GUANGDONG INVESTMENT LIMITED

(粵 海 投 資 有 限 公 司)

(Incorporated in Hong Kong with limited liability)

(Stock code: 270)

2007 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights for the year ended 31 December

	2007	2006	Changes
	HK$' 000	HK$' 000	%
Revenue	**6,689,132**	6,056,331	10.4
Profit for the year attributable to equity holders of the Company	**1,697,034**	1,506,903	12.6
Earnings per share – Basic	**27.83HK cents**	25.00HK cents	11.3
Dividends per share			
Interim	**5.00HK cents**	5.00HK cents	
Proposed final	**6.00HK cents**	5.00HK cents	
	11.00HK cents	10.00HK cents	10.0
EBITDA	**3,910,660**	3,665,752	6.7

CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "Board") of Guangdong Investment Limited (the "Company" or "GDI") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group" or the "GDI Group") for the year ended 31 December 2007 together with the comparative figures for 2006 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	4	6,689,132	6,056,331
Cost of sales		(3,615,460)	(3,182,968)
Gross profit		3,073,672	2,873,363
Other income and gains	4	123,570	147,376
Selling and distribution costs		(72,631)	(81,046)
Administrative expenses		(498,097)	(429,921)
Other operating income, net		220,658	70,087
Finance costs	5	(490,769)	(653,149)
Share of profits of jointly-controlled entities		3,030	66,858
Share of profits of associates		44,589	54,173
PROFIT BEFORE TAX	6	2,404,022	2,047,741
Tax	7	(406,120)	(268,724)
PROFIT FOR THE YEAR		1,997,902	1,779,017
Attributable to:			
Equity holders of the Company		1,697,034	1,506,903
Minority interests		300,868	272,114
		1,997,902	1,779,017
DIVIDENDS	8		
Interim		305,197	301,447
Proposed final		366,236	304,597
		671,433	606,044
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		27.83 HK cents	25.00 HK cents
Diluted		27.23 HK cents	24.33 HK cents

CONSOLIDATED BALANCE SHEET
31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,265,504	7,544,787
Investment properties		4,277,760	2,385,480
Prepaid land lease payments		4,024,220	4,175,244
Goodwill		256,119	216,127
Interests in jointly-controlled entities		852,142	915,052
Interests in associates		354,424	484,156
Operating right		11,161,801	11,655,088
Deferred tax assets		21,618	22,604
Other long term assets		18	58
Total non-current assets		27,213,606	27,398,596
CURRENT ASSETS			
Available-for-sale investments		42,045	39,591
Tax recoverable		33,437	27,779
Inventories		57,819	59,316
Receivables, prepayments and deposits	10	379,843	329,729
Derivative financial instruments		78,516	64,436
Restricted cash and bank balances		2,824	2,756
Cash and cash equivalents		2,684,533	2,251,659
Total current assets		3,279,017	2,775,266
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(1,416,203)	(1,023,729)
Tax payable		(81,249)	(46,109)
Derivative financial instruments		(277,647)	(235,885)
Due to minority shareholders of subsidiaries		(415,349)	(307,056)
Interest-bearing bank and other borrowings		(292,343)	(205,802)
Non-interest-bearing receipt in advance		(118,200)	(118,200)
Total current liabilities		(2,600,991)	(1,936,781)
NET CURRENT ASSETS		678,026	838,485
TOTAL ASSETS LESS CURRENT LIABILITIES		27,891,632	28,237,081
NON-CURRENT LIABILITIES			
Due to minority shareholders of subsidiaries		(22,594)	(35,555)
Interest-bearing bank and other borrowings		(9,424,694)	(11,374,742)
Non-interest-bearing receipt in advance		(1,654,800)	(1,773,000)
Deferred tax liabilities		(758,058)	(641,794)
Total non-current liabilities		(11,860,146)	(13,825,091)
Net assets		16,031,486	14,411,990

CONSOLIDATED BALANCE SHEET (continued)

31 December 2007

	2007 HK$'000	2006 HK$'000
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	3,051,969	3,045,474
Reserves	10,606,790	9,272,516
Proposed final dividend	366,236	304,597
	14,024,995	12,622,587
Minority interests	2,006,491	1,789,403
Total equity	16,031,486	14,411,990

Notes:

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2. CHANGES IN ACCOUNTING POLICIES

2.1 Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new revised HKFRSs are as follows:

(a) HKFRS 7 "Financial Instruments: Disclosures"

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 "Presentation of Financial Statements - Capital Disclosures"

This amendment requires the Group to make new disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 "Scope of HKFRS 2"

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives"

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

2. CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Impact of new and revised Hong Kong Financial Reporting Standards (continued)

(e) HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment"

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendment	Share-based Payments - Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

Amendment to HKFRS 2 clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based arrangement.

HKFRS 3 (Revised) amended the definition of a business and a business combination and additional guidance was added for identifying when a group of assets constitutes a business. It also clarifies how the acquirer makes any classifications, designations or assessments for the identifiable assets acquired and liabilities assumed in a business combination.

