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Chairman's Statement

本人欣然向股東提呈本集團業務營運之報告。

本集團二零零四財政年度之綜合營業額及股東應佔溢利分別為港幣24.1億元及港幣1.5億元，比二零零三年分別增長92.4%及90.4%。每股盈利為港幣10仙，比二零零三年增長90.4%。董事會建議宣派末期股息每股港幣3仙，全年股息亦為每股港幣3仙，同比增長11.1%。

二零零四年業務回顧

二零零四年，在本集團旗下北京公司業務強勁增長和新成立的成都公司的貢獻帶動下，本集團取得了良好的銷售業績。本集團去年總銷售面積為367,248平方米（建築面積），比二零零三年增長76.7%；總合同金額為港幣21.4億元，比二零零三年增長49.4%。去年本集團物業銷售收入中約81%來自北京，其餘收入來自成都。

二零零四年全國房地產市場蓬勃發展。雖然競爭激烈，但由於政府實施宏觀調控及收緊土地政策，潛在供應量受到了制約。根據北京市統計局的數據，二零零四年北京市新開工面積同比下降11.9%（二零零三年：上漲2%），開工面積五年以來首次低於銷售面積。同樣，上海市及成都市二零零四年的新開工面積分別同比微漲2.1%（二零零三年：上漲13.1%）及下降13.4%（二零零三年：上漲43.6%）。

另一方面，在經濟增長及改善生活條件訴求的推動下，縱使去年銀行按揭條款有所收緊，北京市銷售面積仍然增長29.1%（二零零三年：增長10.4%），銷售額同比增長37.5%（二零零三年：增長10.1%）；上海市的銷售面積及銷售額去年則分別錄得37.5%

I am pleased to present to the shareholders my report regarding the operation of the Group.

The Group's consolidated turnover and profit attributable to shareholders for financial year 2004 were HK\$2.41 billion and HK\$150 million respectively, representing an increase of 92.4% and 90.4% as compared to 2003. Earnings per share were HK10 cents, increased by 90.4% from that of 2003. The Board of Directors recommends a final dividend of HK3 cents per share, making a total dividend of HK3 cents per share for the full year and representing an increase of 11.1% year-on-year.

Operation Review in 2004

In 2004, the Group achieved satisfactory sales, driven by the strong organic growth from its Beijing subsidiary and the contribution from the new Chengdu subsidiary. Total sales area were 367,248 square metres in gross floor area (GFA) terms, up 76.7% as compared to 2003. Total sales of property development projects were HK\$2.14 billion, representing a year-on-year increase of 49.4%. About 81% of the Group's property sales revenues for last year were generated from Beijing while the rest were from Chengdu.

The real estate market in China was booming in 2004. Despite the intense competition, the potential supply has been restricted as a result of the PRC Government's austerity measures and land supply tightening policy. According to the statistics provided by Beijing Statistical Bureau, new construction area in Beijing dropped 11.9% (2003: up by 2%) year-on-year in 2004 and the total new construction area fell below the total sales area for the first time in five years. Similarly, new construction area in Shanghai and Chengdu only recorded a slight increase of 2.1% (2003: increased 13.1%) and a decrease of 13.4% (2003: increased 43.6%) respectively.

On the other hand, in spite of the tightening of mortgage terms by local banks, the sales area in Beijing still managed to increase by 29.1% (2003: increased 10.4%) with a year-on-year sales revenues growth of 37.5% (2003: 10.1% growth) while the sales area and sales revenues in Shanghai recorded a year-on-year increase of 37.5% and 58.8% respectively, thanks to the rapid economic growth and

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和58.8%的同比增長。在供求平衡逐步得到改善下，去年北京市、上海市、成都市平均房價分別錄得6.5%、15.5%和16.4%的同比增長。

本集團在北京取得的業績主要歸功於排屋項目「翡翠城」的熱賣和市區項目「鳳凰城二期」的成功推出。前者借助二零零三年底同區大型土地拍賣高價成交、五環快速路取消收費等機遇，多次創造了單個項目月銷售過億元的成績，全年錄得銷售人民幣6.1億元；鳳凰城二期通過舉辦「國際建築藝術雙年展」、組織美國購房團等為項目的順利銷售起了非常好的促進作用，全年銷售人民幣4.3億元。此外，「優士閣」項目已經基本售罄，「峻峰華亭」項目去年九月竣工，全年銷售額人民幣2.9億元。在此期間，本集團在北京市大多數項目的銷售價格都有所提高。

