越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

Announcement of 2008 Final Results

Results highlights

• Profit before tax	HK$1,377 million (-21.6%)
• Profit before tax (excluding fair value gains/losses on revaluation of investment properties)	HK$1,648 million (+18.2%)
• Profit attributable to equity holders of the Company	HK$608 million (-41%)
• Profit attributable to equity holders of the Company (excluding fair value gains/losses on revaluation of investment properties - after taxation and shares by minority interests)	HK$805 million (+5.1%)
• Gearing ratio	31.5% (2007：40%)
• Property Contract sales GFA	360,000 square metres (+37%)

Chairman's Statement

The year 2008 is a year of unprecedented proportions. Immediately after the outbreak of the global financial tsunami, corporate profits and fair values plummeted. The Group quickly responded by restructuring its business structures, including the timely disposal of its non-core newsprint business, to effectively control potential corporate risks, thereby focusing on its core property development business, significantly reducing its gearing ratio, rationalizing the Company's capital structure and improving its competitiveness. Meanwhile, it proactively adjusted its operating strategies and adopted various effective measures, and attained the business targets set for the year.

The Board recommends the distribution of a final dividend of HK0.80 cent per share (2007: HK2.50 cents). Together with the interim dividend of HK2.60 cents per share (2007: HK2.30 cents), the dividend payout ratio for the year is 39.86%.

Market Analysis

In 2008, as the global financial tsunami triggered by the US subprime mortgage crisis ravaged the world, the Chinese economy was and still is resilient. The GDP of China increased by 9.0% year-on-year, while the GDP of Guangzhou, the third largest city in China, rose 12.3% year-on-year to RMB821.6 billion.

During the reporting period, the domestic property sector entered a phase of consolidation after breakneck growth in recent years. During the year, the transacted gross floor area (GFA) in commodity housing nationwide fell by 19.7% year-on-year while transaction value fell by 19.5% year-on-year. The transacted GFA in commodity housing in Guangzhou fell by 34.8% year-on-year to 7,040,000 square metres while transaction value fell by 28.9% year-on-year to RMB67.1 billion. The average transaction price rose 9.1% year-on-year to RMB9,528 per square metre, though it was lower than the prices recorded in October 2007.

The Chinese government's macro-economic control policies were instrumental in stablising the market in the first half of 2008 and cooling of the overheating domestic property sector. In response to the drastic changes in the global financial market, the Central Government swiftly focused on boosting economic growth as its primary objective. To combat the economic downturn, a series of stimulus package and measures, such as reduction of bank capital adequacy ratio and interest rates, was successively rolled out. Meanwhile, the Central and regional governments also introduced preferential policies to boost the property sector and encourage the purchase of commercial residential housing, with a view to proactively promoting the healthy development of the property market.

Liquidity and Risks Management

The Group knows well that sound liquidity is the mainstay of healthy corporate development. Accordingly, the Group attaches great importance to the management of its liquidity and business risks. The Group took a couple of strategic pre-emptive moves in preserving its sound liquidity position before the end of the reporting period.

Riding on the back of a strong and stable recurring rental income, quality assets in prime locations and professional management, GZI Real Estate Investment Trust (GZI REIT), an associated entity in which the Group holds a 35.58% interest, successfully arranged and draw-downed a HK$2.1 billion three year term loan in early November 2008 shortly after the collapse of Lehman Brothers in the United States, when liquidity virtually dried up as confidence in almost every quarter faltered. The loan was 1.5 times over-subscribed by major banks in Hong Kong. The proceeds of the loan were used to refinance an existing term loan facility and related hedging arrangements that were to fall due in December 2008.

With the support of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the Group was able to timely dispose of the non-core newsprint business before the end of the reporting year. As a result, the financial position of the Group was significantly enhanced with the gearing ratio of the Group decreased from 40% at the end of 2007 to 31.5% at the end of 2008 and bank borrowings of the Group decreased from HK$12,238 million at the end of 2007 to HK$9,729 million at the end of the reporting year, representing a decrease of 21%.

Business Restructuring

During the year, the Group identified property as the strategic core business of the Group and carried out a restructuring of its businesses by divesting its non-core newsprint business to its controlling shareholder, in return for a cash payment of HK$250 million and an addition to the Group's land bank by the transfer of The South China Hotel, then valued at approximately HK$400 million. The hotel was self sustaining pending future development at opportune times. More important, the disposal meant a considerable deleveraging of HK$5,532 million (excluding minority interests) in total liabilities (mainly bank borrowings) of the Group.

Henceforth, the Group will focus solely on its core business: property development and investment. The Group allocated over HK$3,000 million resources to the property business during the reporting year in new investments. As a result, the GFA of projects under development has considerably increased while the land bank has been maintained at a sustainable level, which would translate into enhanced competitiveness and profitability.

Property

Despite a significant slide in the overall turnover of the domestic property market in 2008, the Group attained new records in terms of sales (GFA), scale (GFA) of development and development cycle by steadfastly adhering to strict cash flow management, proactive project management and to the business mottos of "speed up sales, quicken development pace, optimize portfolio, maximize capital efficiency".

Total turnover (including the sales of investment properties) from the property business amounted to approximately HK$3,700 million. Gross profit margin increased 7 percentage points to 37%. Taking into account the consideration of HK$664 million for the disposal of Yue Xiu Neo Metropolis Plaza ("Yue Xiu Metropolis") in the form of disposal of a subsidiary, the Group achieved the business targets set for the year.

- **Contracted Sales**

  During the reporting period, contracted sales GFA amounted to approximately 298,100 square metres while contracted sales was approximately HK$3,500 million, up 13.4% and 7.6% respectively over the same period of the previous year (excluding Yue Xiu Metropolis). In particular, Springland Garden and Rayon Jardin (formerly Ke Yi Hao Yuan), the two residential property projects located in Haizhu District, Guangzhou, were well-received by the market, with annual sales GFA of 92,500 square metres and 71,700 square metres and contracted sales amounting to HK$1,070 million and HK$910 million respectively.

