and

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

Share-based payment transactions

Certain senior management personnel are provided with the opportunity to purchase the equity interest in a subsidiary of the Company at a discounted price for their contribution to the success of the Group's operation.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a market approach, further details of which are given in note 38 to the financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefits

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

Accommodation benefits

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

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 currency of certain subsidiaries incorporated outside Mainland China is Hong Kong dollars ("HK$"). As at the end of reporting period, the assets and liabilities of the Group's foreign entity 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

For the purpose of the consolidated statement of cash flows, the cash flows of its 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 2009 was RMB65,867,000 (2008: RMB35,719,000) and the details are set out in note 19.

Fair value of investment properties

As set out in note 17, investment properties were revalued as at 31 December 2009 on an open market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of reporting period.

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

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

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Fair value of investment properties (Continued)

(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 2009 was RMB2,057,400,000 (2008: RMB429,000,000).

Provision for impairment of trade receivables and other receivables

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes an assumption about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2009, no impairment losses have been recognized for available-for-sale assets (2008: RMB190,226,000). The carrying amount of available-for-sale assets measured at fair value was RMB240,690,000 (2008: RMB73,489,000).

4. OPERATING SEGMENT INFORMATION

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

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

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, 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 that 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 2009

	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	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												(37,002)
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)

Year ended 31 December 2008

	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	Others RMB'000	Total RMB'000
Segment revenue:												
Sales to external customers	2,706,454	839,092	17	47,795	247,744	—	—	22,068	—	—	85,326	3,948,496
Intersegment sales	22,191	—	—	—	—	—	—	—	—	—	89,805	111,996
	2,728,645	839,092	17	47,795	247,744	—	—	22,068	—	—	175,131	4,060,492
Reconciliation:												
Elimination of intersegment sales												(111,996)
Offsetting sales tax												(215,241)
Revenue												3,733,255
Segment results	947,978	84,978	(3,614)	(21,174)	(35,740)	(43,745)	—	3,347	—	(2,839)	(263,309)	665,882
Reconciliation:												
Elimination and adjustment												221,196
Profit before tax												887,078
Segment assets	13,899,820	8,405,383	1,306,030	2,146,295	920,321	1,729,100	171,998	272,244	280,338	494,322	1,149,347	30,775,198
Reconciliation:												
Elimination and adjustments												(10,813,534)
Total assets												19,961,664
Segment liabilities	9,911,925	9,002,649	1,062,034	1,562,393	547,792	1,056,903	105,998	692,253	250,767	404,617	1,216,634	25,813,965
Reconciliation:												
Elimination and adjustment												(11,702,500)
Total liabilities												14,111,465
Other segment information:												
Impairment losses recognised in the income statement	11,235	52,062	—	—	24,124	—	—	—	—	—	190,226	277,647

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) The Group's revenue for the two years ended 31 December 2009 and 2008 were mainly derived from property development in Mainland China.

(b) Non-current assets

	2009 RMB'000	2008 RMB'000
Mainland China	**9,284,606**	9,307,109
Hong Kong	**207,686**	126,400
	9,492,292	9,433,509

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

Information about a major customer

Revenue from operation of approximately RMB609,520,000 (2008: Nil) was derived from sales generated by Beijing segment to a single customer.

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:

	2009 RMB'000	2008 RMB'000
Revenue		
Sale of properties	**5,286,497**	3,857,386
Rental income	**26,529**	7,230
Property agency income	**86,209**	47,801
Property sales planning and advertising income	**6,998**	6,167
Property management income	**38,645**	19,734
Construction supervisory and consulting income	**12,884**	9,234
Decoration and provision of construction materials	**10,058**	944
	5,467,820	3,948,496
Less: Business tax and government surcharges	**(283,016)**	(215,241)
Total revenue	**5,184,804**	3,733,255

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

	2009 RMB'000	2008 RMB'000
Other income		
Government grants	**32,112**	16,496
Reversal of impairment of inventories	**19,168**	—
Bank interest income	**1,649**	5,966
Interest income for loan receivables	**6,870**	17,257
Miscellaneous rental income	**10,424**	6,486
Others	**4,902**	4,241
	75,125	50,446
Gains		
Fair value gain on investment properties	**75,404**	—
Gain on acquisition of minority interests	**4,057**	—
Gain on disposal of available-for-sale investments	**2,351**	—
Gain on disposal of items of property and equipment	**1,022**	—
	82,834	—
Other income and gains	**157,959**	50,446

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 2009. 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	**2009 RMB'000**	2008 RMB'000
Staff costs (including directors', supervisors' and senior executives' emoluments as set out in note 9):			
Basic salaries and benefits in kind		**156,436**	170,801
Equity-settled share-based payment	38	**16,426**	—
Pension scheme contributions:			
–defined contribution scheme		**11,415**	12,726
Total staff costs		**184,277**	183,527
Cost of sales		**3,655,761**	1,959,973
Minimum lease payments under operating leases		**43,351**	14,913
Auditors' remuneration		**3,630**	3,120
Depreciation		**19,636**	19,227
Amortisation of other intangible assets	20	**582**	49
Impairment of goodwill	19	**3,179**	6,965
Impairment of available-for-sale investments	7	**—**	190,226
(Reversal of)/impairment of inventories	5, 7	**(19,168)**	80,456
(Gain)/loss on disposal of items of property and equipment	5, 7	**(1,022)**	575
Finance costs	8	**76,302**	44,421
Loss on disposal of an investment property	7	**790**	—
Bank interest income	5	**(1,649)**	(5,966)
Interest income for loan receivables	5	**(6,870)**	(17,257)
Rental income from investment properties		**(16,661)**	(7,230)
Gain on acquisition of minority interests	5	**(4,057)**	—
Gain on disposal of available-for-sale investment stated at cost	5	**(2,351)**	—
Changes in fair value of investment properties	5, 7	**(75,404)**	27,000

7. OTHER EXPENSES

	Notes	**2009 RMB'000**	2008 RMB'000
Impairment of available-for-sale investments		**—**	190,226
Impairment of goodwill	19	**3,179**	6,965
Impairment of inventories		**—**	80,456
Loss on fair value adjustment of investment properties	17	**—**	27,000
Donation		**3,015**	3,553
Compensation for delay of delivery		**28,182**	26,747
Losses on disposal of items of property and equipment		**—**	575
Loss on disposal of an investment property		**790**	—
Others		**1,831**	463
		36,997	335,985

8. FINANCE COSTS

	Note	2009 RMB'000	2008 RMB'000
Interest on bank loans, other borrowings and bonds:			
– wholly repayable within five years		**619,224**	670,871
– not wholly repayable within five years		**7,161**	4,290
Notional interest		**11,132**	10,489
Total interest		**637,517**	685,650
Less: Interest capitalised, in respect of:			
– bank loans, other borrowings and bonds		**(558,068)**	(631,434)
– notional interest	44 (I) (e)	**(5,840)**	(5,396)
Total interest capitalised		**(563,908)**	(636,830)
		73,609	48,820
Other finance costs:			
– exchange losses/(gains)		**1,665**	(4,557)
– bank charges and others		**1,028**	158
Total finance costs		**76,302**	44,421

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:

	2009 RMB'000	2008 RMB'000
Fees	**741**	749
Other emoluments for executive directors,independent non-executive directors and supervisors:		
– basic salaries and benefits in kind	**3,262**	3,079
– performance-related bonuses	**1,430**	578
– pension scheme contributions	**124**	88
	5,557	4,494

Three executive directors and four independent non-executive directors received remuneration from the Company for the year ended 31 December 2009.