HKFRS 8, which will replace HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

2. CHANGES IN ACCOUNTING POLICIES (continued)

2.2 Impact of issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HKAS 1 has been revised to affect the presentation of owner changes in equity and comprehensive income. The revised standard will use "statement of financial position" and "statement of cash flows" to replace the titles "balance sheet" and "cash flow statement", and in making reference to these two statements within a complete set of financial statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to add new term "non-controlling interest" to replace the term "minority interest", and required the changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity measures any gain or loss arising on the loss of control of a subsidiary.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 "Employee Benefits", on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2007. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development of properties in Mainland China. This segment also provides property management services for certain commercial properties;

(ii) The toll roads and bridges segment invests in various road and bridge projects in Mainland China;

(iii) The water distribution segment operates a water supply project in Mainland China supplying natural water to Hong Kong, Dongguan and Shenzhen;

(iv) The electric power generation segment operates coal-fire power plants supplying electricity in the Guangdong Province, Mainland China;

(v) The hotel operations and management segment operates the Group's hotels in Hong Kong and Mainland China;

(vi) The department stores segment operates department stores in Mainland China; and

(vii) The "others" segment provides credit facilities in Hong Kong and engages in the provision of corporate services to other segments.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets, except that, in respect of the Mainland China segment which substantially comprises the segment assets relating to water distribution located in Mainland China, the segment revenue derived therefrom, including that earned from the Government of the HKSAR, is included under this Mainland China segment. The directors consider this a fairer presentation of information relating to this geographical segment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Property Investment and Development		Toll Roads and Bridges		Water Distribution	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	457,342	428,786	15,688	15,313	3,364,767	3,225,939
Intersegment sales	85,161	81,179	-	-	-	-
Other revenue from external sources (note)	7,263	14,304	1,370	2,968	3,070	-
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange gains/(losses), net	373	(705)	377	(1,555)	(72,112)	(28,716)
Total	550,139	523,564	17,435	16,726	3,295,725	3,197,223
Segment results	1,182,290	450,296	(80,078)	(1,114)	1,772,350	1,740,120
Interest income						
Unallocated other operation income/(expenses), net						
Other unallocated gains, net						
Finance costs						
Share of profits of:						
Jointly-controlled entities	-	-	3,030	66,858	-	-
Associates	-	-	9,566	13,804	-	-
Profit before tax						
Tax						
Profit for the year						

Note: Excluding exchange gains/(losses), net

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Electric Power Generation		Hotel Operations and Management		Department Stores	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	942,576	814,083	335,382	304,306	1,573,377	1,267,904
Intersegment sales	-	-	-	-	-	-
Other revenue from external sources (note)	10,646	8,821	843	675	10,799	14,802
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange gains/(losses), net	1,221	3,772	1,332	834	2,768	888
Total	954,443	826,676	337,557	305,815	1,586,944	1,283,594
Segment results	(288,542)	140,893	96,462	86,632	104,118	90,702
Interest income						
Unallocated other operation income/(expenses), net						
Other unallocated gains, net						
Finance costs						
Share of profits of:						
Jointly-controlled entities	-	-	-	-	-	-
Associates	16,046	29,583	-	-	18,977	10,786
Profit before tax						
Tax						
Profit for the year						

Note: Excluding exchange gains/(losses), net

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	-	-	-	-	6,689,132	6,056,331
Intersegment sales	-	-	(85,161)	(81,179)	-	-
Other revenue from external sources (note)	1,333	24,731	-	-	35,324	66,301
Other revenue from intersegment (note)	2,805	2,721	(2,805)	(2,721)	-	-
Exchange gains/(losses), net	(204)	6,329	-	-	(66,245)	(19,153)
Total	3,934	33,781	(87,966)	(83,900)	6,658,211	6,103,479
Segment results	(27,674)	(4,753)	-	-	2,758,926	2,502,776
Interest income					72,439	72,270
Unallocated other operating income/(expenses), net					1,684	(2,939)
Other unallocated gains, net					14,123	7,752
Finance costs					(490,769)	(653,149)
Share of profits of:						
Jointly-controlled entities	-	-	-	-	3,030	66,858
Associates	-	-	-	-	44,589	54,173
Profit before tax					2,404,022	2,047,741
Tax					(406,120)	(268,724)
Profit for the year					1,997,902	1,779,017

Note: Excluding exchange gains/(losses), net

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Property Investment and Development		Toll Roads and Bridges		Water Distribution	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	5,066,741	3,860,403	96,757	166,411	19,209,653	20,036,056
Interests in associates	-	-	61,426	66,861	-	-
Interests in jointly-controlled entities	-	-	852,142	915,052	-	-
Unallocated assets						
Total assets						
Segment liabilities	588,150	373,397	58,891	57,458	2,018,448	2,047,455
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	34,530	28,078	6,923	6,444	898,370	914,040
Ineffectiveness of cash flow hedges	-	-	-	-	(7,135)	31,867
Impairment losses recognised in the income statement	-	922	76,723	-	-	-
Other non-cash expenses/(income), net	(780,922)	(86,248)	-	-	(109)	50
Capital expenditure	212,914	258,892	79	167	23,254	6,597

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Electric Power Generation		Hotel Operations and Management		Department Stores	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	310,336	550,344	1,666,344	1,652,315	65,904	94,262
Interests in associates	223,385	375,308	-	-	69,613	41,987
Interests in jointly-controlled entities	-	-	-	-	-	-
Unallocated assets						
Total assets						
Segment liabilities	337,451	294,875	54,993	48,697	530,331	389,202
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	52,081	70,547	66,438	61,936	4,950	4,703
Ineffectiveness of cash flow hedges	-	-	-	-	-	-
Impairment losses recognised in the income statement	469,372	31,970	8	5	-	-
Other non-cash expenses/(income), net	-	1,507	(87)	25	-	-
Capital expenditure	21,133	25,528	21,083	29,117	8,172	7,764