- **GFA under Development**

  At the end of 2008, the GFA of properties under development of the Group amounted to approximately 2,480,000 square metres, the highest over the years. More than 75% of the GFA under development were situated in the city centre of Guangzhou, where sales were strong amidst the global financial crisis due to the short supply. During the year, the GFA of new development totalled approximately 700,000 square metres. These new developments included Blocks 17 - 22 of Springland Garden, Blocks A1 - A6 and F3 - F5 of Jiang Nan New Mansion, Ling Nan Riverside (the residential portion of the Liwan Property) and Phase 1 of Zone F of Cong Hua Glade Village, representing a steep increase of approximately 30% as compared to the previous year which was intended to maintain a steady increase in supply of property for sale and thus increased cash flow for the Group for the next two to three years.

  In early 2008, the Group originally planned to commence new development of approximately 1,180,000 square metres. However, due to market condition changes and expected decrease in demand in the short term, the Group revised the area of new developments down to 700,000 square metres such that additional funds could be deployed to increase its land bank at deflated market prices.

- **Development Cycle**

  The significantly quickened pace of residential projects development has considerably shortened the investment cycle and enhanced funds utilization efficiency. A short investment cycle is regarded as a key to successful business development. The Group succeeded in substantially shortening the project cycle by streamlining operation procedures and project management policies. Accordingly, new flats from Springland Garden, Jiang Nan New Mansion and Ling Nan Riverside which commenced construction in 2008 were made available for sale within 2009.

The Group overcame numerous engineering and technical problems and broke a few world records in the course of construction of its flagship commercial project, the 432-metre Guangzhou International Finance Centre. The Centre has been topped-out in December 2008 according to schedule. Fitting out works are currently underway. The project is expected to be completed in 2010 as planned. We are now proactively engaged in negotiations with certain top 500 enterprises in the world for pre-leasing.

Toll Roads

GZI Transport Limited ("GZI Transport"), a subsidiary of the Group, achieved stable growth in its operation in 2008 under the concerted efforts of its entire staff. Meanwhile, it was committed to the increase of investment in expressways. Two major acquisitions were carried out during the year, including the acquisition of an additional 2.78% equity interest in Humen Bridge Co. for approximately RMB194.6 million and the acquisition of a 90% equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd. ("Cangyu Expressway Co., Ltd.") in Guangxi Province for approximately HK$145 million.

REIT

GZI REIT reaped satisfactory operating results during the year, achieving total operating income of approximately HK$496 million, up 23.3% from the same period of the previous year. The Total Distributable Income amounted to HK$262 million, up 16.1%.

During the period, the Group sold Yue Xiu Metropolis to GZI REIT and was allotted and issued consideration units in part payment of the consideration, thereby increasing the Group's interest in GZI REIT from 31.33% to 35.58%.

FUTURE PROSPECTS

Property

Looking into the future, we expect that the effect of China's economic stimulus measures will gradually unfold. Meanwhile, continued economic growth, the growing demand for better housing, the increasing urbanization and other factors will continue to drive up demand in the domestic property sector.

In the first two months of 2009, contracted sales GFA of the Group was approximately 50,600 square metres while contract sales value amounted to approximately HK$454 million, up 163.5% and 125.4% respectively over the same period of the previous year. We are optimistic about 2009, given the manifest firm demand for properties in Guangzhou City Centre despite the onslaught of the global financial tsunami. The Group will monitor closely on the market and remain focused on cash flow management, steady operation and sustainable development.

Our major plans are:

1. To proactively expand our land bank to maintain sustainable development of the Group. The Group, rooted in Guangzhou, the centre of the Pearl River Delta region which is one of the two major growth engines in China. The Group intends to capitalise on the current market conditions and may acquire some quality land projects, especially those in the city centre;

2. To step up market research and enhance sales and marketing ability. The Group is planning to put four new projects (Xing Hui Yun Jin, Springland Garden, Ling Nan Riverside and Jiang Nan New Mansion) to market in 2009. Furthermore, the Group will aim at ensuring that our contract sales volume will meet pre-set targets, and to plan and organize the leasing of the Guangzhou International Finance Centre with a new perspective;

3. To complete GFA of not less than 450,000 square meters; and

4. To strictly control costs and expenses so as to increase our profit margins: the Group plans to strengthen its control on costs, especially on financial costs, administrative costs and sales expenses with a view to enhance return to shareholders.

Toll Roads

The Chinese Government has announced a RMB4 trillion economic stimulus package, including a considerable slice of public spending on infrastructures. In addition, other new measures to combat the economic downturn, such as the policy for boosting the automobile industry, have been put in place. These stimulus package, policies and measures are expected to create a favorable environment for the domestic infrastructure sector in the long term. The Group also expects that with the growing network and accessibility, expressways will outperform Class I and II highways.

Taking advantage of abundant funds in hand, GZI Transport is committed to acquiring new projects and optimizing the weight of expressways in its toll road portfolio, with its focus mainly placed on the Pearl River Delta region, the Pan-Bohai Economic Zone and the Yangzi River Delta region.

REIT

In 2008, unit holders of GZI REIT approved the expansion of the REIT's geographical scope of investment to the entire PRC. Accordingly, the Group will proactively and steadily push ahead acquisitions of new projects, with a view to expanding assets scale, optimising property portfolio and spreading operating risks so as to provide investors with sustainable, steady and ever-growing return. The Group is also actively seeking to inject appropriate properties into GZI REIT.

Acknowledgement

I would like to take this opportunity to thank all the directors, the management and all the staff for their diligence over the past year and their contributions to the Group's development. I would also like to thank all the shareholders, our friends from the banking and investment sectors as well as business partners for their continued support and trust towards the Group.