The remuneration for the executive directors, independent non-executive directors and supervisors fell within the range of Nil to RMB2,000,000.

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:

	2009 RMB'000	2008 RMB'000
Mr. Charles Nicholas Brooke	441	488
Mr. Chen Yingjie	100	87
Mr. Zhang Hongming	100	87
Ms. Wang Meijuan	100	87
	741	749

There were no other emoluments payable to the independent non-executive directors during the year (2008: 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
2009					
Executive directors:					
Mr. Fan Wei	—	1,176	—	25	1,201
Mr. Wangzhe	—	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

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
2008					
Executive directors:					
Mr. Guo Guangchang	—	197	—	7	204
Mr. Fan Wei	—	1,371	—	22	1,393
Mr. Wangzhe	—	809	578	22	1,409
	—	2,377	578	51	3,006
Non-executive directors:					
Mr. Feng Xiekun	—	—	—	—	—
Mr. Ding Guoqi	—	—	—	—	—
Mr. Chen Qiyu	—	—	—	—	—
	—	—	—	—	—
Supervisors:					
Mr. Ma Suxiang	—	444	—	22	466
Mr. Zhang Guozheng	—	43	—	—	43
Mr. Sun Wenqiu	—	43	—	—	43
Mr. Liu Zhangxi	—	43	—	—	43
Mr. Shen Guoliang	—	129	—	15	144
	—	702	—	37	739
	—	3,079	578	88	3,745

Under the arrangement of the service contract, the non-executive director, Mr. Feng Xiekun, Guo Guangchang and Chen Qiyu agreed to waive the remuneration during the year. Mr. Guo Guangchang has tendered his resignation as executive director of the Company with effect from 13 May 2009 and thereafter was been a non-executive director of the Company.

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 two directors for the year ended 31 December 2009 (2008: one).

Details of the emoluments of the remaining three (2008: four) highest paid, non-director employees are as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries and benefits in kind	**4,436**	6,290
Pension scheme contributions	**75**	88
	4,511	6,378

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

	Number of employees	
	2009	2008
RMB1,000,001 to RMB2,000,000	**5**	5

There were no emoluments paid by the Group to the directors, supervisors or the other highest paid, non-director employees as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

10. TAX

A subsidiary incorporated in the British Virgin Islands is not subject to any income tax. Certain subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2008: 16.5%). The Company and all 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% (2008: 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 15% and 20%, respectively.

PRC land appreciation tax ("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 amortization 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 2009 and 2008 are as follows:

	Note	2009 RMB'000	2008 RMB'000
Current taxation			
– Income tax in the PRC for the year		**351,251**	374,456
– LAT in the PRC for the year		**205,422**	477,579
Deferred tax	27	**(104,819)**	(206,563)
Total tax charge for the year		**451,854**	645,472

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:

	2009 RMB'000	2008 RMB'000
Profit before tax	**1,060,709**	887,078
Tax at the statutory tax rate of 25% in Mainland China	**269,797**	269,469
Tax at the statutory tax rate of 16.5% in Hong Kong	**(3,049)**	(31,481)
Lower tax rates for specific entities	**(3,113)**	2,282
Profits and losses attributable to jointly- controlled entities and associates	**(2,357)**	1,283
Expenses not deductible for tax	**15,576**	9,995
Tax losses not recognized	**20,933**	35,740
Sub-total	**297,787**	287,288
Additional LAT provision for the year	**112,768**	432,415
Prepaid LAT for the year	**92,654**	45,164
Deferred tax effect of additional LAT provision	**(28,192)**	(108,104)
Tax effect of prepaid LAT	**(23,163)**	(11,291)
Tax charged at the Group's effective rate	**451,854**	645,472

According to a tax notice issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 1% to 3% on proceeds of the sale and pre-sale of properties ("Prepaid LAT") from 2004. Prior to the year end of 2006, except for the Prepaid LAT to the local tax authorities, no further provision for LAT had been made. The directors considered that the relevant tax authorities would 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 2009, based on the latest understanding of LAT regulations from tax authorities, an additional LAT in the amount of RMB112,768,000 (2008: RMB432,415,000) was provided by the Group.

10. TAX (CONTINUED)

In 2004, upon the reorganisation and the listing of the Company, the Company and Fosun High Technology entered into a deed of tax indemnity whereby Fosun High Technology has undertaken to indemnify the Company in respect of the LAT payable attributable to the Group in excess of the prepaid LAT based on 1% to 3% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by the Group as at 30 November 2003. As at 31 December 2009, the indemnity of LAT from the holding company after netting off potential income tax saving amounted to RMB98,462,000 (2008: RMB59,441,000), as set out in note 31, and the deferred tax liability arising thereon amounted to RMB72,317,000 (2008: RMB62,562,000), as set out in note 27. This LAT indemnity after netting off the corresponding tax liability was credited to capital reserve directly.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of RMB145,914,000 (2008: RMB637,919,000), 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 24 December 2009, the Company announced the decision of its board of directors to dispose of its 75% equity interest in Tianjin Forte Puhe Development Co., Ltd. (“Tianjin Forte”) at a total cash consideration of RMB1,176,790,000 (the “Disposal”). Tianjin Forte is principally engaged in the development and sale of properties in Tianjin.

As at 31 December 2009, the Disposal is still subject to the approval of relevant PRC government authorities and the settlement of the consideration. The Disposal is expected to be completed before 31 December 2010. Therefore, Tianjin Forte was classified as held for sale.

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

The major classes of assets and liabilities of Tianjin Forte classified as held for sale as at 31 December are as follows:

	Notes	**2009 RMB'000**
Assets		
Property and equipment	16	**4,538**
Deferred tax assets	27	**7,081**
Completed properties for sale		**1,475,662**
Prepayment, deposits and other receivables		**5,674**
Trade receivables		**11,121**
Cash and cash equivalents		**44,818**
Assets of disposal group classified as held for sale		**1,548,894**
Liabilities		
Interest-bearing bank loans and other borrowings		**574,570**
Trade payables		**286,767**
Advances from customers		**4,415**
Accrued liabilities and other payables		**5,558**
Tax payable		**44,251**
Loan from a related company		**81,832**
Liabilities directly associated with the assets of disposal group classified as held for sale		**997,393**

13. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Proposed final - RMB0.06 (2008: RMB0.02) per ordinary share	**151,758**	50,586

A final dividend for the year ended 31 December 2009 of RMB0.06 per ordinary share, amounting to a total dividend of RMB151,758,000, was proposed at the Board meeting held on 15 March 2010. Such dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting before 15 June 2010.

