越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Stock Code: 123)

(Incorporated in Hong Kong with limited liability)

Announcement of 2003 Results

RESULTS

The directors of Guangzhou Investment Company Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2003 as follows:—

	Note	**2003** *HK$'000*	**As restated** *(Note 1)* **2002** *HK$'000*
Turnover	2	3,901,803	3,225,473
Cost of sales		(2,735,667)	(2,251,555)
Gross profit		1,166,136	973,918
Other revenues		31,549	19,110
Selling and distribution expenses		(127,154)	(148,420)
General and administrative expenses		(414,033)	(521,909)
Loss on deemed disposal of certain interests in a subsidiary		(94,942)	(7,773)
Operating profit before write-down of properties, provision for impairment and revaluation surplus/(deficit)		561,556	314,926
Write-down of properties to net realisable value		(5,805)	(542,160)
Provision for impairment of			
— fixed assets		—	(52,974)
— other investments		—	(56,052)
Revaluation surplus/(deficit) on investment properties		165,840	(240,550)
Profit/(loss) from operation	3	721,591	(576,810)
Finance costs		(224,733)	(185,986)
Share of profits less losses of			
— jointly controlled entities		(49,693)	(25,709)
— associated companies		181,767	100,159
Provision for impairment of interest in a jointly controlled entity		—	(111,655)
Profit/(loss) before taxation		628,932	(800,001)
Taxation	4	(114,599)	2,316
Profit/(loss) after taxation		514,333	(797,685)
Minority interests		(213,680)	(162,545)
Profit/(loss) attributable to shareholders		300,653	(960,230)
Dividends	5	117,540	—
Earnings/(loss) per share	6		
— Basic		4.89 cents	(23.90 cents)
— Fully diluted		4.83 cents	N/A

Notes:

1 **Basis of preparation and accounting policies**

These audited consolidated accounts are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA").

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") SSAP 35 "Government Grants and Disclosure of Government Assistance" and SSAP 12 (revised) "Income Taxes" issued by the HKSA which are effective for accounting periods commencing on or after 1st July 2002 and 1st January 2003, respectively.

In the current year, the Group has changed its amortisation/depreciation policy on the tangible infrastructures, intangible operating rights and goodwill relating to the operation of toll highways and bridges. Previously, tangible infrastructure, intangible operating rights and goodwill relating to the operation of toll highways and bridges were amortised/depreciated using the sinking fund method. Under the new amortisation/depreciation policy, tangible infrastructures of toll highways and bridges are depreciated on a units-of-usage basis while intangible operating rights and goodwill relating to the operation of toll highways and bridges are amortised on a straight-line basis. The current accounting policy is adopted as it is considered more appropriate to reflect the performance of the Group in line with industry practice.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

	Negative goodwill *HK$'000*	**Minority interests** *HK$'000*	**Retained earnings** *HK$'000*
At 1st January 2003, as previously reported	(3,823,375)	4,064,961	602,882
Effect of changes in accounting policies			
- amortisation	—	(30,207)	(12,778)
- deferred taxation *(note (i))*	3,148,419	(227,403)	(293,720)
At 1st January 2003, as restated	(674,956)	3,807,351	296,384

Note:

(i) Following the adoption of SSAP 12 (revised), the negative goodwill as 1st January 2003 has been reduced by HK$3,148,419,000 principally as a result of the recognition of deferred tax liabilities on the difference between the fair values of the net assets acquired and their tax base.

As a result of the change in accounting policies on deferred taxation and amortisation, the loss for the year ended 31st December, 2002 has been reduced by HK$35,050,000 and increased by HK$6,239,000, respectively.