Lu Zhifeng
Chairman

AUDITED RESULTS

The board of directors ("Directors" or "Board") of Guangzhou Investment Company Limited ("Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") prepared under Hong Kong Financial Reporting Standards ("HKFRS") for the year ended 31 December 2008, as follow:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008**	**As restated 2007**
		HK$'000	*HK$'000*
Revenue	2	4,173,009	5,244,380
Cost of sales	3	(2,336,463)	(3,450,820)
Gross profit		1,836,546	1,793,560
Proceeds from sales of investment properties		540,717	210,476
Carrying value of investment properties sold		(378,129)	(151,892)
Gain on sales of investment properties		162,588	58,584
Fair value (losses)/gains on revaluation of investment properties		(271,800)	362,139
Gain on disposal of a subsidiary		28,552	—
Selling and distribution expenses	3	(198,021)	(144,181)
General and administrative expenses	3	(685,959)	(480,320)
Operating profit		871,906	1,589,782
Finance income		90,044	72,809
Finance costs	4	(242,992)	(278,432)
Net foreign exchange gain on financing activities		276,845	39,352
Share of profit/(loss) of			
- jointly controlled entities		(20,602)	(18,835)
- associated entities		360,581	351,654
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost		40,988	—

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008** *HK$'000*	**As restated 2007** *HK$'000*
Profit before tax		1,376,770	1,756,330
Taxation	5	(225,106)	(425,041)
Profit for the year from continuing operations		1,151,664	1,331,289
Discontinued operations			
(Loss)/profit for the year from discontinued operations	6	(178,184)	37,282
Profit for the year		973,480	1,368,571
Attributable to			
Equity holders of the Company		607,964	1,031,321
Minority interests		365,516	337,250
		973,480	1,368,571
Earnings/(losses) per share for profit from continuing operations and (loss)/profit from discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)	7		
- Basic			
From continuing operations		9.38	14.60
From discontinued operations		(0.85)	0.28
		8.53	14.88
- Diluted			
From continuing operations		9.33	14.48
From discontinued operations		(0.84)	0.28
		8.49	14.76
Dividends	8	242,313	341,779

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	**2008** *HK$'000*	**As restated 2007** *HK$'000*
ASSETS			
Non-current assets			
Intangible operating rights		7,048,250	6,795,284
Property, plant and equipment		633,991	5,222,910
Investment properties		5,943,845	5,984,228
Leasehold land and land use rights		4,603,921	4,277,157
Interests in jointly controlled entities		458,788	419,388
Interests in associated entities		3,717,392	3,052,623
Goodwill		125,994	119,186
Other non-current assets		—	17,375
Available-for-sale financial assets		976,977	979,903
Deferred tax assets		90,592	71,240
		23,599,750	26,939,294
Current assets			
Properties under development		5,463,575	2,370,664
Properties held for sale		582,541	953,934
Leasehold land and land use rights		6,727,380	4,399,341
Prepayments for land use rights		1,884,375	3,139,344
Inventories		105,716	277,307
Trade receivables	9	66,910	477,692
Other receivables, prepayments and deposits		465,255	835,558
Taxation recoverable		136,951	177,575
Charged bank deposits		403,994	96,733
Cash and cash equivalents		3,496,547	3,587,607
		19,333,244	16,315,755
Non-current assets held for sale		—	822,704
		19,333,244	17,138,459

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2008

	Note	**2008** *HK$'000*	**As restated 2007** *HK$'000*
LIABILITIES			
Current liabilities			
Trade payables	10	96,877	577,319
Land premium payable		560,046	1,200,083
Other payables and accrued charges		7,281,585	5,155,391
Borrowings		5,696,028	2,550,115
Taxation payable		595,430	452,928
		14,229,966	9,935,836
Liabilities associated with non-current assets held for sale		—	98,748
		14,229,966	10,034,584
Net current assets		5,103,278	7,103,875
Total assets less current liabilities		28,703,028	34,043,169
Non-current liabilities			
Borrowings		4,444,650	10,075,733
Deferred tax liabilities		3,120,876	3,311,536
		7,565,526	13,387,269
Net assets		21,137,502	20,655,900
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		712,685	712,192
Other reserves		9,310,663	8,853,108
Retained earnings			
- Proposed dividends		57,015	178,113
- Others		4,398,755	4,046,342
		14,479,118	13,789,755
Minority interests		6,658,384	6,866,145
Total equity		21,137,502	20,655,900

NOTES TO THE FINANCIAL STATEMENTS

1 **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new amendments and interpretations are mandatory for the first time for the financial year beginning 1 January 2008.

- Amendments to HKAS 39 and HKFRS 7, Reclassification of Finance Assets;
- HK(IFRIC)-Int 11, HKFRS 2 — Group and Treasury Share Transactions;
- HK(IFRIC)-Int 12, Service Concession Arrangements;
- HK(IFRIC)-Int 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Except for HK(IFRIC)-Int 12, the adoption of these amendments and interpretations do not have significant impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The adoption of HK(IFRIC)-Int 12 resulted in a retrospective change in accounting policy for the toll highways and bridges of the Group and of its associated and jointly controlled entities. Before the adoption of HK(IFRIC)-Int 12, certain of these toll highways and bridges were recorded as tangible infrastructures. Following the adoption of HK(IFRIC)-Int 12, these tangible infrastructures are recognised as intangible operating rights to the extent that the Group, its associated and jointly controlled entities receive a right (a license) to charge users of the public service. In addition, management applies units-of-usage method as the amortisation method for the intangible operating rights of the Group and of its associated and jointly controlled entities and accounted for the associated deferred tax liabilities, including the effect from the change in the Corporate Income Tax Law of the PRC (the "New CIT Law") in March 2007, retrospectively.

As a toll roads constructor, the Group, its associated and jointly controlled entities account for revenue and costs relating to toll roads construction or upgrade services in accordance with HKAS 11 "Construction Contracts".