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 RMB496,648,000 (2008: RMB101,655,000) and the weighted average number of 2,529,306,000 (2008: 2,529,306,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the two years ended 31 December 2009 and 2008 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

2009

	Notes	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	40	—	36	—	27,379	27,415
Assets included in assets of disposal group classified as held for sale	12	—	(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 assets of disposal group classified as held for sale	12	—	(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

16. PROPERTY AND EQUIPMENT (CONTINUED)

Group

2008

	Properties RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
As at 31 December 2007 and at 1 January 2008	105,771	25,310	32,528	—	163,609
Additions	677	7,054	4,543	23,561	35,835
Acquisition of subsidiaries	61,990	629	748	—	63,367
Disposals	(1,855)	(1,950)	(663)	—	(4,468)
As at 31 December 2008	166,583	31,043	37,156	23,561	258,343
Accumulated depreciation:					
As at 31 December 2007 and at 1 January 2008	9,323	10,303	15,870	—	35,496
Provided during the year	12,860	4,802	5,116	—	22,778
Disposals	(185)	(1,418)	(515)	—	(2,118)
As at 31 December 2008	21,998	13,687	20,471	—	56,156
Net carrying amount:					
As at 31 December 2008	144,585	17,356	16,685	23,561	202,187
As at 31 December 2007	96,448	15,007	16,658	—	128,113

Company

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**

16. PROPERTY AND EQUIPMENT (CONTINUED)

Company

2008

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

As at 31 December 2009, certain items of the Group's properties with a book value of approximately RMB 94,718,000 (2008: RMB7,960,000) were pledged to secure bank loans amounting to RMB74,379,000 (2008: RMB10,000,000), as set out in note 32(a).

17. INVESTMENT PROPERTIES

	2009 RMB'000	2008 RMB'000
Carrying amount at 1 January	**429,000**	456,000
Transfer from properties under development	**1,981,996**	—
Gain/(loss) from a fair value adjustment	**75,404**	(27,000)
Disposal	**(429,000)**	—
Carrying amount at 31 December	**2,057,400**	429,000

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

The Group's investment properties were revalued on 31 December 2009 by Jones Lang LaSalle Sallmanns Limited ("Sallmanns"), independent professionally qualified valuers at RMB2,057,400,000, 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.

At 31 December 2009, the Group's investment properties with a net carrying amount of approximately RMB2,057,400,000 (2008: RMB429,000,000) were pledged to bank for interest-bearing bank loans amounting to RMB1,172,067,000 (2008: RMB190,000,000), as set out in note 32(a).

18. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Land costs	**8,869,790**	8,227,326	**12,993**	12,978
Construction costs	**2,605,321**	3,801,908	**14,872**	14,871
Financial costs	**781,710**	952,738	**1,829**	1,829
	12,256,821	12,981,972	**29,694**	29,678
Portion classified as current assets	**(7,089,469)**	(6,263,042)	**—**	—
	5,167,352	6,718,930	**29,694**	29,678

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

As at 31 December 2009, certain items of the Group's properties under development with a book value of approximately RMB4,639,332,000 (2008: RMB3,937,313,000) were pledged to secure bank loans amounting to RMB2,971,063,000 (2008: RMB3,261,510,000), as set out in note 32(a).

19. GOODWILL

Group

	RMB'000
At 1 January 2008:	
Cost	49,714
Accumulated impairment	(22,292)
Net carrying amount	27,422
Cost at 1 January 2008, net of accumulated impairment	27,422
Acquisition of a subsidiary	8,297
Acquisition of minority interests	6,965
Impairment during the year	(6,965)
At 31 December 2008	35,719
At 31 December 2008:	
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 minority interests	33,327
Impairment during the year	(3,179)
Cost and carrying amount at 31 December 2009	65,867
At 31 December 2009:	
Cost	98,303
Accumulated impairment	(32,436)
Net carrying amount	65,867

19. GOODWILL (CONTINUED)

Impairment testing of goodwill

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

The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 12% (2008: 13%). Cash flows beyond the five-year period are extrapolated using the estimated growth rate, which does not exceed the projected long-term average growth rate for property development in the PRC.

Key assumptions were used in the value in use calculation of the CGU for 31 December 2009 and 31 December 2008. 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.

20. OTHER INTANGIBLE ASSETS

Group

	Licence RMB'000
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:	
Cost	5,829
Accumulated amortisation	(631)
Net carrying amount	5,198
31 December 2008	
Cost at 1 January 2008, net of accumulated amortisation	—
Acquisition of a subsidiary	5,829
Amortisation provided during the year	(49)
At 31 December 2008	5,780
At 31 December 2008 and 1 January 2009:	
Cost	5,829
Accumulated amortisation	(49)
Net carrying amount	5,780

21. INVESTMENTS IN SUBSIDIARIES

Company

	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	**1,948,370**	1,867,720
Impairment for unlisted shares	**(7,200)**	(9,600)
	1,941,170	1,858,120

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB8,319,057,000 (2008: RMB6,727,714,000) and RMB3,285,993,000 (2008: RMB1,915,892,000), respectively, are unsecured, interest-free and repayable on demand, as set out in note 31 and note 36. The carrying amounts of these amounts approximate to their fair values.

Particulars of principal subsidiaries as at 31 December 2009 are as follows:

Name of company	Place and date of incorporation/ establishment	Registered and paid-up capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Shanghai Forte Zhibao Property Development Co., Ltd.	Mainland China 27 May 2003	205,000	75%	25%	Property development
Beijing Baihong Property Development Co., Ltd.	Mainland China 8 December 2000	30,000	—	100%	Property development
Chongqing Runjiang Property Development Co., Ltd.	Mainland China 19 April 2004	400,000	95%	5%	Property development
Shanghai Forte Investment Co., Ltd. ("Forte Investment")	Mainland China 21 July 2006	100,000	100%	—	Investment management
Wuhan Zhongbei Real Estate Development Co., Ltd. ("Wuhan Zhongbei")	Mainland China 3 April 2007	733,000	—	70%	Property development
Beijing Kangbao Property Development Co.,Ltd.	Mainland China 2 August 2001	10,000	—	100%	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

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.

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Unlisted investments, at cost	**—**	—	**134,342**	134,342
Share of net assets	**273,337**	212,832	**—**	—
	273,337	212,832	**134,342**	134,342
Loans to jointly-controlled entities	**416,400**	416,400	**—**	—
	689,737	629,232	**134,342**	134,342

The loans to jointly-controlled entities of RMB416,400,000 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 31 and note 36 to the financial statements.