2 **Turnover, revenue and segment information**

The Group is principally engaged in development, operation and management of toll highways and bridges, development, selling and management of properties and holding of investment properties, and manufacturing and trading of newsprint and corrugated paper. Revenues recognised during the year are as follows:

	2003 *HK'000*	**2002** *HK'000*
Turnover		
Net toll revenue from toll operations	405,567	355,638
Property management fee income	70,760	9,945
Rental income		
- Properties	319,066	99,713
- Car park	58,908	53,230
Sales revenue		
- Sales of properties	1,955,105	636,514
- Sales of newsprint and corrugated paper	1,006,263	1,141,688
- Sales of cement and ready-mixed concrete	—	916,020
- Others	86,134	12,725
	3,901,803	3,225,473
Other revenues		
Interest income	8,450	13,763
Dividend income	3,483	4,513
Commission on properties sales and rental	19,616	834
	31,549	19,110
Total revenues	3,933,352	3,244,583

Primary reporting format - business segments

The Group operates predominantly in Hong Kong and the Mainland of China ("China") and in four main business segments:

- Properties - development, selling and management of properties and holding of investment properties
- Toll operations - development, operation and management of toll highways and bridges
- Paper - manufacturing and selling of newsprint and corrugated paper
- Cement - manufacturing and selling of cement and ready-mixed concrete (a discontinued operation)

Other operations of the Group mainly comprise investment holding, supermarket operations and high technology business (a discontinued operation), neither of which are of a sufficient size to be reported separately.

There are no significant sales between the business segments.

Secondary reporting format - geographical segments

The Group's four business segments are mainly managed in Hong Kong and China:

Hong Kong — properties and cement (a discontinued operations)
China — properties, paper, cement and toll operations (a discontinued operations)
Others — properties

There are no significant sales between the geographical segments.

Primary reporting format - business segments

	Toll operations		Properties		Paper		(Discontinued operation) Cement		Other operations		Group	
	2003	**As restated 2002**	**2003**	**As restated 2002**	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	**As restated 2002**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	405,567	355,638	2,453,465	797,298	1,006,263	1,141,688	—	916,020	36,508	14,829	3,901,803	3,225,473
Segment results	185,289	165,778	429,169	(25,606)	90,293	111,316	—	122,810	2,219	(13,327)	706,970	360,971
Interest income											8,450	13,763
Unallocated operation costs											(153,864)	(59,808)
Write-down of properties, provision for impairment and revaluation surplus/(deficit)	—	(33,462)	160,035	(802,650)	—	(35,694)	—	—	—	(19,930)	160,035	(891,736)
Finance costs											(224,733)	(185,986)
Share of profits less losses of:												
Jointly controlled entities	(20,419)	(35,482)	(29,274)	(115)	—	—	—	9,888	—	—	(49,693)	(25,709)
Associated companies	181,607	153,904	160	(47,971)	—	—	—	—	—	(5,774)	181,767	100,159
Provision for a jointly controlled entity and an associated company	—	—	—	—	—	(111,655)	—	—	—	—	—	(111,655)
Profit/(loss) before taxation											628,932	(800,001)
Taxation											(114,599)	2,316
Profit/(loss) after taxation											514,333	(797,685)
Minority interests											(213,680)	(162,545)
Profit/(loss) attributable to shareholders											300,653	(960,230)

Secondary reporting format - geographical segments

	Turnover	
	2003	**2002**
	HK$'000	***HK$'000***
Hong Kong	180,674	409,560
China	3,718,369	2,812,908
Overseas	2,760	3,005
	3,901,803	3,225,473

3 Profit/(loss) from operation

Profit/(loss) from operation is stated after charging the following:

	2003 HK$'000	As restated 2002 HK$'000
Depreciation and amortisation	184,280	273,714
Cost of inventories sold	2,481,689	2,021,094
Loss on disposal of other investments	1,059	—

4 Taxation

(a) Hong Kong profits tax has been provided at the rate of 17.5 per cent (2002: 16 per cent) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profit tax rate from 16 per cent to 17.5 per cent for the fiscal year 2003/2004.

(b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated companies and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law") at 18 per cent to 33 per cent. Under the China Tax Law, certain of the Group's subsidiaries, associated companies and jointly controlled entities in China are entitled to an income tax holiday for two to five years from its first profit making year following by a 50 per cent reduction in income tax for the next three to five years.