在成都，本集團「翡翠城」項目一期市場反應熱烈。去年上半年推出的983個單位（建築面積121,944平方米）在數日內即告售罄，銷售價格亦高於管理層之預期。管理層相信「翡翠城」項目一期所取得的成功將為後續五期的成功奠定堅實的基礎。「翡翠城」二期正在規劃中，合共提供1,125個單位（建築面積139,416平方米），約於今年第三季度推出市場，銷售價格在一期的基礎上會有所提高。

在上海，拆遷難已經成為大多數物業發展商在上海所面臨的一個共同的難題。雖然如此，「上海灘花園」項目仍取得突破。該項目部分用地已完成拆遷，這使得該項目一期（建築面積30,066平方米）在去年八月份

the desire for better living conditions. With a more balanced demand and supply environment, the average property prices in Beijing, Shanghai and Chengdu rose 6.5%, 15.5% and 16.4% year-on-year respectively.

The performance of the Group in Beijing was mainly fuelled by the strong sales of the Group's townhouse project, La Firenze, and the successful launch of its downtown project, Phoenix City phase 2. On the back of the high transaction price fetched in a major land auction in the vicinity at the end of 2003 and the cancellation of toll for the Fifth Ring Road connecting the project to downtown, La Firenze attained record sales of over RMB100 million in several months, achieving a full-year sales of RMB612 million. For Phoenix City phase 2, it recorded a total sales of RMB431 million for the full year through organizing successful promotion activities such as "The 1st Architectural Biennial – Beijing 2004" and promotion tours for US customers. In addition, the U-Space project was basically sold out and construction of the Top Box project, which registered annual sales of RMB291 million, was completed in September last year. During the period, sale prices of most of the Group's projects in Beijing saw increases.

In Chengdu, phase 1 of the Group's Jade City project saw overwhelming market response. All of the 983 units put up for sale in the first half of the year, with a GFA of 121,944 square metres, were sold out in just a couple of days at prices that beat management's expectations. Management believes the success of phase 1 of the Jade City project will provide a solid foundation for the subsequent five phases. Planning of Jade City phase 2 is underway and the project is scheduled for launch in the third quarter this year. There will be 1,125 units with a GFA of 139,416 square metres for sale in phase 2 and the sale prices will be at premium to those of phase 1.

In Shanghai, difficulty in relocation has been a common problem faced by most if not all property developers in Shanghai. Nevertheless, a breakthrough was made for the Group's The Bund Side project. Part of the site was cleared, which allowed phase 1 of the project with a GFA of 30,066 square metres to begin construction

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開始施工。預售將在今年上半年開始，目前預定情況熱烈，估計銷售價格將會比較理想。

另一方面，本集團一直大力推行的成本控制亦逐步取得效果，置地星座、鳳凰城二期、峻峰華亭等樓盤的建築費將會比原來的預算有較大幅的下降，隨著這些項目的結算，成本節省的好處會逐步反映在業績中。另外，本集團的管理費用佔營業額的比例在同業中亦處於較低水平。

二零零四年，本集團大力推動行業標杆管理。管理層認為，本集團在利潤率、項目運作效率、銷售費用控制、客戶滿意度等各方面仍有可以進步的空間。同年，本集團亦引入了以平衡記分卡為基礎的考評體系，大大促進了激勵機制與集團戰略之間的一致性。

去年五月，中央政府頒布了一系列宏觀調控措施，內地銀行對房地產企業緊縮信貸。由於本集團財力雄厚，銀行仍將本集團作為優質貸款對象，因此本集團不僅保持充足的資金來源，去年下半年以來新增的人民幣貸款利率仍然保持在基準貸款利率下浮10%的水平，為國內地產商中最低。

同樣，由於內地銀行對房地產企業緊縮信貸，土地價格有所回順，對於資金實力相對雄厚的企業來說，是增持土地儲備的良好時機。去年，本集團成功地以較低成本在北京、武漢和合肥獲得了三塊土地（詳細內容見「土地儲備」一節）。管理層估計以上三個新項目將很快地能在今年開始預售，體現出近年本集團開發效率的提高。

in August last year. Pre-sale is expected to begin in the first half of this year. So far, the market response is very good, hence the sale prices are expected to be satisfactory.