Particulars of the jointly-controlled entities as at 31 December 2009 are as follows:

Name of company	Place and date of incorporation/ establishment	Registered and paid-up capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Shanghai Jufeng Property Development Co., Ltd.	Mainland China 4 June 2002	50,000	45%	—	Property development
Wuxi Forte Real Estate Development Co., Ltd.	Mainland China 28 September 2004	195,000	50%	—	Property development
Shanghai Mushen Property Development Co., Ltd.	Mainland China 1 September 2004	21,576	50%	—	Property development
Shanghai Tengxing Property Development Co., Ltd.	Mainland China 6 September 2004	13,249	50%	—	Property development
Shanghai Gangrui Property Development Co., Ltd.	Mainland China 12 August 2004	9,518	50%	—	Property development
Shanghai Hugang Property Development Co., Ltd.	Mainland China 24 August 2004	27,660	50%	—	Property development
Show All 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
Shanghai Shunsheng Steel Material Co., Ltd	Mainland China 29 October 2008	50,000	—	50%	Logistics and trading

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

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
Sichuan Forte Huanglong Investment Co., Ltd. ("Huanglong Investment")	Mainland China 19 October 2009	50,000**	—	50%	Investment management
Sichuan Forte Huanglong Real Estate Development Co., Ltd. ("Huanglong Real Estate")	Mainland China 19 October 2009	150,000**	—	50%	Property development

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

** *The paid-up capital of Huanglong Investment and Huanglong Real Estate as at 31 December 2009 is RMB15,000,000 and RMB45,000,000, respectively.*

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

	2009 RMB'000	2008 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**968,594**	834,879
Non-current assets	**302,329**	168,302
Current liabilities	**(733,803)**	(592,877)
Non-current liabilities	**(263,783)**	(197,472)
Net assets	**273,337**	212,832
Share of the jointly-controlled entities' results:		
Revenue	**192,209**	3,116
Other income	**2,986**	1,206
	195,195	4,322
Total expenses	**(176,285)**	(9,221)
Tax	**(4,051)**	(2,407)
Profit/(loss) after tax	**14,859**	(7,306)

23. INTERESTS IN ASSOCIATES

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Unlisted shares, at cost	**—**	—	**187,560**	187,560
Share of net assets	**598,892**	256,278	**—**	—
	598,892	256,278	**187,560**	187,560

The Group's amounts due from associates and amounts due to associates are disclosed in note 31 and note 36 to the financial statements, respectively.

23. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates as at 31 December 2009 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.	Mainland China	41%	Property development
Chengdu Boland Real Estate Development development Co., Ltd. ("Chengdu Boland")	Mainland China	21%	Property development
Beijing Hehua Property Development Co., Ltd. development ("Beijing Hehua")	Mainland China	37%	Property development

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year 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 all comprise equity shares held by the Company, except for Chengdu Boland and Beijing Hehua, the shareholdings in which are held through two wholly-owned subsidiaries of the Company.

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

	2009 RMB'000	2008 RMB'000
Assets	**8,373,671**	1,827,049
Liabilities	**(6,318,233)**	(1,134,045)
Revenue	**962,501**	691,177
Profit	**12,656**	2,664

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Listed equity investment at fair value: Hong Kong	**240,690**	73,489	**—**	—
Unlisted equity investments, at cost	**57,420**	3,529	**10,510**	250
	298,110	77,018	**10,510**	250

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB 145,770,000, of which Nil was classified from other comprehensive income to the income statement for the year.

24. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The Group's listed equity investment represents the Group's 8.47% equity interest in Shanghai Zendai Property Development Co., Ltd., a company listed on the Main Board of Hong Kong Stock Exchange. This investment was designated as an available-for-sale financial asset, the fair value of which is based on quoted market prices.

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

As at 31 December 2009, part of the Group's available-for-sale investments in the amount of approximately RMB 163,769,000 (2008: RMB61,380,000) were pledged to secure bank loans amounting to HK$426,850,000 (equivalent to RMB375,833,000) (2008: HK$273,200,000 (equivalent to RMB240,932,000)), as set out in note 32(a).

25. LOAN RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Loan receivables from a jointly-controlled entity	**220,000**	220,000	**—**	—

As at 31 December 2009, loan receivables represented the entrusted bank loan of RMB220,000,000 provided to Shaanxi Jianqin, a jointly-controlled entity, to support its property development. This loan is unsecured, interest bearing at a variable interest rate of 7.02% per annum based on the rates quoted by PBOC and repayable on 20 October 2011.

The carrying amounts of these loan receivables approximate to their fair values as at 31 December 2009.

26. PREPAYMENTS

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

As at 31 December 2009, the Group advanced RMB616,313,000 (31 December 2008: RMB616,313,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2009 amounted to RMB355,963,000 (31 December 2008: RMB355,963,000) is set out in note 42.

27. DEFERRED TAX

Group

Deferred tax assets

	Note	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 2008		21,163	5,567	167,256	—	—	1,117	195,103
Deferred tax credited to the income statement during the year	10	30,094	3,183	108,104	16,957	29,708	400	188,446
As at 31 December 2008 and 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	10	15,280	(4,897)	28,192	(13,506)	25,822	—	50,891
As at 31 December 2009		**66,537**	**3,853**	**303,552**	**3,451**	**55,530**	**1,517**	**434,440**

Deferred tax liabilities

	Note	Revaluation of investment properties RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	LAT indemnity receivable from holding company RMB'000 *(note 10)*	Others RMB'000	Total RMB'000
At 1 January 2008		35,163	177,820	47,702	2,802	263,487
Deferred tax charged/(credited) to the income statement during the year	10	(6,750)	(13,346)	—	1,979	(18,117)
Deferred tax debited to equity during the year		—	—	14,860	—	14,860
Acquisition of subsidiaries		—	1,457	—	—	1,457
As at 31 December 2008 and 1 January 2009		28,413	165,931	62,562	4,781	261,687
Deferred tax credited to the income statement during the year	10	(9,562)	(43,636)	—	(730)	(53,928)
Deferred tax debited to equity during the year		—	—	9,755	—	9,755
As at 31 December 2009		**18,851**	**122,295**	**72,317**	**4,051**	**217,514**

27. DEFERRED TAX (CONTINUED)

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

	Note	2009 RMB'000	2008 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position		**434,440**	383,549
Deferred tax assets in the disposal group	12	**(7,081)**	—
		427,359	383,549

As at 31 December 2009, except for the deferred tax assets in respect of tax losses amounting to RMB111,868,000, no deferred tax assets arising from temporary differences have not been recognized.

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	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash and bank balances	**3,751,771**	1,232,538	**396,485**	26,834
Less: Pledged deposits	**(122,000)**	(19,449)	**—**	—
Cash and cash equivalents	**3,629,771**	1,213,089	**396,485**	26,834

At 31 December 2009, the Group's pledged deposits with a net carrying amount of approximately RMB91,158,000 (2008: Nil) were pledged to bank for interest-bearing bank loans as set out in note 32(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		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Undue	**230,606**	185,189	**—**	221
Overdue, within six months	**11,869**	—	**—**	—
	242,475	185,189	**—**	221

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

29. TRADE RECEIVABLES (CONTINUED)

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

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Neither past due nor impaired	**230,606**	185,189	**—**	221
Less than six months past due	**11,869**	—	**—**	—
	242,475	185,189	**—**	221

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.

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

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Prepayments	**217,802**	122,748	**616**	98
Deposits and other receivables	**1,314,187**	446,583	**612,959**	12,736
	1,531,989	569,331	**613,575**	12,834

Deposits and other receivables mainly represented deposits for land use rights through 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 carrying amounts of prepayments, deposits and other receivables approximate to their fair values.

31. AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
	Notes	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Due from subsidiaries	(c)	**—**	—	**8,319,057**	6,727,714
Due from associates	(a, c)	**567,822**	120,473	**112,073**	112,073
Due from jointly-controlled entities	(c)	**348,750**	334,286	**342,523**	326,949
		916,572	454,759	**8,773,653**	7,166,736
Portion classified as current		**(724,667)**	(454,759)	**(8,773,653)**	(7,166,736)
	(a)	**191,905**	—	**—**	—
Due from holding company	(b)	**98,462**	59,441	**98,462**	59,441

(a) Included in the amounts due from associates, RMB213,190,000 provided to an associate was interest-free, unsecured and was estimated to be repayable in 2011. The fair value of this loan at the date of inception was estimated with reference to the prevailing interest rate with the same repayment period published by the PBOC of 5.4% and the difference between the fair value and its carrying amount was charged to interests in associates. Subsequent to its initial recognition, the financial liability is measured using the effective interest method. As at 31 December 2009, the amortized cost of this loan to an associate was RMB191,905,000.

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

(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.

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

32. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		Group		Company	
	Notes	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Bank loans, secured	(a)	**4,710,043**	3,702,442	**—**	—
Bank loans, unsecured		**1,509,750**	2,183,500	**540,000**	740,000
		6,219,793	5,885,942	**540,000**	740,000
Other borrowings, unsecured		**2,221,970**	2,560,026	**1,470,000**	2,010,000
Corporate bonds, unsecured	(b)	**1,869,304**	—	**1,869,304**	—
		10,311,067	8,445,968	**3,879,304**	2,750,000
Repayable:					
Within one year		**2,966,897**	2,507,736	**560,000**	812,000
In the second year		**1,527,633**	3,769,232	**—**	1,938,000
In the third to fifth years, inclusive		**4,934,399**	2,153,000	**3,319,304**	—
Beyond five years		**882,138**	16,000	**—**	—
		10,311,067	8,445,968	**3,879,304**	2,750,000
Portion classified as current liabilities		**(2,966,897)**	(2,507,736)	**(560,000)**	(812,000)
Non-current portion	(c)	**7,344,170**	5,938,232	**3,319,304**	1,938,000

The bank loans bear interest at rates ranging from 2.179% to 6.75% (2008: 2.79% to 8.59%) per annum. The other borrowings bear interest at rates ranging from 3.179% to 12.18% (2008: 2.099% to 9.34%) per annum.

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

(i) RMB1,172,067,000 (2008: RMB190,000,000) are secured by the Group's investment properties situated in Beijing and Hangzhou, the PRC, with an aggregate carrying value at 31 December 2009 of approximately RMB2,057,400,000 (2008: RMB429,000,000), as set out in note 17.

(ii) RMB3,537,976,000 (2008: RMB3,512,442,000) are secured by the Group's properties with an aggregate carrying value of approximately RMB94,718,000 (2008: RMB7,960,000), properties under development with an aggregate carrying value of approximately RMB4,639,332,000 (2008: RMB3,937,313,000), available-for-sale investments of approximately RMB163,769,000 (2008: RMB61,380,000), properties held for sale with an aggregate carrying value of approximately RMB309,490,000 (2008: Nil) and pledged deposits with an aggregate carrying value of approximately RMB91,158,000 (2008: Nil) at 31 December 2009, as set out in notes 16, 18, 24 and 28, respectively.

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

(b) Corporate bonds

	No. 122020 Corporate bonds issued in 2009 RMB'000
Proceeds from issue of corporate bonds of RMB100 each	1,900,000
Transaction costs:	
– Underwriting commission fee	(29,750)
– Other transaction costs	(2,509)
	1,867,741
Transaction costs amortized	1,563
Carrying value at 31 December	1,869,304

On 25 September 2009, the Company issued five-year domestic corporate bonds at an aggregate principal amount of RMB1,900,000,000. The net proceeds after deducting the underwriting commission fee amounted to RMB1,870,250,000. The bonds are listed on the Shanghai Stock Exchange.

The bonds that are guaranteed by Fosun High Technology as set out in note 44(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.

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

	Carrying amounts		**Fair values**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Non-current borrowings in respect of				
– bank loans	**3,445,996**	3,938,500	**3,446,313**	3,943,955
– other borrowings	**2,028,870**	1,999,732	**2,026,381**	2,000,259
– corporate bonds	**1,869,304**	—	**1,888,072**	—
	7,344,170	5,938,232	**7,360,766**	5,944,214

The fair value of the Company's unsecured borrowings (non-current portion) with a carrying amount of RMB3,319,304,000 (2008: RMB1,938,000,000) was RMB3,335,481,000 (2008: RMB1,938,524,000) at the end of the reporting period.

33. LOANS FROM RELATED COMPANIES

Group

	Carrying amounts		Fair values	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Loans from				
– a jointly-controlled entity	**81,324**	76,118	**83,017**	78,495
– an associate	**25,294**	—	**25,286**	—
– a minority shareholder of a subsidiary	**—**	76,075	**—**	77,813
Wholly repayable in the second to fourth years, inclusive	**106,618**	152,193	**108,303**	156,308

Company

	Carrying amounts		Fair values	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
A loan from				
– a jointly-controlled entity	**81,324**	76,118	**83,017**	78,495
Wholly repayable in the second to fourth years, inclusive	**81,324**	76,118	**83,017**	78,495

Loans from related companies are interest-free and unsecured. The fair values of these loans as at the date of inception were estimated with reference to the prevailing interest rate with the same repayment period published by the PBOC. Subsequent to the initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

34. 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	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within six months	**1,029,176**	1,079,125	**—**	—
More than six months, but within one year	**137,250**	7,698	**195**	—
Over one year	**325,496**	188,598	**19,155**	20,145
	1,491,922	1,275,421	**19,350**	20,145

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

35. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Payables related to:				
Payroll	**54,416**	23,965	**26,969**	3,023
Deposits received	**389,506**	97,755	**20,000**	—
Business taxes and government surcharges	**115,060**	48,762	**1,616**	256
Consideration in respect of acquisition of subsidiaries	**216,313**	89,940	**—**	—
Accruals	**75,070**	18,701	**45,562**	2,100
Advance from Dijie	**415,694**	—	**—**	—
Others	**275,913**	167,882	**14,309**	15,767
	1,541,972	447,005	**108,456**	21,146

The carrying amounts of accrued liabilities and other payables approximate to their fair value.

36. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Due to associates	**70,771**	107,368	**78,000**	99,000
Due to jointly-controlled entities	**50,000**	120,000	**—**	—
Due to an other related party	**150,214**	—	**—**	—
Due to subsidiaries	**—**	—	**3,285,993**	1,915,892
	270,985	227,368	**3,363,993**	2,014,892

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

37. ISSUED CAPITAL

Group and Company

	2009 **Number** **of shares** **'000**	2008 Number of shares '000	**2009** **RMB'000**	2008 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.