(c) China land appreciation tax is levied at progressive rates ranging from 30 per cent to 60 per cent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

(d) The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2003 HK$'000	As restated 2002 HK$'000
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	1,627	5,489
China enterprise income tax	78,974	61,877
China land appreciation tax	42,544	—
Overprovision in prior years	(6,051)	(498)
Deferred taxation relating to the reversal of temporary differences	(30,949)	(81,986)
Deferred taxation resulting from an increase in tax rate	(1,019)	—
	85,126	(15,118)
Share of taxation attributable to		
Jointly controlled entities	5,877	10,655
Associated companies	23,596	2,147
Taxation charges/(credits)	114,599	(2,316)

5 Dividends

	2003 *HK$'000*	2002 *HK$'000*
Interim, paid, of HK$0.008 (2002: nil) per ordinary share	49,502	—
Final, proposed, of HK$0.0108 (2002: nil) per ordinary share	68,038	—
	117,540	—

6 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the year ended 31st December 2003 is based on the consolidated profit attributable to shareholders of approximately HK$300,653,000 (2002: loss of HK$960,230,000) and the weighted average number of approximately 6,146,494,166 shares (2002: 4,017,138,450 shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 31st December 2003 is based on the consolidated profit attributable to shareholders of approximately HK$300,653,000 and the diluted weighted average number of approximately 6,223,195,777 shares in issue after adjusting for the potential dilutive effect in respect of outstanding share options. Diluted loss per share is not presented for the year ended 31st December 2002 because the effect is anti-dilutive.

RESULTS ANALYSIS

Analysis of Results

In December 2002, the Group acquired Guangzhou Construction & Development Holdings (China) Limited and disposed of its non-core cement and ready-mixed concrete and high technology businesses. Since the 2003 full year results of Guangzhou Construction & Development Holdings (China) Limited were incorporated into the results of the Group, the Group's turnover experienced a significant growth of 21 per cent to HK$3,901,803,000, of which, approximately 60 per cent was contributed to the property sales and rental income derived from properties located in China and Hong Kong.

Despite the outbreak of SARS during the first half of 2003, total property sales and rental income in China and Hong Kong still recorded a remarkable increase of 207 per cent and 223 per cent to HK$1,955,105,000 and HK$317,000,000 respectively. Turnover of the Group's toll road business also increased by 14 per cent to HK$405,567,000 due to the strong rebound of traffic volumes achieved by two major toll roads, Guangshen and Guangshan Highways during the second half of 2003. Turnover of the Group's newsprint business was marginally decreased by 12 per cent to HK$1,006,263,000 due to the decreasing newsprint price during 2003. Having said that, the Group's newsprint business continued to be regarded as one of the major paper producers in China.

The Group's gross profit increased by 20 per cent to HK$1,166,136,000. Both the property and toll road businesses recorded higher gross profit although the newsprint business had lower gross profit due to higher raw material cost.

Selling expenses decreased by 14 per cent to HK$127,154,000 mainly due to the disposal of the non-core cement and ready-mixed concrete business which incurred selling expenses of HK$71,000,000 during 2002.

Administrative expenses were also decreased by 21 per cent to HK$414,033,000 which was caused by the disposal of the non-core cement and ready-mixed concrete business which incurred administrative expenses of HK$194,000,000 during 2002. The tight cost control procedures adopted by the Group during 2003 also led to significant decrease of the administrative expenses. Net revaluation surplus on investment properties was recorded for HK$165,840,000 in 2003 and a loss on deemed disposal of a subsidiary for HK$94,942,000 was incurred due to the issuance of new shares by GZI Transport Limited, the toll road subsidiary of the Company.

Finance costs increased by 21 per cent to HK$224,733,000. The increase was mainly due to the higher level of borrowings made for the business restructuring of the Group at the end of 2002.

Share of profit in associated companies surged 81 per cent to HK$181,767,000 due to a provision made in 2002 and an increase in profitability of the toll roads operated by the associated companies of GZI Transport Limited in 2003. Share of loss of the jointly controlled entities increased by 93 per cent to HK$49,693,000 which was mainly caused by an impairment provision in spite of improving performance of Guangzhou Northern Second Ring Expressway.

Taxation increased to HK$114,599,000 due to higher pre-tax profit of the Group.

Minority interests increased by 31 per cent to HK$213,680,000. The increase was less than the increase of operating profit because the Group owns a majority (mainly 95 per cent) stake in the property business which was the growth driver in 2003.

After the restructuring completed at the end of 2002, the Group turned around from a net loss position in 2002 to a net profit position in 2003. The Group achieved a profit attributable to shareholders of HK$300,653,000 and basic earnings per share of 4.89 cents.