The Group's aggressive cost control measures are gradually bearing fruits. The construction costs of development projects like Grand Constellation, Phoenix City phase 2 and Top Box were lower than the initial estimation. The effect of the cost-saving measures will gradually reflect in the results when the above projects are booked. Also, the Group's administrative expenses as a percentage of turnover is lower than most industry players.

The Group initiated industry benchmarking in 2004. Management believes that the Group has room for further improvement in several aspects, such as profit margins, project operating efficiency, selling expenses control and customer satisfaction. The Group also introduced a new appraisal system based on balanced score card during that year, which allowed its incentive mechanism to be greatly in coherence with the execution of the Group's strategy.

The central government promulgated a series of austerity measures in May last year, procuring local banks to tighten the credit granted to property enterprises. However, thanks to its strong financial strength, the Group is still being deemed as a preferred borrower of many banks, therefore the Group not only has easy access to capital but also enjoys the lowest interest rate among developers in China. The interest rates of the Group's newly made Renminbi loans since the second half of last year have been maintaining at a 10% discount to the benchmark borrowing rates.

Similarly, owing to the credit tightening policy imposed by local banks, land prices in China have started to soften. For those companies possessing stronger financial strength, it has been a good time to replenish land bank. Last year, the Group successfully acquired at low prices three pieces of land in Beijing, Wuhan and Hefei, respectively (Please refer to the "Land Bank" section for details). With the recent improvement in the Group's development efficiency, management estimates that the above new projects will be ready for pre-sale within this year.

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發展戰略

二零零四年管理層對本集團的長遠發展戰略做了進一步的細化。本集團的定位是要在中國內地提供高品質的樓宇產品和服務，滿足中等收入以上消費者日益提升的住宅需求，成為中國地產行業具競爭力和領導地位的公司。本集團的財務目標是要在五年後把營業額提高到80億元，同時把淨資產回報率提高至雙位數字。

為達到以上的目標，本集團將繼續全國擴展，進入更多的城市。為了保證高效的地域擴展，本集團仍將重點發展近郊區中低密度產品及市區高密度產品，繼而快速地在全國各地複製。

本集團會以差異化作為主要競爭戰略。差異化的設計、差異化的物業服務以及差異化的營銷構成了本集團差異化競爭戰略的核心內容，並成為本集團維持持久創新力和提升品牌競爭力的重要保障。

董事會相信，本集團的競爭優勢在於有一套清晰及操作性強的發展戰略，同時有和戰略的執行一致的激勵機制，加上華潤集團的強大股東背景支持，以及對內地市場的充分理解，還有專業的管理團隊和能支持全國擴展的管理平臺。只要能堅持執行以上的發展戰略，最終必能達到目標。

Development Strategy

In 2004, management further refined the Group's long-term development strategy. The Group aims at becoming a competitive and leading provider of quality properties and services in the real estate industry in Mainland China to cater for the increasing demand for residential properties from middle-to-high income consumers. The Group's financial goals are to reach an annual turnover of \$8 billion five years from now and to attain double-digit return on equity.

To achieve the above goals, the Group will continue to expand its business nationwide and penetrate to more cities. To ensure an effective geographical expansion, the Group will continue to focus on developing middle-to-low density projects in the suburban area and high-density projects in the urban area and then replicate these products rapidly throughout the country.

The Group's key competitive strategy is differentiation through unique architectural designs, property management services and customer-centric selling processes. The Group will strive to be innovative in these areas through which our brand's sustainable competitive advantages will be based.

The Board of Directors believes that the Group's competitive edges lie in its clear and executable development strategy, an incentive mechanism that supports the implementation of such strategies, the solid support from its majority shareholder China Resources Holdings, its in-depth know-how of the local market as well as its competent management team and the operation platform that supports a nationwide business. The Board of Directors is confident that the Group will be able to achieve its goals by adhering to the above development strategy.

