

The board of directors of Shanghai Forte Land Co., Ltd. present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2005.

Principal activities

The Group is principally engaged in property development. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 77 to 133.

An interim dividend of RMB0.07 per ordinary share was paid on 26 October 2005. The directors recommend a final dividend of RMB0.04 per ordinary share subject to approval by the shareholders at the Annual General Meeting ("AGM") to be held on Thursday, 15 June 2006. The dividend will be payable before Tuesday, 19 July 2006 to shareholders whose names appear on the register of members on 15 June 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

According to the articles of association of the Company (the "Articles of Association"), 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 rates as announced by the People's Bank of China on the five business days preceding the date of declaration of dividend.

Closure of register of members

The register of members will be closed between Thursday, 27 April 2006 and Thursday, 15 June 2006 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for (i) the final dividend which is to be approved at the AGM; and (ii) attending and voting at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged at the Company's H Share register in Hong Kong, Computershare Hong Kong Investor Services Limited at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00pm 26 April 2006.

Use of proceeds from the Company's initial public offering

The proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 February 2004, after deduction of related issuance expenses, amounted to approximately RMB1,697 million. These proceeds were fully used to fund the Group's property development business during the year ended 31 December 2005 in accordance with the proposed applications set out in the Company's listing prospectus.

Summary financial information

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

Property and equipment

Details of movements in the property and equipment of the Company and the Group during the year are set out in note 12 to the financial statements.

Principal properties under development

Details of the principal properties under development of the Group for the year are set out in the section entitled "Property Profile" in the annual report.

Share capital

Details of movements in the Company's share capital during the year are set out in note 24 to the financial statements.

Placing of new H Shares

On 24 February 2005, the Company entered into the Share Placing Agreement with Morgan Stanley, pursuant to which Morgan Stanley, being the sole placing agent, agreed to place an aggregate of 146,602,687 new H shares (the "Placing Shares") to investors at HK\$2.82 per H share (the "Placing"). The Placing shares represented approximately 20% and 6.64% respectively of the H shares in issue and the share capital of the Company prior to the Placing, and approximately 16.67% and 6.23% respectively of the H shares in issue and the share capital of the Company as enlarged by the issue of the Placing Shares. The Placing was completed on 4 March 2005. The net proceeds arising from the Placing amounted to approximately HK\$405,100,000, after deducting the commission and related expenses of the Placing. The proceeds have been used for funding the development of the Company's property projects.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2005, so far as the directors are aware, the following persons (who are not directors,

supervisors or senior management) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (the "SFO"):

<i>Name of substantial shareholders</i>	<i>Class of shares</i>	<i>Number of shares</i>	<i>Approximate percentage in the relevant class of share capital (%)</i>	<i>Approximate percentage in the total share capital (%)</i>
Shanghai Fosun High Technology (Group) Co., Ltd.	Domestic shares	1,458,963,765 (L) (Note 1)	99.00	62.00
Fosun International Limited	Domestic shares	1,458,963,765 (L) (Note 2)	99.00	62.00
Fosun Holdings Limited	Domestic shares	1,458,963,765 (L) (Note 3)	99.00	62.00
Fosun International Holdings Limited	Domestic shares	1,458,963,765 (L) (Note 4)	99.00	62.00
Shanghai Fosun Pharmaceutical Industries Development Co., Ltd.	Domestic shares	267,217,615 (L)	18.13	11.36
Shanghai Fosun Pharmaceuticals (Group) Co., Ltd.	Domestic shares	267,217,615 (L) (Note 5)	18.13	11.36
The Capital Group Companies, Inc.	H shares	98,424,000 (L)	11.19	4.18
Platinum Asset Management Limited	H shares	54,476,000 (L)	6.19	2.31

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 (%)
TIAA-CREF Investment Management, LLC	H shares	53,292,000(L)	6.06	2.26
Fidelity International Limited	H shares	44,042,000(L)	5.01	1.87
Peter Cundill & Associates (Bermuda) Ltd.	H shares	45,000,000(L)	5.12	1.91

Notes:

- Of these 1,458,963,765 shares, 1,191,746,150 shares are directly held by Shanghai Fosun High Technology (Group) Co., Ltd. and 267,217,615 shares are deemed corporate interests indirectly held through its non-wholly owned subsidiary Shanghai Fosun Pharmaceuticals (Group) Co., Ltd.
- Shanghai Fosun High Technology (Group) Co., Ltd. is a wholly-owned subsidiary of Fosun International Limited. Fosun International Limited is deemed to be interested in the 1,191,746,150 shares directly held by Shanghai Fosun High Technology (Group) Co., Ltd. and 267,217,615 shares held by Shanghai Fosun Pharmaceutical Industries Development Co., Ltd.
- Fosun International Limited is wholly owned by Fosun Holdings Limited.
- Fosun Holdings Limited is wholly owned by Fosun International Holdings Limited.
- Shanghai Fosun Pharmaceuticals (Group) Company Limited owns approximately 90.3% equity interest in Shanghai Fosun Pharmaceutical Industries Development Co., Ltd. It is deemed to be interested in the 267,217,615 shares held by Shanghai Fosun Pharmaceutical Industries Development Co., Ltd.
- The letter "L" denotes a long position.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity on pages 80 to 81 of the financial statements.

Distributable reserves

As at 31 December 2005, the Company's reserves available for distribution, calculated in accordance with the relevant rules and regulations of the PRC and the Company's articles of association, amounted to RMB2,146,429,000 of which RMB94,135,000 has been proposed as a final dividend for the year.

In accordance with the Company's articles of association, the Company is required to distribute dividends based on the lower of the Company's distributable reserves determined under the PRC GAAP and the International Financial Reporting Standards ("IFRSs").

The Company's distributable reserves as at 31 December 2005 were determined under IFRSs, which were lower than those determined under the PRC GAAP. According to the Company's financial statements prepared in accordance with the IFRSs, retained earnings were RMB193,548,000 as at 31 December 2005. In addition, the Company's capital reserve amount, in the amount of RMB1,952,881,000, may be distributed in the form of fully paid bonus shares.

Charitable contributions

During the year, the Group made charitable contributions totalling RMB400,000.

Major customers and suppliers

The five largest customers and the five largest construction contractors contributed less than 30% of the total operating revenue and total construction costs, respectively, of the Group during the year. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers and five largest contractors.

Directors

The directors of the Company during the year were:

Executive directors:

- Mr. Guo Guangchang, *Chairman*
- Mr. Fan Wei, *Chief Executive Officer*
- Mr. Ding Guoqi

Non-executive director:

- Mr. Feng Xiekun

Independent non-executive directors:

- Mr. Charles Nicholas Brooke
- Mr. Chen Yingjie
- Mr. Zhang Hongming
- Ms. Wang Meijuan

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

Directors', supervisors' and senior management's biographies

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

Directors' and supervisors' service contracts

Each of the directors and supervisors of the Company has entered into a service contract with the Company, with effect from the date of appointment of the respective director, for a term of three years.

None of the directors and supervisors has entered into any service contract with the Company which is not determinable 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 of directors with reference to directors' duties and responsibilities.

Directors' and supervisors' interests in contracts

No director or supervisor had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Directors' and supervisors' rights to acquire shares

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors, supervisors 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, except for Mr. Guo Guangchang's and Mr. Fan Wei's indirect interests in Shanghai Xingye Investment Development Co., Ltd. ("Shanghai Xingye") through Fosun High Technology, which has been fully disclosed in the section entitled "Competition with the Fosun Group and Existing Shareholders" in the Business Section of the Prospectus, none of the directors and supervisors had any interest in a business which competes or may compete with the businesses of the Group.

Directors' and supervisors' interests and short positions in shares and underlying shares

As at 31 December 2005, the interests and short positions of the directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director has taken or deemed to have taken under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

(a) Long positions in the shares and underlying shares of the Company:

<i>Name of director</i>	<i>Type of interest</i>	<i>Number of shares</i>	<i>Approximate percentage of the total number of shares in issue</i>
Guo Guangchang	Corporate	1,458,963,765	62.00%

(b) Long positions in the shares and underlying shares of the Company's associated corporations (within the meaning of Part XV of the SFO):

