

**Facing changes,
we will be more
responsive and
more capable of
taking action.**



Guo Guangchang
Chairman

Dear shareholders:

On behalf of the board, I am pleased to present the annual results of Shanghai Forte Land Co., Ltd. for the year ended 31 December 2005 for review by shareholders.

In 2004, amidst the peace and prosperity of China's real estate market in the PRC, the management of Forte began to implement a series of adjustments to Forte's development strategies, organizational structure and business flow to prepare for the inevitable seasonal downturn in the market. Important events for Forte in 2005 are listing, rebranding and the enhancement of customer relationship management.

In 2005, most property companies were concerned about the sudden downturn in the market as the Central Government launched a series of strict control measures directed at the real estate market. During the year, however, Forte continued to act step by step with most business progressing smoothly. Audited turnover and profit attributable to shareholders reached RMB2,026,403,000 and RMB560,553,000 respectively, up by 11.0% and 24.6% from the previous year respectively. Earnings per share were RMB0.241, up by 14.8% from the previous year.

Why did Forte become one of the few companies to achieve positive performance amidst the downturn in 2005? This was not because Forte was able to predict market changes in 2005 earlier than its peers in the industry. Rather, this was because Forte made preparations in 2004 for market changes earlier than other companies in the same industry. Forte has defined reforms and continuing improvement as the ongoing modification of internal strategies, management control and business models in response to changes in the external environment.

Reforms and continuing improvement did not start in 2004, but have been an integral part of development at Forte for 10 years. They are the internal drivers that allowed Forte to develop from a small company into a property enterprise with the greatest influence in the country and are Forte's core competitive advantages.

Reforms and continuing improvement did not end in 2004. Forte's achievements in 2005 will ensure that it captures the first opportunity amidst the recovery of the market in 2006. For instance, Forte will prudently penetrate the high-end properties by first acquiring landmark commercial investment projects in Tianjin and Haikou. Furthermore, it will start to restructure the power and responsibility relationship between the Shanghai headquarters and companies in other regions so as to increase the efficiency in

decision making and operations for projects and reduce management costs.

In 2006, Forte will continue to plan its future through reforms and continuing improvement. The progress in selectively entering important secondary cities has yet to be accelerated. This is because over the past few years, the huge amount of funds continuously injected into those regions by the state will soon generate returns in the property market. After delegating the operating function to the regional centres, the Shanghai headquarters will start to focus on research and development and capital management to insure that strategic decision-making is more forward-looking and systematically increase capital efficiency.

Forte firmly believes in the trend of long-term positive prospects for the market in the PRC with economic development as its driving force. At the same time, Forte envisages that the property market in the PRC will be continuously subject to peaks and troughs. Furthermore, Forte values changes and regards it as an opportunity for breakthroughs and achievements. This is because Forte is not only sensitive to change, but also responsive to change through action. The ultimate objective of those actions is to become a leading enterprise in China's real estate industry, thereby creating even greater value for shareholders.

Finally, on behalf of the board, I would like to thank all shareholders and investors, business partners and customers for their trust and support, and express my gratitude to Forte's colleagues for their hard work over the past year.

Guo Guangchang

Chairman

Shanghai, the PRC
23 March 2006