

The Directors submit their report together with the audited accounts for the year ended 31st December 2004.

Principal activities

The principal activities of the Group consist of three major businesses: properties, toll roads and paper. The principal activities of its principal subsidiaries, jointly controlled entities, associated companies are set out in the Group Structure section on pages 79 to 92.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 26.

The Directors have declared an interim dividend of HK\$0.0083 per ordinary share, totalling HK\$52,531,000 which was paid on 8th November 2004.

The Directors recommend the payment of a final dividend of HK\$0.009 per ordinary share, totalling HK\$57,266,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the accounts.

Donations

Charitable donations made by the Group during the year amounted to HK\$10,000.

Fixed assets

Details of the movements in fixed assets of the Group and the Company are set out in note 16 to the accounts.

Major property projects

Details of the major property projects held for/under development, for sale and for investment purposes of the Group in Guangzhou Municipality are set out in the List of Major Property Projects in Guangzhou Municipality section on pages 96 to 102.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 27 to the accounts.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Hong Kong Companies Ordinance.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	Year ended 31st December				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Profit/(loss) attributable to shareholders	<u>330,823</u>	<u>300,653</u>	<u>(960,230)</u>	<u>39,782</u>	<u>53,582</u>
Assets and liabilities					
Total assets	25,201,023	25,785,918	26,685,015	19,961,555	19,604,175
Total liabilities	(14,498,915)	(15,441,736)	(16,571,103)	(7,005,499)	(6,424,889)
Minority interests	<u>(3,467,807)</u>	<u>(3,374,822)</u>	<u>(3,403,865)</u>	<u>(6,425,518)</u>	<u>(6,693,740)</u>
Net assets	<u>7,234,301</u>	<u>6,969,360</u>	<u>6,710,047</u>	<u>6,530,538</u>	<u>6,485,546</u>

Purchase, sale and redemption of the Company's shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Interest capitalised

During the year, interest capitalised as development cost in respect of properties held for/under development and associated companies amounted to approximately HK\$55,399,000 (2003: HK\$19,272,000).

Distributable reserves

As at 31st December 2004, the distributable reserves of the Company available for distribution amounted to HK\$305,457,000 (2003: HK\$325,893,000).

Directors

The Directors who held office during the year and up to the date of this report were:

Mr Ou Bingchang

Mr Liang Yi

Mr Chen Guangsong

Mr Li Fei

Mr Liang Ningguang

Mr Xiao Boyan

Mr Yin Hui - resigned on 18th March 2004

Mr Wong Chi Keung - resigned on 5th October 2004

Ms Yan Yuk Fung - resigned on 8th July 2004

Mr Yu Lup Fat Joseph *

Mr Lee Ka Lun *

Mr Lau Hon Chuen Ambrose* - appointed on 30th September 2004

* *Independent non-executive directors*

Messrs Xiao Boyan, Yu Lup Fat Joseph and Lee Ka Lun retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr Lau Hon Chuen Ambrose retires in accordance with Article 97 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The company has received annual confirmation of independence from the three independent non-executive directors of the Company in accordance with Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and the Company considered all independent non-executive directors to be independent.

The Directors' Profiles are set out on pages 13 and 14.

Director's service contracts

Each of Messrs Ou Bingchang and Liang Yi had entered into a service agreement with GZI Transport Limited ("GZT"), a subsidiary of the Company, which, after an initial fixed term of one year commencing from 8th January 2003 and 28th February 2003 respectively, had been extended for a further term of two years unless terminated sooner by GZT giving to the relevant Director three months' prior written notice or by the relevant Director giving to GZT six months' prior written notice.

Save as disclosed herein, none of the directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

Director's interest in contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

Significant related party transactions, which also constitute as connected transactions under the Listing Rules on the Stock Exchange, required to be disclosed in accordance with the Listing Rules, are disclosed in notes 37(c) and 39(a) to (b) to the accounts. In respect of transactions disclosed in notes 39(a) to (b) to the accounts, Messrs Yu Lup Fat Joseph, Lee Ka Lun and Lau Hon Chuen Ambrose, the independent non-executive directors of the Company, have confirmed that the transactions have been entered into in accordance with the terms of the relevant agreements governing such transactions.

The auditors of the Company also confirmed in its letter to the Directors that the transactions disclosed in notes 39(a) to (b) to the accounts (i) have received the approval of the board of directors; (ii) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (iii) have not exceeded the cap for the transactions.