FINAL DIVIDEND

The Directors recommended the payment of final dividend of HK$0.0108 (2002: nil) per share to shareholders whose names appeared on the register of members of the Company on 2nd June 2004. Subject to the approval of shareholders at the Annual General Meeting to be held on 2nd June 2004, the final dividend will be paid on 8th July 2004. Together with the interim dividend of HK$0.008 (2002: nil) per share, total dividends for the year ended 31st December 2003 will amount to HK$0.0188 (2002: nil) per share, representing a dividend pay out ratio of 39.1 per cent.

BUSINESS REVIEW

Properties sold and rented by the Group increased considerably during the year

In 2003, the sales of properties in Hong Kong and Guangzhou amounted to HK$1,955 million and increased by 207 per cent when compared with 2002. Pre-sales and sales of properties by the Group during 2003 increased to 294,643 sq. meters. Major residential projects for sale included Grand City Garden, Hua Cheng Mansion, Galaxy City, the first phase of Urban Oasis, Run Hui Building, Tian Jun Court, Lingnan Garden, 23rd block of Spring Garden, the first phase of Southern Le Sand in Nansha, Romantic Garden, Wen De Ya Xuan in Guangzhou City. These projects are of high quality and balanced mix. Urban Oasis near Sun Yat-Sen University in Haizhu District is located at the entrance of a metro station and is easily accessible. Galaxy City of Zhujiang New Estate was awarded five awards such as “Top Ten Brandname Community”. Sales of luxury houses such as Grand City Garden and Hua Cheng Mansion in Er Sha Island were robust. There was also strong demand for budget housing in Run Hui Building and Wen De Ya Xuan. In addition, owing to prosperous economic development in China, purchase and renting of the office buildings in Tianhe District by institutional customers were active resulting in active sales of Fortune Plaza. Overall, market responses for new projects have been encouraging. Over 70 per cent of the urban projects, about 80 per cent of the completed projects and nearly 50 per cent of suburb projects were sold this year. In 2003, the property market of Hong Kong also started to recover. The Group sold the non-core residential site at Queen’s Road West, with a site area of approximately 584 sq. meters.

Moreover, upon completion of Fortune Plaza, Victory Plaza and Creative Plaza, the rented area of properties in 2003 also increased sharply to 450,000 sq. meters. Other major rental projects include City Development Plaza, White Horse Commercial Building, Guangzhou Sports Stadium Building, Jin Han Building, Jing Ya Garden, Hong Cheng Commercial Plaza, Hong Fa Building, Cheng Zhong Building and Guang Yuan Cultural Centre. The rental portfolios are diversified in grades, locations, and land use and covered

Grade A offices, prime shopping malls, shops in residential complexes and car parks and generate a steady rental income. The rental income from properties in Hong Kong and Guangzhou amounted to HK$317 million for the year, and increased by 223 per cent when compared with 2002.

Substantial projects under construction and large land bank underpin development potentials in future

The Group completed the acquisition of a majority interest in the assets of Guangzhou City Construction & Development Holdings Limited ("Guangzhou Construction") by the end of 2002. The Group's land and project resources of different types increased sharply, with residential projects accounting for approximately 85 per cent.

In 2003, the gross floor area of property under construction increased by 187,117 sq. meters to 1,200,000 sq. meters at the end of the year. The majority of which are scheduled for completion in 2004 and 2005. This will underpin earnings growth in the coming years.

Furthermore, the Group's land bank held for medium term development also increased to 3.62 million sq. meters, 45 per cent of which is located in the urban area of Guangzhou and 55 per cent is located in the newly developed area of Nansha. The land bank in the urban area mainly included sites for commercial property developments in Tianhe district and the residential land in Haizhu District. As the Government has raised compensation for urban renewal in Guangzhou in the end of 2003, the supply of residential properties in urban areas will decrease in future. This is beneficial for the increase in value of the Group's land bank in urban areas. The land bank in Nansha is at the southeastern side which is mainly for residential purposes. Nansha is at the southern side of Guangzhou and the centre of the Pearl River Delta. It will be developed into an industrial, logistic and high technology centre. Upon completion of highways including the Eastern Expressway, the Central Expressway, the light railway linking Panyu and Nansha, the Guangzhou Metro Line Number 4 and a new passenger terminal for routes serving between Nansha and Hong Kong in the next one to two years, traveling time from Nansha to major cities of the Pearl River Delta will be further reduced. The Group's land bank in Nansha is large but was acquired at low cost and is suitable for both short and medium term developments. In 2003, for the first phase of the residential project in Nansha, Southern Le Sand, 18,122 sq. meters were sold. As multinational companies such as Toyota and JFE will establish factories in Nansha, more development effort will be put to Southern Le Sand and Japanese architectural features will be added to the second phase to cater for the needs of Japanese expatriates.