The adoption of HK(IFRIC)-Int 12 resulted in the following adjustments:

	As at 31 December 2008	**As at 31 December 2007**
	HK$'000	*HK$'000*
Consolidated balance sheet		
Increase in intangible operating rights	3,025,970	2,807,912
Decrease in tangible infrastructures	(2,918,864)	(2,807,912)
Increase in goodwill	4,502	—
Decrease in interests in associated entities	(66,629)	(66,629)
Increase in deferred tax liabilities	(61,364)	(36,159)
Decrease in minority interests	1,718	62,468
Decrease in retained earnings	14,667	40,320

	2008	**2007**
	HK$'000	*HK$'000*
Consolidated income statement		
Increase in construction income for upgrade services	3,818	52,245
Increase in construction costs of upgrade services	(3,818)	(52,245)
Decrease in amortisation of intangible operating rights	107,106	—
Decrease in impairment of goodwill	4,502	—
Decrease in share of profit/(loss) of associated entities	—	(66,629)
Increase in taxation	(25,205)	(36,159)
(Increase)/decrease in minority interests	(60,750)	62,468
Increase/(decrease) in basic and diluted earnings per share (expressed in HK cents per share)	0.36	(0.58)

Certain of the toll highways and bridges of the Group were previously recorded as intangible operating rights and amortised on a straight-line basis over the respective operating periods. Given there were no independent traffic forecast performed for these toll highways and bridges in 2007 or before, their accumulated amortisation charges as at 31 December 2007 were not restated based on units-of-usage method upon the adoption of HK(IFRIC)-Int 12.

The following new standards, amendments/revisions to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 7 (Amendment)	Cash Flow Statements	1 January 2009
HKAS 16 (Amendment)	Property, Plant and Equipment	1 January 2009
HKAS 19 (Amendment)	Employee Benefits	1 January 2009
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009

		Effective for accounting periods beginning on or after
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 January 2009
HKAS 28 (Amendment)	Investments in Associates	1 January 2009
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies	1 January 2009
HKAS 31 (Amendment)	Interest in Joint Venture	1 January 2009
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 36 (Amendment)	Impairment of Assets	1 January 2009
HKAS 38 (Amendment)	Intangible Assets	1 January 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 January 2009
HKAS 40 (Amendment)	Investment Property	1 January 2009
HKAS 41 (Amendment)	Agriculture	1 January 2009
HKFRS 1(Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC)-Int 18	Transfers of Assets from Customers	1 July 2009

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments/revisions to standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2 Revenue and segment information

Revenue recognised is as follows:

	2008	As restated 2007
	HK$'000	*HK$'000*
Sales of properties	1,874,821	3,264,555
Toll revenue from toll operations	1,014,486	870,778
Property management fee income	330,369	262,689
Rental income	310,268	261,922
Others	643,065	584,436
	4,173,009	5,244,380

Revenue and segment results for the year are as follows:

Primary reporting format - business segments

The Group operates primarily in Hong Kong and China and in the following business segments:

- Properties and others - development, selling and management of properties and holding of investment properties and others
- Toll operations - development, operation and management of toll highways and bridges
- Paper - manufacturing and selling of newsprint paper (disposed during 2008)

There are no significant sales between these business segments.

Secondary reporting format - geographical segments

The Group's three business segments are principally managed in Hong Kong and China:

Hong Kong - properties
China - properties, toll operations and paper
Others - properties

There are no significant sales between these geographical segments.

Primary Reporting Format - business segments

	Properties and others		Toll operations		Paper (discontinued operations)		Group	
		As restated		As restated		As restated		As restated
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	3,158,523	4,373,602	1,014,486	870,778			4,173,009	5,244,380
Segment results	370,964	1,295,411	546,669	373,513			917,633	1,668,924
Gain on disposal of a subsidiary	28,552	—	—	—			28,552	—
Interest income							90,044	72,809
Unallocated operation costs							(74,279)	(79,142)
Net foreign exchange gain on financing activities							276,845	39,352
Finance costs							(242,992)	(278,432)
Share of profit/(loss) of								
- Jointly controlled entities	(786)	(6,653)	(19,816)	(12,182)			(20,602)	(18,835)
- Associated entities	89,068	104,057	271,513	247,597			360,581	351,654
Excess of the share of fair value of net assets of an associated equity acquired over acquisition cost	40,988	—	—	—			40,988	—
Profit before tax							1,376,770	1,756,330
Taxation							(225,106)	(425,041)
Profit for the year from continuing operations							1,151,664	1,331,289
(Loss)/profit for the year from discontinued operations					(178,184)	37,282	(178,184)	37,282
							973,480	1,368,571
Capital expenditure	424,922	88,768	11,066	4,655,774	60,761	3,013,305	496,749	7,757,847
Depreciation and amortisation	153,453	179,409	169,350	237,092	148,964	44,441	471,767	460,942
Impairment losses	111,143	23,357	540	3,671	252,637	—	364,320	27,028
Reversal of impairment losses	(11,740)	(82,188)	—	—	—	(9,021)	(11,740)	(91,209)

	Properties and others		Toll operations		Paper (discontinued operations)		Group	
				As restated				As restated
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	28,474,599	24,986,841	9,790,474	9,403,559	—	5,918,826	38,265,073	40,309,226
Interests in jointly controlled entities	189,637	191,515	269,151	227,873	—	—	458,788	419,388
Interests in associated entities	1,627,160	1,363,731	2,090,232	1,688,892	—	—	3,717,392	3,052,623
Unallocated assets							491,741	296,516
Total assets							42,932,994	44,077,753
Segment liabilities	7,749,353	6,144,598	152,727	144,879	—	731,351	7,902,080	7,020,828
Unallocated liabilities							13,893,412	16,401,025
Total liabilities							21,795,492	23,421,853