38. SHARE-BASED PAYMENT

On 31 October 2009, the Company disposed of its 23% equity interest in a subsidiary, Shanghai Resource Property Consultancy Co., Ltd. ("Shanghai Resource") to certain senior management personnel of Shanghai Resource at a consideration of RMB10,967,000 as incentives and rewards for their past contributions to the successful operation of Shanghai Resource. The fair value of the 23% equity interest of Shanghai Resource as at the grant date was RMB27,393,000, valued by Sallmanns. The excess of the fair value over the consideration amounting to RMB16,426,000 was recognized as equity-settled share-based payment and recorded into the staff cost on the grant date.

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.

(b) Company

	Issued capital RMB'000 (note 37)	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 2008	505,861	2,624,510	143,106	208,186	381,703	—	3,863,366
Total comprehensive income for the year	—	—	—	—	637,919	—	637,919
Proposed 2008 final dividend	—	—	—	—	(50,586)	50,586	—
Indemnity receivable of LAT from the holding company	—	—	59,441	—	—	—	59,441
Tax effect of LAT indemnity	—	—	(14,860)	—	—	—	(14,860)
Retained profits	—	—	—	63,535	(63,535)	—	—
At 31 December 2008	505,861	2,624,510	187,687	271,721	905,501	50,586	4,545,866
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**

40. ACQUISITION OF SUBSIDIARIES

40.1 Acquisition of Shanghai Fuhua Commercial Investment Development Co., Ltd. ("Fuhua Commercial")

On 31 January 2009, the Group acquired a 54.5% equity interest in Fuhua Commercial, a private limited company together with a wholly-owned subsidiary located in Shanghai, China. Fuhua Commercial and its subsidiary ("Fuhua") are engaged in investment management. The purchase consideration for the acquisition was in the form of cash and amounted to RMB5,450,000, which was fully paid as at 31 December 2009. The Group accounted for this acquisition of subsidiary as a business combination.

The fair value of the identifiable assets and liabilities of Fuhua as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition RMB'000	**Previous carrying amount** RMB'000
Property and equipment	27,391	27,391
Cash and cash equivalents	1,019	1,019
Trade receivables	22	22
Prepayments, deposits and other receivables	5,282	5,282
Inventory	6	6
Trade and bills payables	(1,367)	(1,367)
Advances from customers	(20)	(20)
Accrued liabilities and other payables	(22,333)	(22,333)
	10,000	10,000
Minority interest	(4,550)	
	5,450	
Satisfied by cash	5,450	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	5,450
Cash and bank balances acquired	(1,019)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	4,431

From the date of acquisition, Fuhua's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2009.

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

40.2 Acquisition of Nanjing Runchang Property Development Co., Ltd. ("Nanjing Runchang")

On 24 August 2009, the Group acquired a 100% equity interest in Nanjing Runchang, a private limited company located in Nanjing, China. Nanjing Runchang is engaged in property development. The purchase consideration for the acquisition was in the form of cash and amounted to RMB625,000,000, of which RMB150,000,000 remained unpaid as at 31 December 2009. The Group accounted for this acquisition of subsidiary as an asset acquisition.

The allocation of acquisition consideration of Nanjing Runchang as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Allocation of acquisition consideration RMB'000	**Previous carrying amount** RMB'000
Prepayments, deposits and other receivables	277	277
Property under development	1,044,500	1,294,500
Accrued liabilities and other payables	(419,777)	(419,777)
	625,000	875,000
Satisfied by cash	625,000	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	475,000
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	475,000

From the date of acquisition, Nanjing Runchang's results have had no impact on the Group's consolidated turnover or net profit for the year ended 31 December 2009.

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

40.3 Acquisition of Fuyang Furun Real Estate Co., Ltd. ("Fuyang Furun")

On 7 December 2009, the Group acquired a 100% equity interest in Fuyang Furun, a private limited company located in Hangzhou, China. Fuyang Furun is engaged in property development. The purchase consideration for the acquisition was in the form of cash and amounted to RMB150,214,000, of which RMB150,214,000 remained unpaid as at 31 December 2009. The Group accounted for this acquisition of subsidiary as an asset acquisition.

The allocation of acquisition consideration of Fuyang Furun as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Allocation of acquisition consideration RMB'000	**Previous carrying amount** RMB'000
Property and equipment	24	24
Cash and cash equivalents	4,980	4,980
Prepayments, deposits and other receivables	293	293
Property under development	345,178	344,556
Interest-bearing bank loan and other borrowing	(200,000)	(200,000)
Trade payables	(12)	(12)
Accrued liabilities and other payables	(249)	(249)
	150,214	149,592
Satisfied by cash	150,214	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	(4,980)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(4,980)

From the date of acquisition, Fuyang Furun's results have had no significant impact on the Group's consolidated turnover or net profit for the year ended 31 December 2009.

41. 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 seventeen years.

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within one year	**32,333**	17,233	**—**	—
In the second to fifth years, inclusive	**71,463**	29,766	**—**	—
After five years	**25,244**	395	**—**	—
	129,040	47,394	**—**	—

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 twenty years.

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within one year	**37,340**	13,996	**—**	5,116
In the second to fifth years, inclusive	**150,103**	4,950	**—**	—
After five years	**368,141**	—	**—**	—
	555,584	18,946	**—**	5,116

42. 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	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Contracted, but not provided for:				
– investments	**460,013**	375,963	**34,050**	—
– properties under development	**4,531,525**	4,108,550	**—**	—
– property and equipment	**44,253**	46,439	**—**	—
	5,035,791	4,530,952	**34,050**	—

42. COMMITMENTS (CONTINUED)

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

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Contracted, but not provided for:				
– properties under development	**33,499**	6,022	**33,499**	6,022

43. 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	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Guarantees given to banks in connection with banking facilities granted to third parties	(a)	**—**	441,000	**—**	441,000
Guarantees given to banks in connection with banking facilities granted to associates	(a, b)	**541,000**	—	**541,000**	—
Guarantees given to banks in connection with banking facilities granted to its customers	(c)	**2,762,666**	1,938,549	**—**	—
		3,303,666	2,379,549	**541,000**	441,000

Guarantees given to banks in connection with banking facilities granted to associates are in respect of the following:

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

On 18 August 2009, Beijing Hehua became an associate of the Group upon the business re-registration and the completion of its 37% equity interest transfer.

(b) On 3 December 2009, Beijing Yuquan entered into a borrowing agreement ("Agreement") with Huarong International Trust Co., Ltd. to obtain an unsecured 18-months 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.

43. CONTINGENT LIABILITIES (CONTINUED)

(c) As at 31 December 2009, the Group provided guarantees of approximately RMB2,762,666,000 (2008: RMB1,938,549,000), 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 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.