Interests of Directors

As at 31st December 2004, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

1. Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Ningguang	Personal	400,000	0.01
Mr Xiao Boyan	Personal	500,000	0.01
Mr Lee Ka Lun	Personal	1,050,000	0.02

2. Long positions in underlying shares of equity derivatives of the Company:

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding as at 1st January 2004	exercised during the year	outstanding as at 31st December 2004
Mr Ou Bingchang	02/06/2003 (b)	0.5400	9,000,000	—	9,000,000
Mr Liang Yi	02/06/2003 (b)	0.5400	7,000,000	—	7,000,000
Mr Chen Guangsong	02/06/2003 (b)	0.5400	8,000,000	—	8,000,000
Mr Li Fei	02/06/2003 (b)	0.5400	7,000,000	—	7,000,000
Mr Liang Ningguang	02/06/2003 (b)	0.5400	7,000,000	—	7,000,000
Mr Xiao Boyan	02/06/2003 (b)	0.5400	7,000,000	—	7,000,000
Ms Yan Yuk Fung*	14/12/1999 (a)	0.5008	800,000	800,000 (c)	—
	02/06/2003 (b)	0.5400	3,000,000	1,800,000 (d)	1,200,000
Mr Yu Lup Fat Joseph	02/06/2003 (b)	0.5400	3,500,000	—	3,500,000
Mr Lee Ka Lun	02/06/2003 (b)	0.5400	2,450,000	—	2,450,000

Notes :

- The share options are exercisable from 14th December 2000, the first anniversary of the date of grant, to the business day preceding the sixth anniversary of the date of grant, of which a maximum of 30 per cent and 100 per cent thereof are exercisable from the first and second anniversaries of the date of grant, respectively.
- The share options are exercisable from 2nd June 2003 to 1st June 2013, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) thereof are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.
- The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.69.
- The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.66.

* Ms Yan Yuk Fung resigned as director of the Company with effect from 8th July 2004

Save as disclosed herein, as at 31st December 2004, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of substantial shareholders

As at 31st December 2004, the following persons have an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Long position in shares	Approximate % of interest
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (<i>Note 1</i>)	3,229,435,248	50.99
JPMorgan Chase & Co. (<i>Note 2</i>)	423,978,000	6.68

Notes:

- 1) The capacity of Yue Xiu in holding the 3,229,435,248 shares was, as to 10,928,184 shares, as beneficial owner and, as to 3,218,507,064 shares, attributable to interests of controlled corporations. Details of the breakdown of the shares held by Yue Xiu were as follows:

Name	Long position in shares
Yue Xiu	3,229,435,248
Excellence Enterprises Co., Ltd. ("Excellence")	3,174,015,064
Bosworth International Limited ("Bosworth")	2,279,312,904
Sun Peak Enterprises Ltd. ("Sun Peak")	565,683,000
Novena Pacific Limited ("Novena")	565,683,000
Shine Wah Worldwide Limited ("Shine Wah")	158,049,000
Morrison Pacific Limited ("Morrison")	158,049,000
Perfect Goal Development Co., Ltd. ("Perfect Goal")	135,737,000
Greenwood Pacific Limited ("Greenwood")	135,737,000
Yue Xiu Finance Company Limited ("YXF")	44,492,000
Seaport Development Limited ("Seaport")	35,233,160
Goldstock International Limited ("Goldstock")	35,233,160

- (i) 2,279,312,904 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
 - (ii) 565,683,000 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
 - (iii) 158,049,000 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
 - (iv) 135,737,000 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
 - (v) 44,492,000 shares were held by YXF, which was wholly-owned by Yue Xiu.
 - (vi) 35,233,160 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.
- 2) The capacity of JPMorgan Chase & Co. in holding the 423,978,000 shares was, as to 400,010,000 shares, as investment manager and, as to 23,968,000 shares, as approved lending agent.

Share options

(i) The Company

Pursuant to the share option scheme (“Share Option Scheme”) approved by shareholders of the Company on 23rd June 1998, the board of directors of the Company (“Board”) may, at their discretion, offer to directors and employees of the Company or any of its subsidiaries options to subscribe for ordinary shares in the Company. The Share Option Scheme is designed to act as an incentive to employees and executives of the Group. The exercise price was determined by the Board and being equal to the higher of (a) the nominal value of the share; and (b) not less than 80 per cent of the average closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of an option. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option.

On 26th June 2002, the shareholders of the Company approved the resolutions relating to the termination of the Share Option Scheme and the adoption of a new share option scheme (“2002 Share Option Scheme”). Upon termination of the Share Option Scheme, no further share options will be granted thereunder but all the outstanding share options granted prior to such termination continue to be valid and exercisable in accordance therewith, and only those provisions of the Share Option Scheme which are required to give effect to the outstanding share options continue to remain in force for such purpose. The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 Share Option Scheme, the Board may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries (“Participants”) options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 per cent of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme, but the Company may seek approval from its shareholders in a general meeting to refresh the 10 per cent limit. On 2nd June 2004, the shareholders of the Company approved the refreshment of the 10 per cent limit under the 2002 Share Option Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes of the Company must not exceed 30 per cent of the shares of the Company in issue from time to time. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 per cent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders’ approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option.