Secondary Reporting Format - geographical segments

	Revenue from continuing operations		Capital expenditure		Total assets	
		As restated		**As restated**		**As restated**
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	127,227	121,271	405,541	679,729	2,076,744	1,252,508
China	4,041,891	5,120,253	91,208	7,078,118	40,322,113	42,489,191
Overseas	3,891	2,856	—	—	42,396	39,538
	4,173,009	5,244,380	496,749	7,757,847	42,441,253	43,781,237
Unallocated assets					491,741	296,516
Total assets					42,932,994	44,077,753

3 **Expenses by nature**

Cost of sales, selling and distribution expenses and general and administrative expenses of continuing operations included the following:

	2008	**As restated** 2007
	HK$'000	*HK$'000*
Advertising and promotion expenses	119,502	129,626
Cost of inventories/properties sold included in cost of sales	1,617,738	2,777,537
Direct operating expenses arising from investment properties		
- that generate rental income	67,796	55,994
- that did not generate rental income	204	169
Depreciation		
- Owned property, plant and equipments	42,648	47,670
- Leased property, plant and equipments	40	36
Amortisation/depreciation of intangible operating rights (included in cost of sales)	163,771	235,299
Amortisation of leasehold land and land use rights	116,344	85,772
Operating leases - Land and buildings	2,881	8,250
Reversal of provision for doubtful debts	—	(7,165)
Auditor's remuneration	10,753	9,530
Employee benefit expenses	678,043	559,738
Provision for impairment of property, plant and equipment	1,113	—
Reversal of impairment of available-for-sale financial assets	—	(2,476)
Provision for/(reversal of) impairment of properties under development and properties held for sale	3,037	(1,031)
Provision for impairment of leasehold land	53,333	23,357
Maintenance expenses of toll highways and bridges	92,913	61,159
Provision for impairment of goodwill	540	3,671
Provision for/(reversal of) impairment of other receivables	41,920	(71,516)
Others	207,867	159,701
	3,220,443	4,075,321

4 **Finance costs**

	2008	As restated 2007
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	477,354	361,947
Bank loan handling fees	7,026	5,406
Interest on		
- loans from minority shareholders of subsidiaries	14,466	2,012
- loans from related companies	1,764	2,784
Total borrowing costs incurred	500,610	372,149
Less: amount capitalised as properties under development and property, plant and equipment	(257,618)	(93,717)
	242,992	278,432

5 **Taxation**

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2007: 17.5 percent) on the estimated assessable profit for the year. In 2008, the government enacted a change in profits tax rate from 17.5% to 16.5% for fiscal year 2008/2009.

(b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated entities and jointly controlled entities in China at a range from 18% to 25% (2007: range from 18% to 33%).

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25 percent with effect from 1 January 2008.

Gradual changes of applicable tax rate

Under the New CIT Law, certain subsidiaries, associated entities and jointly controlled entities of the Group with principal income tax rate of 18 percent will be gradually accelerated to a higher tax rate of 25 percent in a period of 5 years starting from 1 January 2008.

Corporate withholding income tax on dividend distribution

Under the New CIT Law, corporate withholding income tax will be levied on the foreign investor for dividend which arises from profit of foreign investment enterprises earned after 1 January 2008, at tax rates ranging from 5 percent to 10 percent.

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

(d) The amount of taxation charged to the consolidated income statement comprises:

	2008	As restated 2007
	HK$'000	*HK$'000*
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	2,589	2,786
China enterprise income tax	350,101	163,643
China land appreciation tax	266,866	316,148
Over-provision in prior years	(8,815)	—
Deferred taxation		
Origination and reversal of temporary difference	(384,380)	100,294
Impact of change in tax rate	(1,255)	(214,800)
Under-provision in prior years	—	56,970
	225,106	425,041

6 (Loss)/profit for the year from discontinued operations

	2008	2007
	HK$'000	*HK$'000*
Gain on disposal of a subsidiary	90,379	—
(Loss)/profit from discontinued operations	(268,563)	37,282
	(178,184)	37,282

7 **Earnings per share**

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2008	**As restated** 2007
Profit from continued operations attributable to equity holders of the Company (HK$'000)	668,302	1,011,730
(Loss)/profit from discontinued operations attributable to equity holders of the Company (HK$'000)	(60,338)	19,591
Profit attributable to equity holders of the Company	607,964	1,031,321
Weighted average number of ordinary shares in issue ('000)	7,125,702	6,930,782
Basic earnings/(loss) per share (HK cents)		
From continuing operations	9.38	14.60
From discontinued operations	(0.85)	0.28
	8.53	14.88

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	2008	**As restated** 2007
Profit from continued operations attributable to equity holders of the Company (HK$'000)	668,302	1,011,730
(Loss)/profit from discontinued operations attributable to equity holders of the Company (HK$'000)	(60,338)	19,591
Profit attributable to equity holders of the Company	607,964	1,031,321
Weighted average number of ordinary shares in issue ('000)	7,125,702	6,930,782
Adjustments for share options ('000)	37,537	57,732
Weighted average number of ordinary shares for diluted earnings per share ('000)	7,163,239	6,988,514
Diluted earnings/(loss) per share (HK cents)		
From continuing operations	9.33	14.48
From discontinued operations	(0.84)	0.28
	8.49	14.76

8 **Dividends**

The dividends paid in 2008 and 2007 were approximately HK$363 million (HK5.10 cents per share) and HK$321 million (HK4.60 cents per share) respectively. The directors recommend the payment of a final dividend of HK0.8 cent per ordinary share, totaling approximately HK$57 million. Such dividend is to be approved by the shareholder at the Annual General Meeting on 3 June 2009. These financial statements do not reflect this dividend payable.

