





create **Competitive
Advantages**

accelerate the speed of
business development



Chairman Statement



Chairman Li Sze Lim

On 2004-05, the National Statistics Bureau of China ranked the Group first in overall corporate strength within the PRC property development industry. This successes were based on our control over three inter-related factors: design, quality, and price. We are also adapting to new realities of the property market in China, especially through our pioneering development of an investment portfolio as this strategy will keep us as one of the most competitive developers currently operating in China.

I am pleased to announce that, during the year under review, the R&F Group has taken advantage of a strong and healthy China property market to achieve excellent growth and record levels of turnover. The Group's turnover increased by 36.4% to RMB5,812 million and profit attributable to shareholders increased further by 132% to RMB1,264 million. The board of directors has proposed to distribute 2005 final dividend at RMB0.66 per share.

We also have had a highly successful year in terms of land acquisition, sales and profitability. We see this success likely to be repeated in 2006. In the medium term, our proven business model will be supplemented by new revenue streams from a group of hotel, office and shopping mall investment projects currently under construction. We will also be looking to take our skills in residential property development into other high-potential cities in China, expansion which has already begun in Tianjin and Xian and will shortly commence in Chongqing. In short, we are continuing to create forward momentum that will help us become widely recognized as China's largest and best property developer.

Ranked number one in China

This recognition has already begun to arrive. In a recently-published assessment on property developers based on their performance in 2004-05, the National Statistics Bureau of China ranked the Group first in overall corporate strength within the PRC property development industry. The ranking is based on a basket of criteria including total investment amounts, total GFA developed and sold, revenue, and asset base. At R&F we are especially proud of attaining such a strong objective testament to our business achievements. Given the Group's even stronger performance in the year 2005, I believe we will again be in contention for a top position in the Bureau's next report.

R&F's success in today's China property market

Our success has come on the back of a booming China economy and a nationwide surge in property buying: a situation we see continuing for some years to come. During 2005, the government introduced some measures to rein in property market overheating, but these had a minimal effect on the Group's operations. Our successes were, as usual, based on our control over three inter-related factors: design, quality, and price.

Our properties are designed in-house to meet local market requirements, attract customers, and find high levels of acceptance within local communities. This design quality comes with significant cost advantages as well. All the Group's design plans are handled by our architectural design institute subsidiary, which means design costs are under control. Other subsidiaries (e.g. in engineering and property management) give us access to the manpower and the flexibility we need in a wide range of related areas, at carefully controlled prices.

Part of our success comes because we have been in the property development market for a long time - over 13 years in fact, which in the China context makes us a pioneer in the industry. Over that time we have built up detailed data on trends, preferences and acceptable price levels, information that has helped us pitch our designs to the market very effectively. As a result we typically achieve significant pre-sales and rapid turnover from our development projects, and have built up an excellent reputation. We also have a long tradition of dealing efficiently with local government rules and regulations, giving us a big advantage over outside competition.

Perhaps most important of all, we ensure quality through our people. We are privileged to have a loyal and experienced group of staff who understand local conditions intimately, who know our corporate standards and are committed to upholding them. We typically work in long-standing relationships with trusted subcontractors, and impose further quality controls on (for example) the sourcing of raw materials.

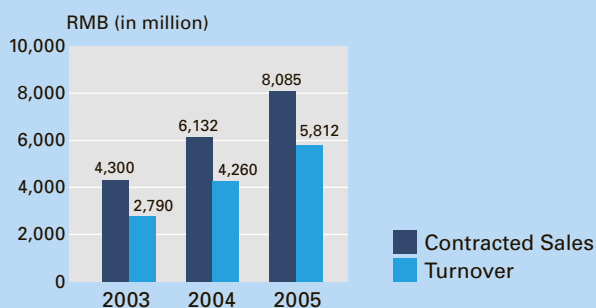


Show flats with meticulous design has attracted many customers

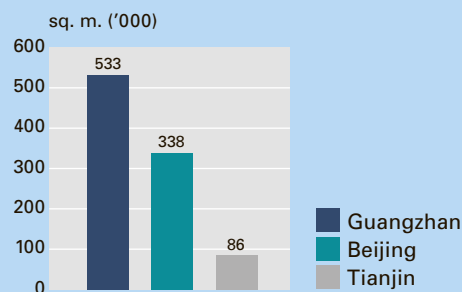


All rounded property management services provided to residents has improved their quality of life.

**Property Sales
for the year 2003-2005**



**Contracted Sale attributable
GFA sold for the year 2005**



Land acquisition and the land bank

We have been very successful in managing the continued replenishment of our land bank over the past year, ensuring a good supply of land for future projects. We have acquired land by both private negotiation and auctions, but we are particularly strong in the former method. The advantage of private negotiation is that we are often able to get land at below normal market prices. Some developers prefer auctions because private negotiation may involve complex handling of claims and titles, but we are very experienced and proficient at preparing land purchases for project development. Typically, we are able to begin new projects within six to twelve months of acquiring land, a rapid turnaround time that speeds up our turnover and increases profitability.