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	5,417	3,330	-	-	26,421,152	26,363,121
Interests in associates	-	-	-	-	354,424	484,156
Interests in jointly-controlled entities	-	-	-	-	852,142	915,052
Unallocated assets					2,864,905	2,411,533
Total assets					30,492,623	30,173,862
Segment liabilities	20,443	23,428	-	-	3,608,707	3,234,512
Unallocated liabilities					10,852,430	12,527,360
Total liabilities					14,461,137	15,761,872
Other segment information:						
Depreciation and amortisation	196	145	-	-	1,063,488	1,085,893
Ineffectiveness of cash flow hedges	-	-	-	-	(7,135)	31,867
Impairment losses recognised in the income statement	-	-	-	-	546,103	32,897
Other non-cash expenses/(income), net	-	-	-	-	(781,118)	(84,666)
Capital expenditure	313	468	-	-	286,948	328,533

3. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and capital expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group

	Hong Kong		Mainland China		Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:										
Sales to external customers	205,871	183,597	6,483,261	5,872,734	-	-	-	-	6,689,132	6,056,331
Other segment information:										
Segment assets	1,874,928	1,834,697	24,546,224	24,528,424	-	-	-	-	26,421,152	26,363,121
Capital expenditure	13,070	7,910	273,878	320,623	-	-	-	-	286,948	328,533

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of water and electricity sold; the gross invoiced revenue arising from the sale of goods in department stores; rental income; revenue from hotel ownership and operations; and toll revenue, after eliminations of all significant intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	2007 HK$'000	2006 HK$'000
Revenue		
Sale of water and electricity	4,307,343	4,040,022
Sale of goods	1,573,377	1,267,904
Hotel and rental income	792,724	733,092
Toll revenue	15,688	15,313
	6,689,132	6,056,331
Other income		
Bank interest income	72,439	72,270
Excess over the cost of business combinations	2,141	3,939
Dividend income from available-for-sale investments	1,684	1,053
Others	40,171	37,743
	116,435	115,005
Gains		
Ineffectiveness of cash flow hedges	7,135	(31,867)
Gain on disposal of available-for-sale investments	-	39,619
Write-back of an other payable	-	23,154
Others	-	1,465
	7,135	32,371
	123,570	147,376

5. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank loans and other borrowings wholly repayable [(1)]:		
Within five years	79,128	112,958
Over five years	398,152	482,374
Total interest expense on financial liabilities not at fair value through profit or loss	477,280	595,332
Finance charges on cash flow hedges, net	11,522	12,693
Other finance costs	1,967	45,124
Total finance costs for the year	490,769	653,149

(1) Net of government grants of HK$52,595,000 (2006: HK$58,762,000) in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of the Phase IV Renovation Project. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007 HK$'000	2006 HK$'000
Cost of inventories sold*	1,874,053	1,511,565
Depreciation	412,609	432,581
Recognition of prepaid land lease payments	157,549	158,250
Amortisation of the operating right*	493,287	493,287
Minimum lease payments under operating leases in respect of land and buildings	9,998	7,725
Auditors' remuneration	5,755	4,905
Employee benefits expense (excluding directors' remuneration)		
Wages and salaries	305,645	274,528
Equity-settled share option expense	-	3,366
Pension scheme contributions	26,159	19,334
Less: Forfeited contributions	(213)	(18)
Net pension scheme contributions#	25,946	19,316
	331,591	297,210
Gross rental income from investment properties	(326,833)	(308,832)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	1,959	3,120
Net rental income from investment properties	(324,874)	(305,712)
Foreign exchange differences, net	66,245	19,153
Changes in fair value of investment properties^	(780,921)	(86,248)
Impairment of items of property, plant and equipment^	394,282	31,970
Impairment of interests in an associate^	151,813	-
Write-off of construction in progress^	5,115	-
Loss/(gain) on disposal of items of property, plant and equipment, net^	5,039	(22,596)
Loss on disposal of subsidiaries^	-	3,992
Provision/(write-back of provision) for inventories, net^	(197)	1,582
Impairment of trade receivables^	8	927

* These costs and expenses are included in "Cost of sales" on the face of the consolidated income statement.

\# As at 31 December 2006 and 2007, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension scheme in future years.

^ Included in "Other operating income, net" on the face of the consolidated income statement.

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China and elsewhere have been calculated at the rates of tax prevailing in those places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the PRC income tax law, enterprises are subject to corporate income tax ("CIT") at a rate of 33%. However, pursuant to the PRC income tax laws, certain of the Group's PRC subsidiaries are entitled to a preferential tax treatment with full tax exemption from CIT for the two years starting from the first profitable year of operation, followed by a 50% reduction in CIT rate for the next three years.

	2007 HK$'000	2006 HK$'000
Group:		
Current - Hong Kong		
Charge for the year	6,009	5,439
Overprovision in prior years	(5)	(12)
Current - Mainland China		
Charge for the year	320,783	240,137
Underprovision in prior years	7,388	10,943
Deferred	71,945	12,217
Total tax charge for the year	406,120	268,724

The share of tax attributable to jointly-controlled entities and associates amounting to HK$47,854,000 (2006: HK$8,321,000) and HK$13,895,000 (2006: HK$19,035,000), respectively, is included in "Share of profits of jointly-controlled entities" and "Share of profits of associates" on the face of the consolidated income statement.

8. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim – 5.0 HK cents (2006: 5.0 HK cents) per Ordinary Share	305,197	301,447
Proposed final – 6.0 HK cents (2006: 5.0 HK cents) per Ordinary Share	366,236	304,597
	671,433	606,044

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The total final dividend payable is based on the total number of shares as at the date of approval of these financial statements by the board of directors which includes the shares issued subsequent to the balance sheet date.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of the basic and diluted earnings per share are based on:

	2007 HK$'000	2006 HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	1,697,034	1,506,903

	Number of shares 2007	 2006
Shares:		
Weighted average number of Ordinary Shares in issue during the year used in the basic earnings per share calculation	6,097,594,400	6,027,048,811
Effect of dilution - weighted average number of Ordinary Shares that assumed to have been issued:		
Share options*	134,482,779	165,841,079
For the purpose of diluted earnings per share calculation	6,232,077,179	6,192,889,890

* No share options (2006: share options expiring on 10 June 2011) had an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the year ended 31 December 2007.

10. RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the Group's receivable, prepayments and deposits are trade receivables, net of impairments, from the Group's customers. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the electricity supply business (2006: water supply business) and the Group has a certain concentration of credit risk as 33% (2006: 27%) of the total trade receivables were due from one of the Group's major customers.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Within 3 months	200,656	119,482
3 months to 6 months	258	86
6 months to 1 year	15	484
More than 1 year	11,030	10,664
	211,959	130,716
Less: Impairments	(11,030)	(11,022)
	200,929	119,694

11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

Included in the Group's payables, accruals and other liabilities are trade payables. An aged analysis of the Group's trade payables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Within 3 months	211,740	148,091
3 months to 6 months	9,924	3,736
6 months to 1 year	4,815	1,958
More than 1 year	-	5,356
	226,479	159,141

12. POST BALANCE SHEET EVENTS

(i) Subsequent to the balance sheet date, Guangdong Power (International) Limited, a 51%-owned subsidiary of the Company, entered into the framework agreement with Guangdong Yudean Group Co., Ltd. and Guangdong Electric Power Development Co., Ltd. regarding possible investment in the construction of two 600-megawatt power generation units (the "Proposed Project") in Yue Jiang. At present, it is estimated that the Proposed Project will have a total investment cost of approximately RMB4.7 billion. Many aspects of the matters envisaged in the framework agreement remain the subject of further negotiation between the parties and it is likely to entail the entering into formal contracts. In addition, the implementation of the Proposed Project will be contingent upon, among other things, the PRC Government approvals being obtained.

(ii) Subsequent to the balance sheet date, the Company succeeded in its bid for the acquisition of certain existing hydro-power generation units in the Yangshan County and the right to, inter alia, upgrade and redevelop the same (the "Yangshan Project"). At present, it is estimated that the Yangshan Project will have a total investment cost of approximately RMB510 million and after the upgrading and redevelopment the total capacity will be increased to 37.5-megawatt. The upgrading and redevelopment as aforesaid is however conditional upon all the PRC Government approvals being obtained.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to be able to report that our results for 2007 has continued to maintain a steady growth. For the year 2007, the Group's audited consolidated net profit attributable to shareholders amounted to HK$1,697 million, (2006: HK$1,507 million), representing a growth of 12.6% as compared with 2006. The basic earnings per share were 27.83 HK cents (2006: 25.00 HK cents), representing a growth of 11.3% as compared with 2006.

DIVIDEND

The Board recommends a final dividend of 6.0 HK cents per share for 2007. Aggregating such dividend with the interim dividend of 5.0 HK cents per share which has already been paid in 2007, the total dividend for the entire year will be 11.0 HK cents per share (2006: 10.0 HK cents). The said final dividend for 2007, if approved by the shareholders of the Company at the annual general meeting, will be paid on 27 June 2008.

REVIEW

In 2007, the Group continued to further develop and strengthen our core corporate values and cultures by enhancing communication, refining rules and regulations and stepping up our human resources management. We have further standardised various operating procedures and improved the quality of the management team. We followed our strategy to seek growth in business sectors where we have competitive advantages, enhance our overall market position and increase profitability. Forward looking management practices and innovative business plans have also been adopted to reduce cost and increase efficiency. And by raising standard of our management, profit maximization is achieved.

Through the effort of management, the Group's net profit attributable to shareholders has increased by 12.6% to HK$1,697 million, and our profit before tax increase 17.4%(i.e. HK$356 million) to HK$2,404 million. The growth was mainly contributed by our water distribution and property investment and development businesses by their respective contribution being HK$235 million and HK$745 million. This is however offset in part by the impairment losses of HK$546 million in the electric power generation segment and the toll roads and bridges segment. The growth in water distribution came from the increase in water supply to Shenzhen and Dongguan and increase in water tariffs for these areas. The significant growth in property investment and development was due to the revaluation gain in Teem Plaza property in Guangzhou amounting to HK$718 million.

PROSPECTS

With the rapid economic growth and the continuing improvement in the standard of living in Mainland China, the significance of quality water resources is becoming prominent and the demand for water supply will gradually increase. This will maintain the revenue growth of our water distribution business in the PRC.

All the Group's other businesses are expected to benefit from China's rapid economic growth. Notwithstanding the different degrees of market competition faced by the businesses and the increasing pressure of rising costs, the management believes that with our corporate culture of "Credibility, Integrity and Profitability', the solid foundation of our Group, and also our dedicated team of professionals, the businesses of the Group as a whole will be able to stay on course with their upward trends.

In line with its business strategy, the Group is stepping up its business development efforts, with particular emphasis on utilities and infrastructure. The management is at present closely tracking the market situation and is also actively exploring a number of possible water resources and power generation related projects, including hydro-power projects, as well as possible new investments in highway projects so as to create even higher values for shareholders. When opportunities arise, the Company will spin off its non-core businesses.