	2008 *HK$'000*	2007 *HK$'000*
Interim, paid, of HK2.60 cents (2007: HK2.30 cents) per ordinary share	185,298	163,616
Final, proposed, of HK0.8 cent (2007: HK2.50 cents) per ordinary share	57,015	178,163
	242,313	341,779

9 **Trade receivables**

The Group has defined credit policies for different businesses. The credit terms of the Group are generally within three months. The ageing analysis of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 - 30 days	35,385	211,793
31 - 90 days	6,219	161,820
91 - 180 days	539	23,470
181 - 365 days	15	65,581
Over 1 year	113,733	117,596
	155,891	580,260
Less: provision for impairment of trade receivables	(88,981)	(102,568)
	66,910	477,692

10 **Trade payables**

The ageing analysis of the trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 - 30 days	60,083	109,559
31 - 90 days	32,024	257,029
91 - 180 days	—	193,915
181 - 365 days	19	6,831
1 - 2 years	4,519	9,858
Over 2 years	232	127
	96,877	577,319

11 **Post balance sheet events**

(a) On 10 December 2008, GZI Transport entered into an equity transfer agreement with independent third parties in connection with the acquisition of a 90% equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd. whose principal asset is the toll operating right of Cangyu Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition and the additional registered capital contribution amounted to Rmb128.1 million (approximately HK$145.2 million) and Rmb19.4 million (approximately HK$22.0 million) respectively, of which Rmb62.7 million and Rmb3.9 million were paid respectively on 19 January 2009. On the same date, the acquisition was approved by the Guangxi government and the transaction was completed.

(b) In view of the continual integration of Changsha, Zhuzhou and Xiangtan and the proposed introduction of the annual travel pass system for the merging districts, GZI Transport group entered into an agreement with Xiangtan Municipal Government in January 2009 for the disposal of the operating right of Xian Jiang Bridge II, for an aggregate cash consideration of Rmb271,000,000. The consideration was negotiated with reference to GZI Transport group's projected revenues and returns from 1 January 2009 until the end of the concessionary period, i.e. 30 November 2021 and was to be paid by 26 half yearly installments commencing from 30 May 2009 with the final payment due on 30 November 2021. The discounted value of the installments/receivables as valued by an independent valuer amounted to Rmb169.6 million (equivalent to approximately HK$192.4 million). As at 31 December 2008, the carrying value of Xiang Jiang Bridge II is approximately HK$122 million.

(c) The Taihe toll station of Guangcong Highway Section I, a Class I highway, was closed down in January 2009 for relocation at the request of the Guangzhou Municipal Government on the understanding that the loss occasioned by such relocation, if any, would be compensated by the government. At present, GZI Transport is in negotiation with the relevant government authorities for the relocation and other possible options, including, but not limited to a buy back, in relation to the Taihe toll station.

(d) On 24 March 2009, the Group has signed a new syndicated loan agreement of Rmb1,900 million with five financial institutions in China to finance the development of Fortune World Plaza, new property project in Guangzhou.

The loan is secured by certain leasehold land and land use right of the Group and the maturity date is over five years.

12 **Comparative figure**

Certain prior year comparative figures have been reclassified to conform with the changes in presentation in the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property

- **Property Sales**

During the year, amid significant adjustments in the PRC property market, the Group's property sales increased significantly despite a sluggish market, achieving satisfactory results. Contract sale GFA amounted to approximately 360,000 square metres. Details are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Springland Garden	Residential	92,500	Hai Zhu, Guangzhou
Rayon Jardin (formerly Ke Yi Hao Yuan)	Residential	71,700	Hai Zhu, Guangzhou
Ling Nan Ya Yuan	Residential	45,600	Bai Yun, Guangzhou
Southern Le Sand	Villa	25,700	Nan Sha, Guangzhou
Cong Hua Glade Village	Low-rise Apartment / Villa	23,700	Cong Hua, Guangzhou
Other Projects	N/A	38,900	N/A
Sub-total		approx.298,100	
Yue Xiu Metropolis*	Office/Commercial	61,964	Yue Xiu, Guangzhou
Total		approx.360,000	

* Yue Xiu Metropolis was disposed in the form of a subsidiary

During the year, recognized sales GFA amounted to approximately 201,600 square metres (including sold investment properties of 33,700 square metres), down 43.7% over the previous year's 360,000 square metres. Recognized sales value amounted to approximately HK$2,416 million (including sold investment properties of HK$541 million), down 30.5% over the previous year's HK$3,475 million. Taking Yue Xiu Metropolis, sold in the form of a subsidiary, into account, the recognized sales GFA reached 264,000 square metres. Details of recognized sales GFA, GFA of sold investment properties and GFA sold in the form of a subsidiary are as follows:

Project Name	**Land Use**	**GFA (sq.m.)**	**Location**
Springland Garden	Residential	45,700	Hai Zhu, Guangzhou
Southern Le Sand	Villa	35,100	Nan Sha, Guangzhou
Ling Nan Ya Yuan	Residential	26,100	Bai Yun, Guangzhou
Victory Plaza (Tower Building portion)	Office	25,000	Tian He, Guangzhou
Cong Hua Glade Village	Villa	18,400	Cong Hua, Guangzhou
Other Projects	N/A	17,600	N/A
Sub-total		approx.167,900	
Investment Properties	N/A	33,700	N/A
Sub-total		approx.201,600	
Yue Xiu Metropolis	Office / Commercial	61,964	Yue Xiu, Guangzhou
Total		approx. 264,000	

Pre-sold area not yet recognized in the income statement during the year amounted to approximately 240,000 square metres, generating a pre-sold amount of approximately HK$2,670 million. Details are as follows:

Project Name	**Land Use**	**GFA (sq.m.)**	**Location**
Springland Garden	Residential	89,100	Hai Zhu, Guangzhou
Rayon Jardin	Residential	71,700	Hai Zhu, Guangzhou
Ling Nan Ya Yuan	Residential	25,700	Bai Yun, Guangzhou
Southern Le Sand	Villa	25,700	Nan Sha, Guangzhou
Cong Hua Glade Village	Low-rise Apartment / Villa	22,400	Cong Hua, Guangzhou
Other Projects	N/A	5,100	N/A
Total		approx.240,000	