44. 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	2009 RMB'000	2008 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**	5,125
	Property management services provided by the related company *(note (b))*	**3,780**	3,857
Shanghai Foreal Property Management Co., Ltd. *(note (a))*	Property management services provided by the related company *(note (b))*	**13,392**	11,096
Wuxi Forte Real Estate Development Co., Ltd. *(note (a))*	Consulting services provided to the related company *(note (b))*	**—**	4,302
	Sales agency services provided to the related company *(note (b))*	**877**	928
	Notional interest *(note (d))*	**5,206**	5,093
Yangzte Tianjin Limited Co., Ltd. *(note (a))*	Notional interest *(note (e))*	**5,840**	5,396
Tianjin Binhai Auto Parts Industry Base Co., Ltd. *(note (a))*	Loan provided by the related company *(note (f))*	**28,000**	—
Fosun High Technology *(note (a))*	LAT indemnity receivable from the holding company *(note (c))*	**39,021**	59,441
	Interest expenses of entrusted bank loan provided by the holding company *(note (g))*	**81,752**	143,467
	Property management services provided to the related company *(note (b))*	**1,063**	1,501

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) (Continued)

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Recurring transactions (Continued)			
Shanghai Fosun Industrial Investment Co., Ltd. *(note (a))*	Interest expenses of entrusted bank loan provided by the related company *(note (g))*	**32,965**	27,329
Shaanxi Jianqin *(note (a))*	Entrusted bank loan provided to the related company *(note (h))*	**220,000**	—
	Interest income of entrusted bank loan provided to the related company *(note (h))*	**13,740**	21,981
	Shareholder loan provided to the related company *(note (i))*	**—**	140,000
Show All *(note (a))*	Shareholder loan provided to the related company *(note (i))*	**—**	126,400
	Interest income of shareholder loan provided to the related company	**—**	6,266
FIL	Other borrowings provided by the related company *(note (j))*	**288,078**	61,732
	Interest expenses of other borrowings provided by the related company *(note (j))*	**1,523**	—
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. *(note (a))*	Other borrowing provided by the related company *(note (k))*	**247,792**	—
	Interest expenses of other borrowings provided by the related company *(note (k))*	**6,690**	—

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) (Continued)

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Non-recurring transactions			
Fosun Property Holdings Company Limited *(note (a))*	Acquisition of 100% equity interest in a subsidiary from the related company *(note (l))*	**150,214**	—

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. 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. Yangtze Tianjin Limited ("Yangtze") is a shareholder of a subsidiary, Tianjin Forte.

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

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

(d) The corresponding notional interest computed with reference to the prevailing interest rate for the year ended 31 December 2009 amounting to approximately RMB5,206,000 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 2009 amounting to approximately RMB5,840,000 was arising from the loan in the amount of USD12,798,000 (equivalent to RMB99,716,000) provided by Yangtze in 2006, which is interest-free, unsecured and repayable by 2010.

(f) The loan in the amount of RMB28,000,000 was provided by Tianjin Binhai, and is interest-free, unsecured and repayable by 2011, as set out in note 33.

(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 charges.

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.

As at 31 December 2009, entrusted bank loans amounting to RMB1,450,000,000 were provided by FIL, bearing an interest rate at 105% of the interest rates quoted by PBOC. The interest expenses on these entrusted bank loans amounted to RMB114,717,000 for the year ended 31 December 2009.

(h) The entrusted bank loan in the amount of RMB220,000,000 was provided by the Group as set out in note 25, and the relevant interest income for the year ended 31 December 2009 amounted to RMB13,740,000.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) *Notes*: (Continued)

(i) Shareholder loans in the amount of RMB140,000,000 and RMB126,400,000 were provided by the Group to Shaanxi Jianqin and Show All in year 2008.

(j) Other borrowings in the amount of USD16,400,000 and HKD200,000,000 (equivalent to RMB288,078,000 in aggregate) were provided to China Alliance, bearing an interest rate at 2.5% above the LIBOR and the HIBOR and are repayable by 22 October 2013. The relevant interest expenses amounted to RMB1,523,000 for the year ended 31 December 2009.

(k) The other borrowing in the amount of RMB247,792,000 was provided to Wuhan Zhongbei, bearing an interest rate at 5.4% per annum, and is repayable by 20 June 2011. The relevant interest expenses amounted to RMB6,690,000 for the year ended 31 December 2009.

(l) On 21 April 2009, Shiner Way Limited, 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. Subsequently, Fuyang Furun became a wholly-owned subsidiary of the Company effective on 7 December 2009 as set out in note 40.3.

(II) Guarantees provided by related companies of the Group

According to the agreement set out in note (I) (g), Fosun High Technology and FIL would provide the Group with bank guarantees of RMB1,300,000,000. As at 31 December 2009, (i) the Group's short-term bank loans amounting to HKD426,850,000 (equivalent to RMB375,833,000) and RMB200,000,000 were guaranteed by FIL; and (ii) the Group's short-term bank loan amounting to RMB340,000,000 was guaranteed by Fosun High Technology.

On 9 September 2008, the Group and FIL entered into another supplemental agreement under the Financial Assistance Agreement, pursuant to which, the five-year domestic corporate bonds amounting to RMB1,900,000,000 issued in September 2009 as set out in note 32 was guaranteed by Fosun High Technology.

(III) Guarantees provided to related companies by the Company

As at 31 December 2009, part of non-current portion of interest-bearing bank loans of two associates amounting to RMB541,000,000 (2008: Nil) in aggregate was guaranteed by the Company as set out in note 43 (a) and (b).

As at 31 December 2009, the Company guaranteed banking facilities to its subsidiaries in the amount of RMB2,194,110,000 (2008: RMB2,800,010,000).

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

	2009 **RMB'000**	2008 RMB'000
Short-term employee benefits	**11,447**	11,545
Pension scheme contributions	**277**	220
Total compensation paid to key management personnel	**11,724**	11,765

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

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

45. 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:

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

45. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2008

Financial assets

	Group		
	Loans and receivables RMB'000	Available for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	77,018	77,018
Loan receivables	220,000	—	220,000
Trade receivables	185,189	—	185,189
Financial assets included in prepayments, deposits and other receivables	811,944	—	811,944
Cash and cash equivalents	1,213,089	—	1,213,089
Pledged deposits	19,449	—	19,449
Amounts due from related companies	454,759	—	454,759
Amount due from holding company	59,441	—	59,441
	2,963,871	77,018	3,040,889

Financial liabilities

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

45. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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**

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**
	7,432,424

2008

Financial assets

		Company	
	Loans and receivables RMB'000	Available for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	250	250
Trade receivables	221	—	221
Financial assets included in prepayments, deposits and other receivables	12,736	—	12,736
Cash and cash equivalents	26,834	—	26,834
Amounts due from related companies	7,166,736	—	7,166,736
Amount due from holding company	59,441	—	59,441
	7,265,968	250	7,266,218

45. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2008

Financial liabilities

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

46. 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).

As at 31 December 2009, the Group held the following financial assets measured at fair value while no financial liabilities were measured at fair value:

Assets measured at fair value 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 ended 31 December 2009, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

47. 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. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the financial statements.

Foreign currency risk

The Group operates in the PRC and its principal activities are transacted in RMB. The Group's financial assets and liabilities are not subject to foreign currency risk, except for loans denominated in 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 foreign currency as the directors consider the Group has no significant foreign currency risk.