Finally, on behalf of the Board, I would like to thank all the shareholders for their support and also all our management and staff for their dedication and hard work and the good results they have helped the Group to achieve.

LI Wenyue
Chairman
Hong Kong, 14 April 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2007 was HK$6,689 million (2006: HK$6,056 million), an increase of 10.4% as compared with year 2006. All the Group's six business sectors, namely water distribution, electric power generation, toll roads and bridges, property investment and development, department stores, and hotel operations and management, achieved satisfactory growth.

The consolidated net profit attributable to shareholders of the Group for 2007 amounted to HK$1,697 million (2006: HK$1,507 million), an increase of HK$190 million or 12.6%. The water distribution business remains the major source of our profit. The growth in water distribution came from the increase in water supply to Shenzhen and Dongguan and increase in water tariffs for these areas. Our water distribution business has therefore continued to provide stable profit contribution to the Group. Due to continued repayment of outstanding borrowings, reduction of the effective interest rate in 2007 of certain credit facility from 8% to 4.74% per annum after successful refinancing in December 2006 and no refinancing cost to be paid in 2007, the Group's finance cost for the year has decreased by HK$162 million to HK$491 million.

An increase in the fair value of investment properties for HK$781 million (2006: HK$86 million), an impairment of items of property, plant and equipment for HK$394 million (2006: HK$32 million) and impairment of interests in an associate for HK$152 million (2006: Nil) were recorded in the consolidated income statement for the year.

The earnings before interest, tax, depreciation and amortisation (''EBITDA'') of the Group for 2007 increased by 6.7% to HK$3,911 million (2006: HK$3,666 million).

The basic earnings per share were 27.83 HK cents (2006: 25.00 HK cents), representing an increase of 11.3% as compared with 2006.

BUSINESS OVERVIEW

A summary of the performance of the Group's major business during 2007 is as follows:

Water Distribution

Profit contribution from the Dongshen Water Supply Project remained significant to the Group. The Group's interest in the holding company of the Dongshen Water Supply Project has increased by 0.55% to 88.17% during the year. The holding company in turn has 99% interest in the Dongshen Water Supply Project.

The planned annual capacity of water supply is 2.423 billion cubic meters. The total water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 2.089 billion cubic meters (2006: 1.860 billion cubic meters), an increase of 12.3%, generating revenue amounted to HK$3,364,767,000 (2006: HK$3,225,939,000), an increase of 4.3%.

According to the Hong Kong Water Supply Agreement for 2006 to 2008 (the "2006 Water Supply Agreement") as concluded between the Government of Hong Kong and the Guangdong Provincial Government in 2006, the total annual revenue for water sales to Hong Kong is fixed at HK$2,494,800,000. As compared with the total annual revenue for the Hong Kong water sales for respectively 2004 and 2005, there was a slight decrease of HK$34,900,000 in each year from 2006 to 2008. The Guangdong Provincial Government has undertaken to subsidy the Group for any adverse impact of the 2006 Water Supply Agreement. The details for the implementation of the subsidy arrangement are still being worked out with the Guangdong Provincial Government.

The water sales volume to the Shenzhen and Dongguan areas increased by 10.5% to 1,374 million cubic meters during the year (2006: 1,243 million cubic meters). Unlike in 2006 when because of the unusual heavy rainfall in the Shenzhen and Dongguan areas, those two areas used less water from the Dongshen Water Supply Project, the water demand of those two areas in 2007 had reverted to its normal level. Benefiting from the increase in water sales volume and the increase in water tariffs for Shenzhen and Dongguan areas that came into effect in mid 2006, the water sales revenue to the Shenzhen and Dongguan areas in 2007 increased by 18.99% to HK$869,967,000 (2006: HK$731,139,000).

Given the continuing repayment of outstanding borrowings, the reduction of the effective interest rate of certain credit facility from 8% to 4.74% per annum in 2007 after the successful refinancing in December 2006 and also that there was no further refinancing cost that would need to be paid in 2007, interest expenses decreased by HK$165 million to HK$489 million.

The profit before tax of the water distribution business for the year under review was HK$1,296 million (2006: HK$1,061 million), an increase of 22.15%.

Electric Power Generation

Shaoguan Power Plant D ("Shaoguan PPD")

The Group's effective interest in Shaoguan PPD is 45.9% (Guangdong Power (International) Limited ("GPIL"), which is a 51% owned subsidiary of the Company, holding a 90% interest in the project). Shaoguan PPD has 1 power unit with installed capacity of 200 MW. The sales of electricity for the year reached 1,356 million kwh (2006: 1,281 million kwh), an increase of 5.9%. Sales revenue for the year reached HK$582,574,000 (2006: HK$520,491,000), an increase of 11.9%. The increase in revenue was mainly due to the increases in both the electricity sales and the tariff.

In January 2008, GPIL entered into the framework agreement with 廣東省粵電集團有限公司 (Guangdong Yudean Group Co., Ltd.) and 廣東電力發展股份有限公司 (Guangdong Electric Power Development Co., Ltd.) regarding possible investment in the construction of two 600 MW power generation units (the "Proposed Project"). In order to facilitate the obtaining of all requisite PRC government approvals for the Proposed Project, the existing power unit will be closed down before the end of 2010. Accordingly, Shaoguan PPD has made impairment provision of HK$254,667,000 for the power unit for the year 2007. The loss before tax for the year was HK$152,078,000 (2006: profit before tax HK$70,587,000). Excluding the effect of the impairment provision, the before-tax profit was HK$102,589,000 (2006: HK$102,557,000).