<i>Name of director</i>	<i>Name of associated corporation</i>	<i>Nature of interest</i>	<i>Number of shares directly and indirectly held</i>	<i>Approximate percentage of shares in issue of the associated corporation</i>
Guo Guangchang	Shanghai Fosun Hongqiao Property Development Co., Ltd.	Corporate	N/A	20%
Guo Guangchang	Shanghai Fujin Property Development Co., Ltd.	Corporate	N/A	10%
Guo Guangchang	Fosun International Holding Limited	Individual	29,000	58%
Fan Wei	Fosun International Holding Limited	Individual	5,000	10%

Connected transactions

For the year ended 31 December 2005, the Company had the following connected transactions and had compiled with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected transactions during the year

(A) Acquisition of equity interest in Shanghai Songjiang Forte Property Development Co., Ltd. ("Songjiang Forte")

On 22 April 2005, the Company's subsidiary, Shanghai Yuanjing Property Development Co., Ltd. ("Yuanjing"), entered into an equity transfer agreement with ING REI Investment (China) B.V. ("ING REI"), pursuant to which Yuanjing acquired 30% equity interest in Songjiang Forte from ING REI for a consideration of RMB30,805,216. The acquisition was financed by internal resources of the Group.

Songjiang Forte is a subsidiary of the Company and ING REI holds a 30% equity interest in Songjiang Forte, ING REI is therefore regarded as a connected person of the Company for the purpose of the Listing Rules. After the acquisition, the Company and its 60%-owned subsidiary, Yuanjing, owned a 70% equity interest and a 30% equity interest, respectively, in Songjiang Forte.

ING Real Estate, the parent of ING REI, is a multinational real estate investor. It is a common practice for it to exit a real estate development project swiftly to quantify its return on investment without having to wait for the completion of the entire project and the liquidation of Songjiang Forte. The acquisition provides an exit for ING REI and maintains a good strategic relationship with ING Real Estate. Also, the terms of the equity transfer agreement were agreed after arm's length negotiation and are fair, reasonable and on normal commercial terms. The directors (including the independent non-executive directors) are of the view that the equity transfer agreement is in the interest of the Group and its shareholders as a whole.

(B) Acquisition of equity interest in Shanghai Perth Property Co., Ltd. ("Perth")

On 30 November 2005, the Company's 98.9%-owned subsidiary, Shanghai Xinyuan Property Development Co., Ltd. ("Xinyuan"), entered into an equity transfer agreement with Shanghai Huxin Property Development Co., Ltd. ("Huxin"), pursuant to which Xinyuan acquired a 30% equity interest in Perth from Huxin for a consideration of RMB15,000,000. Xinyuan also entered into a repayment agreement with Huxin on the same date, pursuant to which Xinyuan agreed to repay on behalf of Perth an amount of RMB142,580,000 payable to Huxin. The transaction was financed by internal resources of the Group.

Prior to the completion of the transactions, Perth is owned as to 70% by the Company and 30% by Huxin. Huxin is a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company under the Listing Rules. After the completion of the transactions, Xinyuan owns a 30% equity interest of Perth and Perth becomes a wholly-owned subsidiary of the Company.

The transactions are in the interest of the Company and its shareholders as a whole as the Group considers that the Shanghai property market is currently under the process of consolidation. Through this acquisition, the Group can further increase its land bank in Shanghai for a reasonable consideration paving the way for future development in Shanghai. The directors (including the independent non-executive directors) confirmed that the terms of the equity transfer agreement and the repayment agreement are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

Continuing connected transactions

As disclosed in the Prospectus, set out below is a summary of the ongoing connected transactions of the Group for which either the Stock Exchange has granted a waiver or they are exempted from the independent shareholders' approval requirements but subject to disclosure requirements under the Listing Rules:

(C) Property sales underwriting agreement

In August 2002, Shanghai Resource Property Consultancy Co., Ltd. ("Resource Consultancy"), a subsidiary of the Company, entered into a property sales underwriting agreement (the "Property Sales Underwriting Agreement") with Shanghai Fuxin Property Development Co., Ltd. ("Fuxin"), pursuant to which Resource Consultancy agreed to underwriting the sales of all residential units of Gubei New City (East Wing) at the agreed underwriting prices as set out in the agreement. Details of Gubei New City (East Wing) and the terms of the Property Sales Underwriting Agreement are disclosed in the Prospectus.