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

		Group		Company	
	Notes	**2009 '000**	2008 '000	**2009 '000**	2008 '000
United States dollars	44(I) (e) & (j)	**29,198**	12,798	**—**	—
Hong Kong dollars	44(I) (j), 44(II)	**626,850**	343,200	**—**	—

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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

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

* Excluding retained earnings

The effect of foreign currency risk on the other borrowing of USD12,798,000, directly attributable to property development, would be recorded in the consolidated income statement when the corresponding property was completed and sales as well as cost of sales were recognized. For the effect of borrowings of USD16,400,000 and HKD626,850,000, not directly attributable to property development, would be recorded in the consolidated income statement directly.

Interest rate risk

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

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'00	Increase/ (decrease) in equity* RMB'000
2009			
RMB	**25**	**(14,260)**	**—**
	(25)	**14,260**	**—**
2008			
RMB	25	(6,844)	—
	(25)	6,844	—

* *Excluding retained earnings*

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

The effect on the Group's profit before tax would be recorded in the consolidated income statement when the corresponding properties were completed, sales as well as the cost of sales were recognized.

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 43 to the financial statement.

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

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 2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Interest-bearing bank loans and other borrowings	—	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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Group

	As at 31 December 2008					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Interest-bearing bank loans and other borrowings	—	690,432	1,817,304	5,922,232	16,000	8,445,968
Trade payables	1,275,421	—	—	—	—	1,275,421
Accrued liabilities and other payables	398,243	—	—	—	—	398,243
Amounts due to related companies	227,368	—	—	—	—	227,368
Loans from related companies	—	—	—	180,467	—	180,467
	1,901,032	690,432	1,817,304	6,102,699	16,000	10,527,467

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 2009					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**>5 years RMB'000**	**Total RMB'000**
Interest-bearing bank loans and other borrowings	**—**	**—**	**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**
	3,433,268	**—**	**598,528**	**3,443,000**	**—**	**7,474,797**

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

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 43.

47. 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 an individual equity investment classified as available-for-sale investments (note 24) as at 31 December 2009 and 2008. The Group's listed investment is listed on the Main Board of the Hong Kong Exchange Stock and is 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 2009	**High/low 2009**	31December 2008	High/low 2008
Hong Kong - Hang Seng Index	**21,873**	**22,944/ 11,345**	14,387	27,616/ 11,016

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**
2009				
Investment listed in:				
Hong Kong - Available-for-sale	**5**	**240,690**	**—**	**12,035**
	(5)	**240,690**	**—**	**(12,035)**
2008				
Investment listed in:				
Hong Kong - Available-for-sale	5	73,489	—	3,674
	(5)	73,489	(3,674)	—

* *Excluding retained earnings*

Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue bonds or issue new shares. No changes were made in the Group's objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

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 2009 RMB'000	31 December 2008 RMB'000
Interest-bearing bank loans and other borrowings	**10,311,067**	8,445,968
Loans from related companies	**106,618**	152,193
Less: Cash and cash equivalents	**(3,629,771)**	(1,213,089)
Net debt	**6,787,914**	7,385,072
Total equity	**6,505,715**	5,850,199
Capital and net debt	**13,293,629**	13,235,271
Gearing ratio	**51%**	56%

48. EVENTS AFTER THE REPORTING PERIOD

(a) On 7 January 2010, China Alliance Properties Limited ("China Alliance"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Shanghai Zendai Property Limited ("Zendai Property"), pursuant to which China Alliance agreed to subscribe for and Zendai Property has agreed to allot and issue China Alliance, the subscription shares (being 1,550,000,000 new shares) for a consideration of HK$480,500,000 at the subscription price (being HK$0.31) per subscription share. Immediately after the completion of subscription on 26 January 2010, China Alliance held 2,431,815,000 shares of Zendai Property, representing approximately 19.68% of the issued share capital of Zendai Property as enlarged by the allotment and issue of the subscription shares.

(b) On 5 February 2010, the extraordinary general meeting of the Company approved the disposal of 67.1% equity interest in Shanghai Resource Property Consultancy Co., Ltd. to Shanghai Fosun Venture Capital Investment Management Co., Ltd., a subsidiary of FIL at a total consideration of RMB91,440,000.

(c) On 10 February 2010, Skysail Investment Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Garden Plaza 2005 (Delaware) LLC, Garden Plaza 2007 (Delaware) LLC, Garden Plaza DM 2007 (Delaware) LLC and Baekdu Investments Limited to acquire the entire issued share capital of Garden Plaza Capital SRL., a company with restricted liability organized and existing under the laws of Barbados at a total consideration of USD328,000,000.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2009 annual general meeting ("AGM") of Shanghai Forte Land Co., Ltd. (the "Company") will be held at 10:00 a.m. 8 June 2010 (Tuesday) at the conference room of the Company, Fuxing Business Building, 2 Fuxing Road East, Shanghai, the People's Republic of China (the "PRC") for the purposes of considering and, if thought fit, passing the following resolutions:

I. As ordinary resolutions:

1. To consider and approve the report of the board of directors (the "Board") of the Company for the year ended 31 December 2009.

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2009.

3. To consider and approve the audited financial statements and the report of the auditors for the year ended 31 December 2009.

4. To consider and approve the profit distribution proposal for the year 2009 and to declare a final dividend for the year ended 31 December 2009 of RMB 0.06 per share (pre tax).

5. To authorize the Board to decide matters relating to the payment of interim dividend for the six months ending 30 June 2010.

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 not exceeding 10% of its latest audited net assets;

   The above authorization is for a period of one year.

II. As special resolution:

8. On 23 June 2009, the Company's 2008 annual general meeting approved and granted a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20% of the Domestic Shares in issue and additional H Shares not exceeding 20% of the H Shares in issue and authorise the Board to make corresponding amendments to the articles of association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares (H share allotment and issuance), based on the fact that Company has submitted the application for H share allotment and issuance to China Securities Regulatory Commission (CSRC). It is currently in pending status. To ensure such matter continued to be effective:

   "Resolution:

   Extend the effective period for H share allotment and issuance, which was approved and granted in the Company's 2008 annual general meeting on 23 June 2009, to the earliest date of the following:

   (i)the conclusion of the next annual general meeting of the Company after passing this resolution; (ii) 12 months after passing this resolution, 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.

   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 which are subscribed for and credited as fully paid up in Renminbi by PRC nationals and/or PRC incorporated entities; and

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

By order of the Board of Directors
Fan Wei
Chairman

Shanghai, PRC
23 April 2010

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

Notes:

(1) The register of shareholders of the Company will be closed from 8 May 2010 (Saturday) to 8 June 2010 (Tuesday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and be eligible to attend and vote at the 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 7 May 2010 (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 18 May 2010 (Tuesday) (i.e. 20 days prior to the date of convening the AGM) for information purpose.

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

(6) A shareholder or his/her/its proxy shall produce proof of identity when attending the AGM. If a legal person shareholder appoints its proxy to attend the meeting, such proxy shall produce its proof of identity and a 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.