Zhongshan Power Plant

The Group's effective interest in Zhongshan Power Plant is 59.85% (a 95% owned subsidiary of the Company holding a 63% interest in the project). Zhongshan Power Plant has 2 power units with a total installed capacity of 110 MW. Sales of electricity for the year reached 749 million kwh (2006: 669 million kwh), an increase of 12.0%. Sales revenue for the year reached HK$350,239,000 (2006: HK$293,592,000), an increase of 19.3%. The increase in revenue was mainly due to increases in both the electricity sales and the tariff.

On 28 March 2007, a letter of intent was executed between our group and 中山興中集團有限公司 regarding a proposed project for the construction of two 300 MW power generation units utilising the existing land and production facilities of Zhongshan Power. In order to facilitate the obtaining of all requisite PRC government approvals for this proposed project, the existing power units may be closed down in the future. Accordingly, Zhongshan Power Plant has made impairment provision of HK$62,892,000 in relation to the power units during the year. The profit before tax for the year was HK$22,131,000 (2006: HK$66,898,000). Excluding the effect of the impairment provision, the profit before tax was HK$85,023,000 (2006: HK$66,898,000).

廣東省韶關粵江發電有限責任公司 (Guangdong Shaoguan Yue Jiang Power Supply Limited) ("Yue Jiang Power Plant")

The Group's effective interest in Yue Jiang Power Plant is 11.48% (Shaoguan PPD holding 25% interest in this project). Yue Jiang Power Plant has 2 power units with a total installed capacity of 600 MW. Sales of electricity for the year amounted to 3,447 million kwh (2006: 3,649 million kwh), a decrease of 5.5%. Sales revenue for the year amounted to HK$1,405,802,000 (2006: HK$1,394,031,000), an increase of 0.8%. The profit before tax for the year was HK$25,072,000 (2006: HK$136,736,000). The decrease in profit before tax was mainly due to increases in both power generation cost and repair and maintenance cost.

Meixian Power Plant

The Group's effective interest in Meixian Power Plant is 12.25% (a 49% associate of the Company, Guangdong Power Investment Limited, holding a 25% interest in the project).

The Meixian Power Plant has at present 4 power units with a total installed capacity of 520MW. Given the current PRC government policy emphasizing on sustainable development, energy conservation and environmental protection, the way forward for many power plants would be to replace their existing coal-fired power units with bigger, more energy-efficient and more environment friendly ones. In preparation for such a potential development for the Meixian Power Plant, it may be necessary for the Meixian Power Plant to close down its two existing 125MW power units in or about 2009. In view of the possible impact of such closure, the Group has made an impairment provision of HK$152 million during the year under review.

Toll Roads and Bridges

"1 Road and 2 Bridges"

In 2007, the profit before tax of the Group's 51% owned jointly-controlled entity (the "JCE") which holds interests in the "1 Road and 2 Bridges" project amounted to HK$99,774,000 in aggregate (2006: HK$147,409,000). The decrease in profit was attributable to an adjustment regarding the profit recognition in respect of the Humen Bridge project.

(i) Humen Bridge

Following the profit recognition adjustment as aforesaid, the profits of the project company for the Humen Bridge recognised as attributable to the JCE is 19.5%. During the year, the average daily traffic flow of this bridge increased by 22.2% to 61,868 vehicle trips (2006: 50,612 vehicle trips). Revenue for the year reached HK$1,038,315,000 (2006: HK$805,586,000), an increase of 28.9%. The congested traffic condition of the Guangshen Highway caused by the repair and maintenance works made an increasing number of vehicles to use the Humen Bridge instead. In addition, with private cars becoming a popular means of transport in the Pearl River Delta, the traffic flow of light vehicles has also increased. With further repayment of shareholders' loans, finance costs decreased by HK$32,852,000 as compared with that of 2006. Accordingly, the profit before tax for the year increased by 44.2% to HK$745,956,000 (2006: HK$517,157,000).

(ii) Shantou Haiwan Bridge

The JCE holds a 30% interest in this project. During the year, the average daily traffic flow of this bridge increased by 10.2% to 12,260 vehicle trips (2006: 11,130 vehicle trips). As there were more heavy vehicles that paid a higher tariff using the road, revenue increased by 18.1% to HK$164,908,000 (2006: HK$139,610,000). The profit before tax for the year increased by 25.8% to HK$122,815,000 (2006: HK$97,623,000).

(iii) Guangzhou-Shantou Highway (Huizhou Section)

The JCE holds a 51% interest in this project. During the year, the average daily traffic flow of this highway has increased by 1.3% to 17,446 vehicle trips (2006: 17,216 vehicle trips). Revenue for the year was HK$64,696,000 (2006: HK$62,254,000), an increase of 3.9%. Profit before tax for the year was HK$13,301,000 (2006: loss before tax HK$1,665,000) mainly due to the decrease in road repair and maintenance cost.

Yingkeng Highway

The Group's effective interest in this project is 70%. During the year, the average daily traffic flow of this highway decreased by 12.8% to 4,478 vehicle trips (2006: 5,138 vehicle trips). There were more heavy vehicles paying a higher tariff using the road. As a result, revenue increased by 2.4% to HK$15,688,000 (2006: HK$15,313,000). The wear and tear occasioned by the increased heavy vehicle traffic has however significantly increased the road repair and maintenance cost not only this year but also in years to come. In view of the impact this will have on the future cashflow of the highway, a provision of diminution in value of HK$76,723,000 was made during the year.

