



The Group's major business operations are centered around the Guangzhou Municipality and its vicinity. In 2005, the Group benefited from the sustaining growth in Guangzhou's economy, and achieved satisfactory results in various business operations. Attributable profit to shareholders increased to HK\$2.528 billion, representing an increase of 827% compared to 2004. Earnings per share is approximately HK\$0.39, an increase of approximately 815% compared to 2004. The Board recommends a total dividend of HK\$0.08 per share for the year.

On 21st December 2005, the Group obtained approval from The Securities and Futures Commission and the Stock Exchange to spin-off a portfolio of 4 grade A office and prime commercial investment properties including White Horse Building for an aggregate area of approximately 160,000 square meters in the form of a real estate investment trust. The spin-off of GZI REIT (stock code:405) brought HK\$3.3 billion cash to the Group and a HK\$2 billion profit, resulting in significant contribution to the Group in terms of cash flow, capital structure, net asset value as well as profit, and realised the market value of the Group's investment properties.

As a result of the changes in Hong Kong accounting standards which require the change of profit recognition from percentage of completion method to recognition upon full completion of the project, the Group's book sales of GFA decreased to approximately 129,200 square meters, and book sales revenue also decreased to HK\$1.247 billion; representing a reduction of 58.52% and 37% respectively. However, with the improvement in rental revenue in both Hong Kong and Guangzhou (approximately HK\$520 million, an increase of 20% compared to 2004), a revaluation gain of HK\$799 million was recorded for the Group's properties.

Chairman's Statement

During the period, profit attributable to shareholders from toll road operations amounted to HK\$306 million, representing an increase of 10.4% compared to 2004. Attributable profit to shareholders from newsprint operations recorded an amount of HK\$33.0 million, an increase of 3.09% compared to 2004.

Looking into the future, Guangzhou Municipality in which the Group's major businesses are located, is expected to accelerate the development of various industries such as automobile manufacturing, heavy industry and logistics, exhibitions and conventions, financial and intermediaries, cultural and other services, etc; the object of which is to position Guangzhou Municipality as the economic hub of Southern China. Economic developments take business development opportunities in its stride. In light, the Group's future development strategy will be:

To proactively consider and, when the right opportunity arises, to prepare for the spin-off of the newsprint operation in Hong Kong, rationalizing the Group's segment structure and improving transparency of its business operations, and also providing a platform for the development of the newsprint business.

Focusing on property development business, maximize the advantage in the abundance of land reserve — planned development for 2006 would increase to 2.6 million square meters, and in response to the keen demand for residential units in the old town area, more high quality residence units shall be delivered. Anticipated supply of GFA available for sale in 2006 would be approximately 550,000 square meters.

Strengthen the operations of commercial properties — with a full understanding on the implications of the Central Government's series of macro economic policies targeting to prevent overheating in the property market, the Group would accordingly implement a consistent policy to expand its investment property portfolio in line with the market conditions, but fully aware of the operating risks, and take appropriate expansion in commercial property operation, achieving flexibility for sale or lease. After the spin-off of GZI REIT, the Group still maintains a portfolio of approximately 450,000 square meters of investment properties mainly in commercial properties and offices. Commercial properties under development in 2006 is expected to increase to about 1.1 million square meters, all located in business centers or prosperous districts in Guangzhou. Also, the Group had successfully secured the development right for the West Tower of the Mega Twin Towers in Pearl River New City, the GFA deliverable is approximately 400,000 square meters. The project is expected to become the tallest building of Guangzhou, and is currently under preliminary preparatory work. Over the next few years, the Group is expected to gradually increase its portfolio to approximately 2 million square meters of investment properties. The Group has granted a first right of refusal to GZI REIT when it was listed. We would make full use of the various properties that fit the description of this first right of refusal in interaction with the GZI REIT. We would offer those properties to the GZI REIT on a first refusal basis on the same terms and conditions offered to the Group and in compliance with applicable law and regulations, achieving a win/win situation for both parties.

Appropriately develop other downstream operations, maintaining long term stable development and return.

Guangdong Province will continue to expand its highway network over the coming years, and as long as the appropriate rate of return can be achieved, the Group will actively participate in investments in expressways.

The Group shall execute the above series of business development measures, and strive to improve its competitive capabilities, increase operating efficiency, compress costs, seize market opportunities, thereby bringing better return to shareholders.

I take this opportunity to express our gratitude to all Directors, senior management, and all staff members for their contribution to the Group. And I cordially thank all shareholders and friends in the banking and business community for their support and assistance to the Group.

Ou Bingchang
Chairman

Hong Kong, 25th April 2006