- **Land Bank**

In January 2008, the Group acquired a residential site in Jin Sha Zhou at a land auction with total gross floor area on ground for development of approximately 160,000 square metres. Details of which are set out as follows:

Project Name	Land Use	Land Area (sq. m.)	GFA (sq. m.)	Premium (RMB million)	Land Cost (RMB/sq. m.)
B3711B03, Jin Sha Zhou, Guangzhou	Residential	103,436	160,326	735	4,584

At the end of 2008, the land bank of the Group amounted to 3.54 million square metres. The gross floor area of certain land has been changed due to plan adjustments. Project details are set out as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Southern Le Sand	Villa / Hotel/ Office/ Commercial	1,869,000	Nan Sha, Guangzhou
Jin Sha Zhou Plot	Residential	425,000	Bai Yun, Guangzhou
Fortune World Plaza (commercial portion of Liwan Property)	Office / Commercial	334,000	Li Wan, Guangzhou
B2-10,Pearl River New City	Office	211,000	Tian He, Guangzhou
Jiang Nan New Village, phase 3 & 4	Residential	151,000	Hai Zhu, Guangzhou
D3-7, Pearl River New City	Office	135,000	Tian He, Guangzhou
Sports Stadium Building	Office	125,000	Yue Xiu, Guangzhou
Hua Dou Plot	Villa	91,000	Hua Du, Guangzhou
Cong Hua Glade Village	Low-rise Apartment / Villa	67,000	Cong Hua, Guangzhou
Yau Tong Plot	Residential	59,000	Hong Kong
Other Projects	N/A	74,000	N/A
Total		approx. 3,540,000	

Properties Under Development

As at 31 December 2008, total area of properties under development of the Group amounted to approximately 2,480,000 square metres, the highest over the years. Gross floor area of certain land has been changed due to plan adjustments. Details of which are set out as follows:

Project Name	Land Use	GFA (sq.m.)	Estimated Next Completion Date	Location
Guangzhou International Finance Centre	Office /Apartment/Hotel/ Commercial	451,000	2010	Tian He, Guangzhou
Southern Le Sand	Villa / Office / Commercial	499,000	2009	Nan Sha, Guangzhou
Springland Garden	Residential	298,000	2009	Hai Zhu, Guangzhou
Asian Pacific Century Plaza	Office /Hotel/ Commercial	232,000	2011	Tian He, Guangzhou
Jiang Nan New Mansion	Residential	229,000	2011	Hai Zhu, Guangzhou
Ling Nan Riverside (residential portion of Liwan Property)	Residential	193,000	2011	Li Wan, Guangzhou
Xing Hui Yun Jin	Residential / Apartment	186,000	2011	Tian He, Guangzhou
Rayon Jardin	Residential	154,000	2009	Hai Zhu, Guangzhou
Cong Hua Glade Village	Low-rise Apartment / Villa	130,000	2009	Cong Hua, Guangzhou
Ling Nan Ya Yuan	Residential	41,000	2009	Bai Yun, Guangzhou
Other Projects	N/A	67,000	N/A	N/A
Total		approx. 2,480,000		

- **Investment Properties**

  The area of investment properties of the Group as at 31 December 2008 amounted to approximately 760,000 square metres, comprising approximately 40% of commercial properties, approximately 26% of office, and approximately 34% of carparks. Rental revenue from investment properties and property management fees amounted to approximately HK$641 million, representing an increase of 22% over the previous year. During the year, due to market conditions, fair value loss on revaluation of investment properties amounted to approximately HK$272 million (2007: fair value gains of HK$362 million). Details of the Group's investment properties are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Tian Hui Cheng Plaza	Commercial	85,000	Tian He, Guangzhou
Jin Han Building	Office	45,800	Yue Xiu, Guangzhou
Hong Kong Property	N/A	38,000	Hong Kong
Guang Yuan Cultural Centre	Commercial	32,000	Bai Yun, Guangzhou
Xiangkang Commercial Plaza	Commercial	28,900	Bai Yun, Guangzhou
Huangshi Garden	Commercial	28,600	Bai Yun, Guangzhou
Victory Plaza Tower Portion	Office	26,000	Tian He, Guangzhou
Hong Fa Building	Office	17,300	Tian He, Guangzhou
Jiangxing Building	Office	16,300	Hai Zhu, Guangzhou
Yue Xiu City Plaza	Commercial	15,500	Yue Xiu, Guangzhou
Other Projects (include carparks)	N/A	424,000	N/A
Total		approx.760,000	

Other Businesses

During 2008, revenue generated from the decoration business amounted to approximately HK$135 million, representing a decrease of 4.6% over the previous year, while revenue from the supermarket business amounted to approximately HK$442 million, representing an increase of 16.2% over the previous year.

Toll Roads

GZI Transport, a subsidiary of the Group, reported stable growth in annual toll revenue and profit attributable to equity holders in 2008 to HK$1,014 million and HK$608 million respectively, which had hit record highs of GZI Transport. Since the Group has a 45.28% equity interest in GZI Transport, it had a share of profit amounting to HK$275 million.

REIT

GZI REIT reported fine operating results during 2008. Operating revenue amounted to HK$496 million, representing an increase of 23.3% year-on-year. Total distributable income amounted to HK$262 million, representing an increase of 16.1% year-on-year and brought about approximately HK$93 million of distribution to the Group.

Newsprint

During the year, the newsprint business was disposed of to substantial shareholder, Yue Xiu. This transaction generated a profit of approximately HK$90 million for the Group. However, since the newsprint business was operating at a loss, the loss after taxation (but before minority interest) prior to the disposal amounted to approximately HK$268 million during the year. Putting it all together, loss in newsprint business attributable to the Group's equity holder amounted to HK$60 million.

