



During 2004, each and every business of the Group achieved satisfactory results. The profit attributable to shareholders surged to approximately HK\$330,823,000, representing an increase of 10 per cent as compared with that of 2003. Basic earnings per share amounted to approximately HK5.24 cents, representing an increase of 7.2 per cent as compared with that of 2003.

The Group's businesses are mainly concentrated in Guangzhou and its peripheral areas. Therefore, the Group's results benefited from the continuous rapid growth of the Guangzhou economy. In 2004, Guangzhou's GDP first broke RMB410 billion mark, representing an increase of 15 per cent as compared with that of 2003, and Guangzhou experienced a growth rate of over 15 per cent for two consecutive years. In terms of registered households, GDP per capita exceeded US\$6,000. Unemployment rate in the urban area was the lowest in five years. With the privilege of hosting the 2010 Asian Games, the gradual implementation of "9+2" Pan Pearl River Delta Economic Cooperation, the opening of the new Guangzhou New Baiyuan International Airport, and the construction of a new railway station, the economy of Guangzhou is entering into a new phase of development. There are increasing demands on better working conditions, living environment and better quality of cultural life. As a result, the property, toll road and newsprint businesses of the Group achieved satisfactory results in 2004. Turnover from properties development and leasing business was approximately HK\$2,354 million, representing an increase of 3.5 per cent as compared with that of 2003. The profit attributable to shareholders from toll road business was approximately HK\$276 million, representing an increase of 23.5 per cent as compared with that of 2003. Turnover from newsprint business was approximately HK\$1,241 million, representing an increase of 23.3 per cent as compared with that of 2003.

In 2004, the State implemented successive policies to control the supply of land and financing of properties. These policies were intended to further standardize the property market with the objective of ensuring the development of a sustainable and healthy property market. These new policies undoubtedly presented great development opportunities to large and reputable developers such as the Group. In 2004, the Group proactively aligned itself with the market adjustment, further clarified its overall strategies to focus on the property market of Guangzhou, and expanded the development and operation of commercial properties in a timely fashion. The aim was to gradually transform a mainly unidimensional property development business into a balanced property development and investment business, breaking away from a mere property developer and moving towards the realization of the business model of a "commercial property operator".

With the economic development of Guangzhou entering into a new phase, there will be more investment in the construction of infrastructure facilities, the construction of inter-city transportation system within the Pearl River Delta will be pushed ahead, with the aim to create an "One hour economic zone" in Pearl River Delta Region (including Hong Kong and Macau) and greater efforts will be devoted to quicken the development of Nansha, with emphasis in capital intensive industries. All these policies and city developments will be beneficial to the expansion of various businesses of the Group in future.

From now on, the Group will capitalize on the opportunities ahead and will leverage on its strength and competence to establish its commercial property business. Comprehensive strategies for procuring the establishment of an integrated property business with balanced investments in both property development and investment will be promptly formulated. At the same time, the Group will strengthen its property management business and will increase its portfolio of multi-function commercial property with ancillary supermarkets or chainstores. While at least maintaining the current level of development in medium-priced and up market residential properties, the Group will increase its product mix by expanding the development of shopping centres, offices and hotels according to market conditions, thereby attaining a balanced development structure for the middle-tier and luxurious products. The toll road business will principally focus in the expansion of high quality expressways. The manufacturing of newsprint will seek to increase its market share through consolidation of internal resources and increase in production capacities. The Group will further enhance its competitiveness and operating efficiency and devote to reducing costs as it has been, to bring higher investment returns for our shareholders.

I wish to take this opportunity to express my gratitude to the directors, senior management and all staff for their hardwork in the management and operation of our businesses during the past year. I also wish to thank all shareholders, our bankers and our business partners for their strong support for the Group.

Ou Bingchang

Chairman

Hong Kong, 21st April 2005