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物業發展項目銷售資料

本集團二零零四年總銷售面積367,248平方米(建築面積)。所有在售物業發展項目之銷售進度如下:

Details of Property Sales

In 2004, the Group's total sales area were 367,248 square metres in GFA terms. The sales progress of all of the Group's development projects being sold is listed below:

		預計完工日期 Expected Completion Date	總銷售面積 Total Saleable GFA (平方米) (Sqm)*	截至 二零零四年底 累計已售面積 Accumulated GFA Sold up to End 2004 (平方米) (Sqm)	二零零四年 銷售面積 GFA Sold in 2004 (平方米) (Sqm)	二零零四年 平均售價 Average Selling Price in 2004 (人民幣/ 平方米) (RMB/Sqm)	截至 二零零四年底 結算比例 Completion up to End 2004 %
風景翠園	La Firenze 1	已完工 Completed	66,684	43,106	16,539	6,828	100.0%
翡翠城二期	La Firenze 2	二零零五年下半年 2H2005	187,645	159,690	85,760	5,825	81.0%
峻峰華亭	Top Box	已完工 Completed	58,168	48,490	22,831	12,727	100.0%
優士閣	U-Space	已完工 Completed	62,099	56,583	18,450	9,415	100.0%
京通陽光華苑	Jingtong Sunny Uptown	已完工 Completed	355,239	350,241	28,055	5,075	100.0%
置地星座	Grand Constellation	二零零五年上半年 1H2005	40,589	17,746	7,099	18,382	98.1%
鳳凰城二期	Phoenix City 2	二零零五年下半年 2H2005	129,616	50,781	38,586	11,166	75.0%
成都翡翠城一期	Chengdu Jade City Phase I	二零零五年上半年 1H2005	125,659	121,944	121,944	3,280	95.2%
其它住宅	Other Residential				9,014	3,091	100.0%
停車場	Car Park				18,971	3,019	100.0%

* 總銷售面積是指規劃可銷售面積減去本集團擬持有作長期投資之用的房屋之建築面積。

* Total saleable GFA is defined as areas planned for sales less areas retained for long-term investments by the Group.

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物業投資

本集團目前在北京市的重點投資物業如下：

Property Investment

The Group's key investment properties in Beijing City are as follows:

		本集團實際 擁有的權益 Effective Ownership of the Group	總建築面積 Total GFA (平方米) (Sqm)	類別 Type
西單文化廣場	Xidan Cultural Centre	70.4%	36,184	零售 Retail
華威大廈	Huawei Centre	35.2%	54,214	零售／公寓 Retail/Apartment
華南大廈	Huanan Building	14.7%	70,058	零售 Retail

西單文化廣場的改造工程已經完工，此地下購物街已於去年五月重新開放，出租率現已接近百分之百。本集團計劃通過持有更多的零售物業來增加租賃收入。「置地星座」項目和「優士閣」項目的商場部分將被保留以作長期投資之用。前者建築面積15,882平方米，預定於二零零五年底開放。後者建築面積10,830平方米，暫定於二零零五年下半年開放。

The facelift project of Xidan Cultural Centre was completed and this underground shopping arcade was re-opened in May last year. Occupancy rate is now close to 100%. The Group plans to boost its rental revenues by means of owning more retail properties. The Group will retain the shopping arcades of the Grand Constellation project and the U-Space project for long-term investment purposes. The former consists of a gross area of 15,882 square metres, scheduled for opening by the end of 2005. The latter provides a gross area of 10,830 square metres and is likely to open in the second half year of this year.

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土地儲備

本集團的土地儲備政策是要保證土地儲備能夠滿足最少三年的開發需求。

本集團在去年七月於北京、九月分別於武漢及合肥透過招標、掛牌購入了三塊土地儲備，合共動用人民幣約6億多元，總土地面積322,987平方米，估計總可銷售面積達450,000平方米以上。同時，本集團已經為位於北京的鳳凰城三期及寫字樓項目、雲景華亭、優士閣二期等項目繳清土地出讓金，確保了開發權。此外，管理層今年下半年將積極地在北京以及其他二線城市購入新的土地以進一步加強後續項目的開發。本集團目前擁有的土地儲備縱覽如下：

Land Bank

The Group's policy is to maintain a land bank sufficient for the development for at least 3 years.