In 2007, a loss before tax of HK$81,162,000 (2006: profit before tax of HK$1,687,000) was recorded as a result of the provision of diminution in value.

Panyu Bridge

The Group's effective interest in this project is 20%. During the year, the average daily traffic flow of this bridge decreased by 22.5% to 53,010 vehicle trips (2006: 68,439 vehicle trips). The Xin Guang Highway which opened in late 2006 has diverted part of Panyu Bridge's traffic flow. As a result, revenue for the year has decreased by 22.3% to HK$126,046,000 (2006: HK$162,200,000). The profit before tax for the year was HK$52,826,000 (2006: HK$74,616,000), a decrease of 29.2%.

Property Investment

Mainland China

Teem Plaza

At the balance sheet date, the Group holds an effective equity interest of 75.85% in 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited), which owns the Teem Plaza comprising of a shopping mall and two tower blocks.

Revenue of the plaza, comprising rental income from shopping mall (including rentals from department store run by the Group) and East Tower, during the year reached HK$481,498,000 (2006: HK$408,184,000), an increase of 18.0%. The profit before tax for the year increased by 225.0% to HK$1,061,264,000 (2006: HK$326,539,000), which included the effect of the increase in valuation of the shopping mall and the initial recognition of valuation gain on East Tower totally amounted to HK$717,983,000 (2006: HK$41,287,000).

The Teemall, one of the most popular shopping malls in the premier area of Guangzhou, has a total gross floor area and lettable area of approximately 160,000 square metres and 96,543 square metres, respectively. The mall continued to enjoy high average occupancy rate of approximately 99% during the year (2006: 99%). The mall is successful in retaining existing brand-name tenants and attracting new ones. The strong demands for shop spaces in the mall and the introduction of the open tender system for selecting tenants resulted in substantial rental increases.

The East Tower, also known as the Teem Tower (粵海天河城大厦), is a 45-storey A-class office tower, with a total gross floor area and lettable area of approximately 102,000 square metres and 90,000 square metres respectively. Colliers International, a prestigious international property agent, has been engaged to market and promote the leasing of all the East Tower units. The responses to the leasing are encouraging and not only a number of multinational companies but also the consulate of a European country have already taken up leases.

The West Tower, which is expected to be completed in 2009, will be a 5-star hotel with approximately 450 hotel rooms. Sheraton Overseas Management Corporation, a renowned international hotel management company, has been engaged to operate, manage and promote the hotel under the name of Sheraton Guangzhou Hotel (粵海喜來登酒店) for an initial 10-year term. The estimated total development cost of the West Tower (inclusive of also the historic land and further development costs now attributed to the West Tower) is about HK$780 million, of which approximately HK$182 million has been invested as at the balance sheet date.

Hong Kong

Guangdong Investment Tower

The average occupancy rate at the Guangdong Investment Tower for 2007 was 98.37% (2006: 89.29%), 9.08% higher than 2006. This was mainly because the ground floor shop units had been leased to a major bank following the completion of the required renovation and improvement works. As a result of the increases in both occupancy rate and average rent rate, the total rental income for 2007 was HK$30,384,000 (2006: HK$19,612,000), an increase of 54.9%.

Department Stores

At the balance sheet date, the Group holds an effective equity interest of 85.03% in 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) (“GDTDS”) for the operation of department stores.

GDTDS operates with a total leased area of approximately 38,837 square metres (2006: 40,066 square metres) selling a wide range of products and its sales rank very high among the major department stores in Guangzhou. During the year, GDTDS had a record high revenue of HK$1,573,377,000 (2006: HK$1,267,903,000), an increase of 24.1%. The increase in revenue arose from the success of the various promotion activities throughout the year and the adjustments in the product mix, especially with respect to the jewellery and gold accessories corners. The profit before tax for the year was HK$134,846,000 (2006: HK$96,689,000), an increase of 39.5%

廣東吉之島天貿百貨有限公司 (Guangdong Jusco Teem Stores Co., Ltd.), an 26.55% associate of the Group, is jointly managed by 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited) and JUSCO Japan. It has achieved satisfactory growth in its business since its establishment in 1996.

Hotel Operations and Management

As at 31 December 2007, our hotel management team managed a total of 48 hotels (2006: 25 hotels), of which 2 were in Hong Kong, 1 in Macau and 45 in Mainland China. Of these 48 hotels, 8 were owned by the Group (2 in Hong Kong, 4 in Shenzhen, 1 in Zhuhai and 1 in Changzhou).

During the year under review, the hotel management business maintained its healthy growth and there has been a very encouraging increase in not only the number of hotels under our management but also the synergy within such a hotel network. The average room rate of the 4 existing star-rated hotels of the Group in respectively Hong Kong, Shenzhen, and Zhuhai was HK$571, an increase of 5.0% as compared with that of the last year. This was the result of the management’s effort in attracting a more upmarket clientele. In addition, with the Changzhou limited services hotel upgraded to a 4-star hotel during the year, the total number of our star-rated hotels has increased to 5. For the hotel management business as a whole together with all the 5 hotels as aforesaid, the revenue for the year increased by 9.9% to HK$310,608,000 (2006: HK$282,660,000), and their profit before tax increased by 17.8% to HK$71,115,000 (2006: HK$60,372,000).