Land resources remain plentiful in China and prices relatively low in most cities. I am confident there is more than enough suitable land to meet the needs of the Group as it expands. Our choice of land acquisition will continue to be based on an experienced assessment of the premium obtainable on sale, and the potential demand. This is why, for the time being, the Group is avoiding cities like Shanghai with high land costs and a volatile property market. When looking at expansion into a new city, the Group will first consider cities where the population tops five million, ensuring there is plenty of potential local demand for its developments.

Careful expansion strategies

The Group's robust growth in 2005 looks set to be repeated in 2006, and we are planning expansion projects that will take advantage of strengthening



We pay special attention to the quality of our products. Mr. Zhang Li, the Co-chairman & Chief Executive Officer led a team of our engineering staff from relevant departments to select for the right construction materials.

national demand and the Group's growing reputation. Within our core markets of Guangzhou and Beijing there remains plenty of room for substantial growth, and we will constantly be on the lookout for further suitable sites in these cities on which to develop our popular residential complexes.

We see massive demand for the kinds of developments we do elsewhere in China too, but we are approaching these opportunities with caution. At this point, our decision to move into a new city rests on the acquisition of land for flagship projects – that is, large-scale developments of over a half million square meters. We have carried out a number of these projects with great success: they allow us to develop at considerably lower costs due to economies of scale.

Investing in people for growth

Our expansion strategy is based on more than simply land availability and local demand. Our success to date has been primarily driven by having the right people. To expand further, we are determined to ensure our personnel remain exceptional at every level, and in the coming year we will be working to build up our human resources in both number and quality to support our continuing growth in scale. In particular, we will be focusing on expanding our quality control team so we can guarantee consistently high standards no matter in which market we launch our development projects.

The Group's reputation in both Guangzhou and Beijing has been founded on our local expertise: that is, on a management team and loyal workforce who know the locality intimately. This is the kind of business culture that we are committed to carrying into new cities hosting our flagship projects. To make sure this happens, we are investing resources in a series of training programmes for top staff that are providing them with comprehensive general skills in property development. These include training in accounting procedures, in marketing skills, in basic engineering knowledge, and in the rules and regulations associated with the industry as a whole.

Backed by these skilled personnel, we are confident that the Group will be in a strong position to apply the corporate success it has achieved in Guangzhou

and Beijing to new locations around China. We will also locate and collaborate with selected local experts, ensuring all our development projects remain totally in tune with the needs and preferences of local populations.

Creation of an investment property portfolio

The Group's land bank purchases and project decisions of 2004 and 2005 have placed the Group in a strong position for diversifying its future growth. A number of projects currently under construction are non-residential projects including hotels, shopping malls and offices, which will be completed within the next 12 to 18 months. We can either retain these properties as an investment portfolio or, if preferred, sell them on completion. We expect in fact to hold onto these properties because by doing so we will obtain a source of steady rental income for the Group which will boost our cash flow.

We are one of the few China property developer to run investment development alongside a residential portfolio, and I believe this is a wise decision that will lead to diversification, steady income, a rapid return on investment, and the potential for capital appreciation over a relatively short period. As I promised investors in 2005, however, we remain committed to capping the Group's involvement in investment property to 25% of our overall business. Our proven strengths in residential development will continue to be our core business, and over the next few years we will be looking closely at the advantages and opportunities that our new investment portfolio brings with it.

In 2005, the Group gained approval to invest outside of China. In response, we have set up a wholly-owned subsidiary in Hong Kong with the aim of giving added flexibility to our business and investment operations. For example, the Hong Kong subsidiary offers certain tax advantages and will provide the Group with greater flexibility in restructuring its portfolio if necessary. We will continue to watch the dynamic Hong Kong REIT market with a view to assessing its possible value to the Group. I believe that our new Hong Kong subsidiary has the potential to bring a number of very real benefits to all our investors.

Promises kept

In summary, both the external China context and the Group's own proven growth strategies make me extremely confident about the future. I see continuing growth opportunities for the market and for R&F over the next three to five years at least. We will, of course, keep a close eye on the affordability levels of property and the continued availability of mortgages for potential buyers over the next few years, so that we remain assured of steady turnover and good cash flow.

Our Group is one of the companies best-placed to take advantage of the booming China economy, thanks to our business focus and our long experience in the market. We are also adapting to new realities of the property market in China, especially through our pioneering development of an investment portfolio, and I believe this strategy will benefit us significantly and keep us as one of the most competitive developers currently operating in China. In short, we have the planning in place, we have a strong and constantly replenishing land bank, and we are on the verge of having a selective and balanced investment property portfolio too. This situation places me in an excellent position to deliver on the key promises I made to investors when the Group was listed in July 2005.

Finally, I would here like to express my sincere thanks to every one of the Group's shareholders, investors, business associates and customers for their loyal and valuable support. This is also the place to thank my fellow directors for their leadership efforts, as well as each individual member of R&F's staff for their commitment and dedication.

Li Sze Lim

Chairman

Hong Kong, 15 March 2006