Last July, the Group added to its land bank one piece of land in Beijing and, in September, bought another two pieces of land, via tender and listing, in Wuhan and Hefei respectively. Total land costs amounted to more than RMB600 million with total site area of 322,987 square metres and expected total saleable area of more than 450,000 square metres. Meanwhile, the Group has paid the land premium for Phoenix City phase 3 and office project, Majestic Garden project phase 3 and U-Space phase 2 in Beijing in order to secure their development rights. Moreover, management will source new lands in Beijing and other secondary cities pro-actively during the second half of this year to further strengthen the Group's project pipeline. The current land bank of the Group is summarized as follows:

地區	Location	發展中物業 Property under Development	待出售物業 Property held for Sale	投資及 自用物業 Property held for investment or Own Use	長期 土地儲備 Long-term Land Reserve	總建築面積 Total GFA
		(平方米) (GFA Sqm)	(平方米) (GFA Sqm)	(平方米) (GFA Sqm)	(平方米) (GFA Sqm)	(平方米) (GFA Sqm)
北京*	Beijing*	830,116	139,066	101,223	35,625	1,106,030
上海	Shanghai	226,079	0	0	0	226,079
成都	Chengdu	893,212	0	0	0	893,212
武漢	Wuhan	146,900	0	0	0	146,900
合肥	Hefei	186,255	0	0	0	186,255
總數	Total	2,282,561	139,066	101,223	35,625	2,558,475

* 本集團佔北京地區土地儲備70.4%之權益。以上面積均為建築面積。

* The Group has a 70.4% attributable interest in land held by its Beijing subsidiary. The above areas refer to gross floor areas.

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貸款及負債比率

截至二零零四年十二月三十一日，本集團的綜合借貸額為港幣37.5億元。現金及銀行結存為港幣15.4億元，存款中90%以上為人民幣，其餘為美元及港元。本集團的淨負債對股東權益比率為54.2%。

本集團的貸款總額中，約43.4%為人民幣貸款，41.2%為美元貸款，15.5%為港元貸款。美元貸款中有6,500萬安排了匯率對沖，將匯率變動產生的負面風險維持在審慎水平，同時保留若干空間把握匯率變動產生的好處。

截至二零零四年十二月三十一日，本集團約51.6%的銀行貸款於一年內到期，而其餘則為長期貸款。於今年到期的貸款已全部做了再融資安排。

通過利用去年港元及美元利率的息差，並對人民幣貸款進行再融資，本集團把資金成本保持在低水平。目前本集團的港元、美元貸款利率均低於年息3.5%，人民幣貸款利率為基準利率下浮10%（即政策允許的最低水平），去年底的加權平均銀行貸款年息約為3.8%。

在利息上漲的大環境下，本集團會積極研究運用利率對沖手段及管理好現金餘額以降低利息上漲的影響。截至二零零四年十二月三十一日，本集團所有人民幣貸款為固定利率，外幣貸款則全為浮動利率。

Borrowings and Financial Leverage

As of 31st December, 2004, the Group had consolidated borrowings of HK\$3.75 billion. Cash and bank balances were HK\$1.54 billion, of which 90% were denominated in Renminbi, and the rest were in US and HK dollars. The Group's net debt to net equity ratio stood at 54.2%.

Of the Group's total borrowings, about 43.4% were denominated in Renminbi, 41.2% in US dollars and 15.5% were in HK dollars. Amongst the US dollar loans, US\$65 million were hedged against currency risk so as to control the downside risk of currency fluctuation at a prudent level while leaving a certain degree of upside potential.

As of 31st December, 2004, about 51.6% of the Group's bank loans were due within one year and the rest were long term in nature. All of the loans matured within this year have been re-financed.

By taking advantage of the divergence of interest rates between HK and US dollars loans in last year and by re-negotiating its Renminbi loans, the Group maintains its borrowing cost at low levels. The Group's current borrowing costs for the former two were less than 3.5% per annum and that for the latter stands at 10% below the basis interest rate, which is the lowest level allowed by relevant regulations. At the end of last year, the average cost of debt of the Group was around 3.8% per annum.