The Group also operated a chain of limited service hotels under the "粵海之星商務快捷連鎖酒店" brand name to meet the increasing demands of budget conscious travelers in Mainland China. The aggregate revenue from these hotels for the year increased by 14.5% to HK$24,774,000 (2006: HK$21,646,000) and their profit before tax increased by 598% to HK$3,016,000 (2006: HK$432,000).

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2007, the cash and bank balances of the Group increased by HK$433 million to HK$2,687 million (2006: HK$2,254 million), of which 6% in Hong Kong dollars, 74% in Renminbi and 20% in US dollars.

During the year under review, the level of the Group's financial borrowing decreased by HK$1,982 million. The decrease was mainly due to the repayment of certain interest-bearing debts during the year.

As at 31 December 2007, the Group's financial borrowings amounted to HK$11,490 million (2006: HK$13,472 million), of which 10% in Renminbi and 90% in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK$1,773 million. Of the Group's total financial borrowings, HK$411 million was repayable within one year while the remaining balance of HK$2,622 million and HK$8,457 million are repayable within two to five years and beyond five years from the balance sheet date, respectively.

Other than the bank debts incurred in respect of our water distribution business, the Group maintained credit facilities of RMB50 million as at 31 December 2007 (2006: RMB50 million).

The gearing (i.e. net financial indebtedness/ net asset value (excluded minority interests)) of the Group as at 31 December 2007 was 0.66 times (2006: 0.92 times). The improvement is in fact a reflection of the reduction in the level of the Group's financial borrowings and the increase in the net assets of the Group. The Group is in a healthy debt servicing position as the EBITDA / finance cost is 7.97 times (2006: 5.61 times).

The existing cash resources and available credit facilities of the Group, together with steady cash flows generated from the Group's operations, are sufficient to meet the Group's payment obligation and business requirements.

PLEDGE OF ASSETS

As at 31 December 2007, none of the Group's property, plant and equipment, investment properties and bank deposits was pledged to secure general banking facilities granted to the Group (2006: Nil).

CAPITAL EXPENDITURE

The Group's capital expenditure in 2007 amounted to HK$287 million which was principally related to the construction in progress of the East Tower at Guangzhou Teemall Plaza and the renovation works for our hotels.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 31 December 2007, total Renminbi borrowings amounted to HK$1,168 million (2006: HK$1,295 million).

As at 31 December 2007, the Group's total floating rate borrowings amounted to HK$9,717 million (2006: HK$11,548 million). For the purpose of interest rate risk management, the group entered certain fixed or re-indexing interest rate swap agreements, amounting to HK$7,400 million (2006: HK$7,400 million), with an average remaining life ranging from 1 to 5 years.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2007, the Group had a total of 3,736 employees, of which 863 were at the managerial level. Among the employees, 3,498 were employed by subsidiaries in Mainland China and 238 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK$305,645,000 (2006: HK$274,528,000).

In 2007, based upon our achievement in building up and strengthening our human resources, the Group has further formalized and consolidated the "Credibility, Integrity and Profitability" core values of our corporate culture. And by reinforcing the various mechanisms in our business management system and enhancing the optimisation of our staff through the reward and discipline process, we have raised the overall standard of all our staff. The improvement in the quality and competence of our management team is particularly marked. The Group has in place the mechanism for regular performance appraisals and feedback of our senior management staff to ensure their integrity and high performance. Our remuneration and incentive packages for our employees are driven mainly by the operating results of their respective companies. In order to effectively motivate our staff to actively create added value in their work, the incentive bonuses we pay to our management, key staff in their respective fields and staff with outstanding performance are determined not only by reference to the operating net cash flow and profits after tax of their respective companies, but also by applying a progressive scale on the operating results of their companies and further taking into account of the individual performance of the staff concerned. Moreover, the Group has adopted a share option scheme to attract, retain and motivate outstanding staff to contribute to the continuing success of the Group in the long run. In terms of staff training and development, the Group encourages its staff to actively participate in relevant professional development and training programs. The Group has also continued to offer on an on-going basis its various functional skill-based and general corporate culture internal training to upgrade the overall quality of all our staff and thereby laying a solid foundation for the continual growth and development of the Group in years to come.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group recognizes the importance of achieving and monitoring the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the directors of the Company, the Company has met the code provisions set out in the CG Code.

REVIEW OF RESULTS

The results of the Group for the year ended 31 December 2007 have been reviewed by the audit committee of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited save and except that the Company has issued the following new ordinary shares to certain option holders pursuant to the Company's share option scheme during the year:

	No. of new ordinary shares issued	**Exercise price per ordinary share** HK$	**Cash consideration** HK$
	3,300,000	1.22	4,026,000
	3,390,000	1.25	4,237,500
	4,400,000	1.59	6,996,000
	1,900,000	3.405	6,469,500
Total	12,990,000		21,729,000

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 June 2008 to Wednesday, 18 June 2008, both days inclusive, during such period no transfer of shares will be registered.

In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 June 2008.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.gdi.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The annual report of the Company for 2007 containing all the information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By order of the Board
LI Wenyue
Chairman

Hong Kong, 14 April 2008

As at the date of this announcement, the Board of the Company comprises three executive directors, Mr. LI Wenyue, Mr. ZHANG Hui and Mr. LI Wai Keung; six non-executive directors, Mr. CHENG Mo Chi, Moses, Mr. JIANG Jin, Mr. ZHAI Zhiming, Mr. SUN Yingming, Ms. WANG Xiaofeng and Ms. XU Wenfang; and three independent non-executive directors, Mr. CHAN Cho Chak, John, Dr. The Honourable LI Kwok Po, David and Mr. FUNG, Daniel R..