Report of the Directors

Movements during the year of the options granted under the share option schemes of the Company to the employees of the Group other than the directors of the Company as disclosed on page 19 were as follows :

Number of share options					Exercise price per share HK\$	Date of grant	Exercisable period	Weighted average closing price (d) HK\$
outstanding as at 1st January 2004	granted during the year	exercised during the year	lapsed during the year	outstanding as at 31st December 2004				
52,000,000	—	46,600,000	5,400,000	—	0.3936	04/09/1998	04/09/1999 - 03/09/2004 (b)	0.941
13,374,000	—	3,748,000	—	9,626,000	0.5008	14/12/1999	14/12/2000 - 13/12/2005 (b)	0.840
152,150,000	—	42,970,000	—	109,180,000	0.4100	02/05/2003	02/05/2003 - 01/05/2013 (c)	0.688
8,000,000	—	—	—	8,000,000	0.5400	02/06/2003	02/06/2003 - 01/06/2013 (c)	N/A
12,620,000	—	216,000	—	12,404,000	0.8140	27/10/2003	27/10/2003 - 26/10/2013 (c)	0.942
100,632,000	—	170,000	228,000	100,234,000	0.8460	23/12/2003	23/12/2003 - 22/12/2013 (c)	0.896
—	320,310,000	6,576,000	1,320,000	312,414,000	0.6300	23/06/2004	23/06/2004 - 22/06/2014 (c)	0.723

Notes:

- (a) No options have been cancelled during the year.
- (b) The options granted are exercisable in 2 tranches. If the last day of the exercisable period is not a business day, the exercisable period will expire on the business day preceding thereof.
- (c) The options granted are exercisable in 3 tranches.
- (d) The weighted average closing price per share immediately before the dates on which the options were exercised.

The closing prices of the shares immediately before the dates on which the options were granted during the year were as follows:

Date of grant	Closing price immediately before the date of grant
23/06/2004	HK\$0.62

The Directors consider that it is inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to shareholders.

(ii) GZT

Pursuant to the share option scheme ("GZT Scheme") approved by shareholders of GZT on 3rd January 1997, the board of directors of GZT ("GZT Board") may, at their discretion, grant to directors and employees of GZT or any of its subsidiaries options to subscribe for ordinary shares in GZT. The GZT Scheme is designed to act as an incentive to employees and executives of GZT and its subsidiaries. The exercise price is determined by the GZT Board and being equal to the higher of (a) the nominal value of the share; and (b) not less than 80 per cent of the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of an option. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option.

On 25th June 2002, the shareholders of GZT approved the resolutions relating to the termination of the GZT Scheme and the adoption of a new share option scheme ("2002 GZT Scheme"). Upon termination of the GZT Scheme, no further share options will be granted thereunder but all the outstanding share options granted prior to such termination continue to be valid and exercisable in accordance therewith, and only those provisions of the GZT Scheme which are required to give effect to the outstanding share options continue to remain in force for such purpose. The 2002 GZT Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 GZT Scheme with terms and conditions same as those of 2002 Share Option Scheme, the GZT Board may grant to any person being an employee, officer, director, agent, consultant or representative of the Company, Yue Xiu, GZT or any of their respective subsidiaries options to subscribe for shares in GZT.

Movements during the year of the options granted under the GZT Scheme to the employees of the Group were as follows:

Number of share options			Exercise price per share HK\$	Date of grant	Exercisable period (c)	Weighted average closing price (d) HK\$
outstanding as at 1st January 2004	exercised during the year	outstanding as at 31st December 2004				
1,530,000	416,000	1,114,000	0.7520	07/04/2000	07/04/2001 - 06/04/2006	2.272

Notes:

- (a) No options have been granted, cancelled or lapsed during the year.
- (b) All options are exercisable in 3 tranches.
- (c) If the last day of the exercisable period is not a business day, the exercisable period will expire on the business day preceding thereof.
- (d) The weighted average closing price per share of GZT immediately before the dates on which the options were exercised.

Independent non-executive directors' fees

Two of independent non-executive directors of the Company each received HK\$38,000 and the other non-executive director of the Company received HK\$10,000 as directors' fees for the year ended 31st December 2004.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors

Public float

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

Major customers and suppliers

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 per cent of the Group's total sales and purchases respectively.

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in appendix 14 of the Listing Rules throughout the year ended 31st December 2004, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association. In the opinion of the Directors, this meets the same objective of the Code of Best Practice.

Audit committee

Pursuant to the Listing Rules, an audit committee ("Audit Committee"), comprising three independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose, was established.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the board of directors of the Company. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ou Bingchang

Chairman

Hong Kong, 21st April 2005