Given the trend of increasing interest rate, the Group is actively studying the use of interest rate hedging instruments and manages its cash balance in better manner to minimize the adverse effect of interest rate increase. As of 31st December, 2004, all of the Group's Renminbi loans were in fixed rate and the foreign currency loans were in floating rate.

主席報告

Chairman's Statement

僱員及酬金政策

截至二零零四年十二月三十一日，本集團在中國大陸和香港僱用了約1,000多名全職員工（包括屬下的物業及經紀公司）。本集團根據員工的業績表現、工作經驗和市場工資水平來決定員工的薪酬。此外，酌情給予績效獎金，其它員工福利包括公積金、保險與醫療計劃及股票期權計劃。

前景

本集團在戰略清晰、全國布局及成本控制的推動下，預期業績已進入可持續增長期，因此，董事會對未來充滿信心。

目前本集團228萬平方米建築面積的在建工程變現能力強，有緊湊的開發時間表，分別代表了八個主要項目及分布於五個蓬勃的區域市場。由於全國發展戰略的實施，已有效控制了單一城市樓市波動的風險。同時，這些新項目的土地價值均已上漲，預計股本內部收益率都會達雙位數字，以提高公司的淨資產回報率。而且，其中一些項目已經開始了客戶積累工作，反應熱烈，故此管理層對其成功銷售充滿信心。在市場整體供應增長速度不及需求增長速度的前提下，假如房價進一步上漲將會為本集團帶來更大的盈利空間。

Employee and Compensation Policy

As of 31st December, 2004, the Group employed approximately 1,000 full time staff in Mainland China and Hong Kong (including its property management and agency subsidiaries). The Group remunerates its employees based on their performance, work experience and the prevailing market wage level. In addition, performance bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance and medical coverage as well as share option scheme.

Prospects

Driven by the clear strategy, the nationwide expansion and the cost control measures, the Group expects its business results to enter into a period of sustainable growth. As such, the Board of Directors is very confident towards the future.

Currently, the Group's inventory of 2.28 million square metres in GFA terms has high liquidity and tight development schedule. Those sites represent eight key projects spanning across five booming regional markets. As a result of the implementation of our nationwide development strategy, the risk of property market fluctuation within individual city has been effectively controlled. Meanwhile, all the land under new projects have been appreciated and is expected to yield double-digit internal rate of return on capital, which will enhance the Group's overall return on equity. Furthermore, marketing campaign for some of these projects has commenced and was well-received by potential customers. The management is full of confidence that project sales will go well. Since the rate of growth of supply for the entire property market is lower than that of demand, the Group will enjoy even better profitability if property price further increases.

主席報告

Chairman's Statement

今年上半年本集團主要的在售樓盤有北京的鳳凰城二期、置地星座、翡翠城及位於上海的海灘花園一期；預計下半年新開樓盤有北京鳳凰城三期、福提島（即去年在北京大興區新購的地塊），成都翡翠城二期、武漢鳳凰城一期、合肥瀾溪鎮一期等。預計今年能完工結算的項目有北京翡翠城、置地星座、鳳凰城二期及成都翡翠城一期。

最後，我謹代表董事局和股東，向過去一年努力不懈的員工們表達誠摯的謝意。

主席
王印

二零零五年四月七日，香港

The Group's key projects on sale during the first half of this year are Phoenix City 2, Grand Constellation and La Firenze in Beijing as well as the The Bund Side Project phase 1 in Shanghai. New projects expected in the second half year include Beijing Phoenix City phase 3, Fortune Island (i.e. the newly acquired land in Beijing's Daxing District last year), Chengdu Jade City phase 2, Wuhan Phoenix City phase 1 and French Annecy Project phase 1 in Hefei City. Projects expected to be completed this year are La Firenze, Grand Constellation and Phoenix City phase 2 in Beijing as well as Chengdu Jade City phase 1.

Lastly, on behalf of the Board of Directors and the shareholders, I would like to express my sincere appreciation to all the staff for their hard work in the past financial year.

Wang Yin
Chairman

7th April, 2005, Hong Kong