Brand name effect and market positioning of property business

The acquisition of Guangzhou Construction by the Group is beneficial to property brand name promotion. Guangzhou Construction is a well known property brand name in Guangzhou market, which has over 20 years of track record in property development. It has established related ancillary companies covering functions such as property agency and property management. It has sound financial position and has been accredited as the number one in integrated capability of property development in Guangzhou many times. The awards it has received over the years included "Number one of the top ten corporations in development, construction and investment of real estate in Guangzhou" in 2001, one of the "Ten most popular developers" in Guangzhou in 2002, the "Top twenty credible real estate enterprises" in Guangdong in 2001, 2002 and the "Enterprise which respects contracts and keeps promises" award for the last ten consecutive years. In 2003, it was ranked the first for the "150 most credit-worthy enterprises", the second for the "Top ten of the most competitive real estate enterprises in Guangzhou", "Top twenty Credible real estate enterprises for two consecutive years" and the "Top ten real estate enterprises with brand names most beloved by Guangzhou citizens".

The Guangzhou property market has developed for some time and the industry consolidation is intensifying . Area sold in Guangzhou by the top ten property groups in 2003 was about 2.5 million sq. meters, accounting for about 25 per cent of the total saleable area of the city. To capitalize on the brand name of Guangzhou Construction, the positioning of the Group's property business will focus on the development and sales of medium-priced residential properties ranging from RMB5,500 to RMB6,500 per sq. meter. The Group will also selectively develop premium offices, shopping malls and up market residential properties for rental purpose. First priority will be given to develop the land banks in urban area and the land banks in suburban area will be retained for medium term developments. Moreover, by leveraging on a sizable portfolio of rental properties and land banks, the Group is able to achieve the objectives of high growth and steady income.

Other businesses: Toll road earnings recovered while newsprint business continued to see cyclical adjustment

The negative factors in 2002 such as traffic diversion by other new roads, Guangzhou Northern Second Ring Expressway recorded losses in the first year of its operation and expiry of tax holiday of certain toll road projects have all been gradually eased in 2003. With prosperous development in the economy of the Pearl River Delta, traffic volume continued to increase. In 2003, GZI Transport Limited, the toll road subsidiary of the Company recorded a 57.1 per cent increase year-on-year in profit attributable to shareholders of HK$223,822,000.

Guangzhou Paper Co., Ltd. ("Guangzhou Paper") continued to maintain bigger market shares in the domestically produced newsprint market. However, owing to lower international newsprint price and expansion of capacity in China, Guangzhou Paper faced a challenging environment in 2003. During the year, Guangzhou Paper sold 260,195 tonnes of newsprint, which increased by 2.34 per cent compared with 2002. Average newsprint price was down by 5.70 per cent to RMB3,969 per tonne and turnover was reduced by 12 per cent to HK$1.006 billion. Increase in prices of raw materials such as wood and imported waste paper resulted in a lower gross margin. However, by implementing stringent cost control measures such as downsizing and early repayment of bank loans, administrative and finance costs were reduced and considerably offset part of the increases in raw material cost. Looking forward to 2004, the Group expects the newsprint market will remain competitive in China. However, as the price of imported newsprint becomes steady, price of newsprint may increase slightly in the second half of 2004. Guangzhou Paper is exploring new regional markets in Eastern and Western China to increase sales volume.

Future Strategy and Prospects

Upon completing the acquisition of Guangzhou Construction at the end of 2002 by the Group, operational strengths of its property business have been greatly enhanced. The profit attributable to shareholders of the Group surged to HK$300,653,000 in 2003.

