

**SHANGHAI FORTE LAND COMPANY LTD:  
THIS IS A VERY HIGH-RISK COMPANY**

All good things must, at some time, come to an end: Bubbles, eventually, burst; and, balloons lose their rotundness in the fullness of time as the air leaks out of the plastic casing.

The above axiom is true of most matters, relating to a man's life, including but not limited to economics.

While the market value of property could, well, be considered the backbone of a free economy, it is, also, correct to state that a grossly inflated property market promotes inflationary tendencies if left unchecked.

However, for the individual or corporate entity, selling property at the height of a boom, it could be argued, with a great deal of justification, that there is no logical reason that one should not make hay while the sun shines, as the saying goes.

That is one of the legs of capitalism, isn't it?

The last 2 paragraphs of the introduction to this analysis appears to apply, aptly, to Management of Shanghai Forte Land Company Ltd, which went public on the Main Board of The Stock Exchange of Hongkong Ltd on February 25, 2003.

Shanghai Forte (Stock Code: 2316) is a property developer, which concentrates on developments in Shanghai, the People's Republic of China (PRC).

This Company is about one decade old, having been started by the trio of Mr Guo Guang Chang, when he was 25 years, Mr Fan Wei, when he was just 23 years old, and Mr Liang Xin Jun, when he was just 24 years old.

It appears, by studying the accounts of Shanghai Forte, that the Company only took off during the past 46 months – at about the time that the Shanghai property market started to boom.

The following table is lifted from the Global Offering Prospectus at Page I-11 of the Accountants' Report:

	Financial Year ended December 31			Ten Months to October 31
	1999	2000	2001	2002
	<b>All Figures are Denominated in Renminbi '000</b> (except where otherwise stated)			
Turnover	67,246	281,417	658,131	1,704,900
Cost of Properties Sold	(50,727)	(216,359)	(492,976)	(1,232,089)
Gross Profit	16,519	65,058	165,155	472,811
<b>Gross Profit Margin*</b>	<b>24.57 percent</b>	<b>23.12 percent</b>	<b>25.09 percent</b>	<b>27.73 percent</b>
Other Revenue	184	602	909	978
Selling Expenses	(3,587)	(18,468)	(39,652)	(73,221)

Administrative Expenses	(3,278)	(8,753)	(16,089)	(25,536)
Other Costs	Nil	(2,314)	(160)	(75)
Profit from Operating Activities	9,838	36,125	110,163	374,957
Financing Costs	(2)	(185)	(244)	(69)
Share of Profits Less Losses of Associates	(209)	7,757	138	25,978
Profit before Income Tax and Minority Interests	9,627	43,697	110,057	400,866
Income Tax Expenses	(3,442)	(13,438)	(37,712)	(103,489)
Profit before Minority Interests	6,185	30,259	72,345	297,377
Minority Interests, Net of Taxation	Nil	(1,189)	(21,133)	(19,350)
Net Profit Attributable to Shareholders	6,185	29,070	51,212	278,027
<b>Net Profit Margin *</b>	<b>9.20 percent</b>	<b>10.33 percent</b>	<b>7.78 percent</b>	<b>16.33 percent</b>

\* These are **TARGET**'s calculations

For the 2 months, ended December 31, 2002, Shanghai Forte earned about 73.89 million renminbi, indicating that the Bottom Line for the Financial Year, ended December 31, 2002, was well known at the time that the Prospectus was put to bed.

Adding up the 2 figures – the 10-month figure in the above table and the figure of the Net Profit for the 2 months, ended December 31, 2002 – suggests a (total) Net Profit Attributable to Shareholders of about 351.92 million renminbi (Management of the Company promised a Net Profit Attributable to Shareholders of not less than 340 million renminbi – Page 166 of the Prospectus).

Therefore, the 2002 Financial Year must have been a record Year for this Company, in terms of its Bottom Line, whether or not it was 340 million renminbi or 351.92 million renminbi.

**TARGET**'s calculation ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to [editor@targetnewspapers.com](mailto:editor@targetnewspapers.com) or [targnews@hkstar.com](mailto:targnews@hkstar.com). TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*