According to the Property Sales Underwriting Agreement, the underwriting period for Phase 1 of Gubei New City (East Wing) started from October 2002 and ended in January 2004. Approximately 99% of the residential units of Phase 1 has been sold by the end of 2003 and only five units with a total gross floor area ("GFA") of 538.5sq.m. remained unsold by the end of the underwriting period. There was no transaction between Resource Consultancy and Fuxin under the Property Sales Underwriting Agreement during the year.

Fuxin is equally owned by the Company and Shanghai Xinchangning, a promoter of the Company. Accordingly, Shanghai Fuxin Property is regarded as a connected person of the Company under the Listing Rules.

(D) Office tenancy agreement

On 18 November 2004, the Company and Fosun Pharmaceutical entered into an office tenancy agreement (the "Office Tenancy Agreement"). Under the Office Tenancy Agreement, Fosun Pharmaceutical agreed to let office premises located at Levels 5-7 of Fuxing Business Building with total floor area of 5,125.05 sq.m. (the "Office Premises") to the Company for a term of three years commencing from 1 November 2004. The rent payable by the Company under the Office Tenancy Agreement is RMB2.0 per sq.m. per day plus an additional RMB 1.90 per sq.m. per day as management fees and other utility expenses.

The total amounts paid by the Company to Fosun Pharmaceutical under the Office Tenancy Agreement during the year amounted to approximately RMB7,230,000.

Fosun Pharmaceutical is a subsidiary of Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun High Technology") which is a substantial shareholder of the Company as to 50.64% equity interest shareholding as at 31 December 2005. Accordingly, Fosun Pharmaceutical is regarded as a connected person of the Company under the Listing Rules.

(E) Shareholder's loan to Nanjing Dahua Investment Development Co., Ltd. ("Nanjing Dahua")

During the year, the Company provided financial assistance to Nanjing Dahua by way of shareholder's loan which is interest-free and payable on demand (the "Shareholder's Loan"). The Shareholder's Loan was provided in

proportion to the ratio of equity interest held by the Company in Nanjing Dahua. The purpose of the Shareholder's Loan was for the funding of property development undertaken by Nanjing Dahua. As at 31 December 2005, the Shareholder's Loan made by the Company to Nanjing Dahua amounted to RMB76,033,169.

Nanjing Dahua is a subsidiary of Dahua, a promoter and a shareholder of the Company. Accordingly, Nanjing Dahua is regarded as a connected person of the Company under the Listing Rules.

In respect of the connected transactions as described in paragraph (C) above, the Stock Exchange has granted a waiver to the Company from compliance with the requirements of independent shareholders' approval under the Listing Rules but subject to disclosure in the Company's annual report.

The continuing connected transactions described in paragraph (D) and (E) and the transactions contemplated under the New Office Tenancy Agreement as described in paragraph (D) above are exempt from independent shareholders' approval under Rule 14A.34 of the Listing Rules but subject to disclosure in the Company's annual report.

The independent non-executive directors have reviewed the continuing connected transactions as described in paragraphs (C), (D) and (E) 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;

- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (iv) in such a way that the annual aggregate amounts of the continuing connected transactions as described in paragraph (C) have not exceeded their proposed annual limits as set out in the waiver granted by the Stock Exchange.

Ernst & Young, the auditors of the Company, have also reviewed the continuing connected transactions described in paragraph (C), (D) and (E) and confirmed in a letter to the directors (a copy of which has been provided to the Listing Division of the Stock Exchange) stating that such continuing connected transactions:

- (i) have received the approval of the board;
- (ii) were entered into in accordance with the terms of the respective agreements governing those transactions, or if there are no such agreements, on terms no less favourable than those available to or from (as appropriate) independent third parties; and
- (iii) the annual aggregate amounts of the continuing connected transactions as described above have not exceeded the proposed annual limits as set out in the waiver granted by the Stock exchange.

Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

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

The Directors confirm that for the year ended 31 December 2005, the Company had been in compliance with the code provision in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Auditors

The Company's accounts prepared in accordance with IFRS were audited by Ernst & Young and the Company's accounts prepared in accordance with PRC 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 auditors and Ernst & Young Hua Ming as the domestic auditors of the Company for year 2006.

ON BEHALF OF THE BOARD

Chairman
Shanghai, the PRC
23 March 2006