GDP of Guangzhou grew 15.0 per cent in 2003 and has been growing rapidly for eight consecutive years. The population of Guangzhou exceeds 12 million. which comprises local population and the immigrants from other provinces. Coupled with growing urbanization, expansion of the middle class and upgrading needs, sales of residential properties has been continuously rising over the past few years. In 2003, the sales of commodity properties in the primary market of the ten districts in Guangzhou increased by 12.7 per cent to 10.47 million sq. meters and inventory fell substantially to 3.83 million sq. meters. At the same time, most of the purchases were from end users with few from investors. Rational demand drives the steady development of the whole market. The property prices of urban area are similar to that of 2002 and there was no sign of overheating. The transactions in the secondary market of the eight districts in Guangzhou were also active. Area sold reached 4.17 million sq. meters and the transaction amounts reached RMB13.2 billion, representing an increase of 36.72 per cent and 29.41 per cent respectively when compared with 2002. Size of the secondary market increased from 29.2 per cent in 2002 to 36.1 per cent of the total transaction amount of the property market. As there is no overheating in the Guangzhou property market, adjustment in the lending policy of the banks will lead to healthier development of the market. The Group, being regarded as a premier property developer in terms of brand name, credit quality and funding, will receive continuous support from the banking sector.

Upon the acquisition of Guangzhou Construction, the business structure of the Group is more clearly defined with major focuses on Guangzhou property businesses. The Hong Kong and Guangzhou property sales and rental business contributed approximately a total of HK$2.27 billion in turnover. In 2003, the Group has finished the preparation of reorganization and adjustment of its business model upon completion of the acquisition to shorten the construction and sales cycle. In 2004, it is expected to realize the synergies between the Group and Guangzhou Construction and enhance return on net assets. The price of certain construction raw materials increased considerably in 2003. Nevertheless, the Group will overcome the cost increase by bulk purchase. It is anticipated that the property transaction volume will go up along with increasing demand and decreasing inventory. As at the end of 2003, the area of the Group's properties under development reached 1.2 million sq. meters, which will underpin earnings growth for the coming few years. Along with the increasing integration of transportation network in the Pearl River Delta and the regional economy, the Group will seek to increase its land bank within the Guangzhou Municipality and capture opportunities to expand property businesses in other cities of the Pearl River Delta.

The Group's toll road business generated enormous steady cash flow, which would be complementary to the property business which is capital intensive in nature. The Group believes investment in expressway projects in the centre of the Pearl River Delta will underpin future growth potential of the Group's toll road investment portfolio. New investments, among which the respective cooperative joint venture contract of the Eastern Second Ring Road, Western Second Ring Road and the Guangming Expressway (Eastern Second Ring Road Extension Line) are now being studied.

Looking ahead, economic environment in the Pearl River Delta is very favourable. Upon implementation of the Closer Economic Partnership Arrangement (CEPA) signed between Hong Kong and China, the proposed construction of the Hong Kong/Macau/Zhuhai Bridge will further speed up the integrated development amongst the Pearl River Delta, Guangzhou and Hong Kong. In addition, the Guangdong Province is going through a second industrialization which steers up development of heavy industry and expedites the economic development of Guangdong. In addition, the Guangdong Province will adjust its household and registration policy. It will allows citizens from other provinces, who have stayed for long period and have a fixed residential address to move their household registration to the actual residential address within the Guangdong Province. This new policy is expected to increase property demand substantially. As a major property developer in the Guangdong Province, the Group's property and toll road businesses based in Guangzhou will become major beneficiaries under the above-mentioned developments. The Group will continue to strengthen its operational, administrative and cash flow controls on its prevailing properties and toll road projects so as to generate better and higher return to its shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25th May 2004 to Wednesday, 2nd June 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 24th May 2004.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The annual report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange in due course.

As at the date of this announcement, the board of directors of the Company comprises Mr Ou Bingchang, Mr Chen Guangsong, Mr Li Fei, Mr Liang Ningguang, Mr Xiao Boyan, Mr Liang Yi, Mr Wong Chi Keung, Miss Yan Yuk Fung, Mr Yu Lup Fat, Joseph and Mr Lee Ka Lun.

By order of the Board
Ou Bingchang
Chairman

Hong Kong, 15th April 2004

Please also refer to the published version of this announcement in South China Morning Post and the Standard.