FINANCIAL HIGHLIGHTS

1. **Excluding the fair value gains/losses on revaluation of investment properties, profit attributable to equity holders of the company increased by 5.1% over the restated comparative figure in 2007**

   During the year, the Group's profit before taxation amounted to approximately HK$1,377 million, decreased by 21.6% over the previous year of approximately HK$1,756 million. If fair value gains/losses on revaluation of investment properties are excluded, the profit before taxation increased by 18.2% over the previous year.

   Profit attributable to equity holders of the Company decreased to approximately HK$608 million this year, a decrease of 41% over the restated comparative figure in 2007. If the fair value gains/losses on revaluation of investment properties were excluded, the profit attributable to equity holders of the Company increased by 5.1% to approximately HK$805 million over the previous year.

2. **With shrewd capital management, assets structure was significantly adjusted to put property as the core business of the Group, resulting in substantial cash inflow and contribution to profit on top of a stronger financial structure and a significantly lower gearing ratio**

   On 1 June 2008, the Group completed the disposal of a subsidiary to GZI REIT at a consideration of HK$472 million in cash and 65,972,687 consideration units issued by GZI REIT. Accordingly, the Group increased its equity interest in GZI REIT from 31.33% to 35.58%. From the transaction, the Group recognized a disposal gain of of approximately HK$29 million and the excess of the share of the fair value of net assets of GZI REIT acquired over acquisition cost of approximately HK$41 million.

   The Group successfully completed the disposal of its non-core newsprint business to its parent company on 24 December 2008, thereby re-focusing on the principal business of property. From this transaction, the Group received HK$250 million in cash and The South China Hotel in Hong Kong valued at approximately HK$400 million. Not only did the transaction bring forth a disposal gain of approximately HK$90 million, but it also improved the financial structure of the Group. Bank borrowings of the Group decreased from HK$12,238 million at the end of 2007 to HK$9,729 million at the reporting year, representing a decrease of 21%. This reduced the gearing ratio (total debt less cash over total captialisation) of the Group from 40% in 2007 to 31.5% at the end of the year.

   During the year, the Group increased investment in its property business. Apart from acquiring through public auction a piece of residential land with a GFA of approximately 160,000 square metres in Jingshazhou, Guangzhou for RMB735 million, it also increased the investment in properties under development by over HK$3,000 million.

3. **Sound financial and liquidity position**

   The Group maintained a sound financial position. As at 31 December 2008, the Group's working capital (current assets less current liabilities) amounted to approximately HK$5,103 million, Current ratio was 1.36 times. Cash and cash equivalents amounted to approximately HK$3,497 million (2007: approximately HK$3,588 million). Undrawn committed bank facilities amounted to approximately HK$2,953 million. The adequate cash on hand has provided a reliable capital assurance to the Group's future business development. After the disposal of the newsprint business, the Group's gearing ratio decreased to a healthy 31.5% (2007: 40%).

4. **Stable growth of Shareholders' equity**

As at 31 December 2008, the Group's total assets amounted to approximately HK$42,933 million, representing a decrease of 2.6% over the previous year. Shareholders' equity increased by 5% to approximately HK$14,479 million. As Renminbi had been appreciated by 6% in 2008, the Group's exchange fluctuation reserve hence increased by approximately HK$500 million. Shareholders' equity per share amounted to approximately HK$2.03, representing an increase of 4.6% over the previous year. The increase in shareholders' equity will continue to bring favorable capital growth to all shareholders.

ANALYSIS ON OPERATING RESULTS

Continuing operation

Revenue and gross profit

In 2008, the Group recorded the revenue (excluding the sales of investment properties) amounting to approximately HK$4,173 million, representing a decrease of 20.4% over the comparative figure in 2007. Gross profit amounted to approximately HK$1,837 million, representing an increase of 2.4% over the previous year of approximately HK$1,794 million. Average gross profit margin increased from previous year of 34.2% to 44.01%.

Revenue from the property business (excluding the sales of investment properties) amounted to approximately HK$3,159 million, decreased by 27.8% over the previous year. Gross profit recorded an approximately of HK$1,209 million, a decrease of 9% over the previous year. In which property sales (excluding the sales of investment properties) during the year reported a decrease of 42.6% to approximately HK$1,875 million, gross profit amounted to approximately HK$787 million, representing a decrease of 10.5% over the previous year. Average gross profit margin increased to 42% from 27% in previous year.

The toll road business recorded a toll revenue of approximately HK$1,014 million, representing an increase of 16.5% over the previous year. It was mainly attributable to the approximately HK$542 million annual revenue from Guangzhou Northern Second Ring Expressway being consolidated into the Group. The toll road business recorded a gross profit of approximately HK$628 million, representing an increase of 34.7% over the previous year.

During the year, proceeds from sales of investment properties amounted to approximately HK$541 million with a carrying value of approximately HK$378 million, which brought to a gain on sales of investment properties of HK$163 million, representing an increase of 178% over the previous year of approximately HK$59 million.

Selling and general administrative expenses

During the year, selling expenses increased to approximately HK$198 million, representing an increase of 37.3% over the previous year. It was mainly attributable to the increment in contracted sales as well as the increase in promotion and advertising initiatives in property sales in 2008.

During the year, administrative expenses increased to approximately HK$686 million, representing an increase of 42.8% over the previous year. Excluding the effect of bad debts, the administrative expenses increased actually by 16.3% over the previous year, which was mainly attributable to an expanded development scale.

Gain on disposal of a subsidiary

During the year, other gain was derived mainly from the disposal of a subsidiary to GZI REIT, realizing a disposal gain of approximately HK$29 million. Meanwhile, the Group's share of equity interest in GZI REIT increased from 31.33% to 35.58%; and 65,972,687 units of GZI REIT were booked at the net asset value per unit of HK$3.8 of GZI REIT as at the completion date, representing an increase of 31% over the closing price of HK$2.90 per unit. Approximately HK$41 million representing the excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost was recorded as a gain also.

Finance costs

During the year, due to the appreciation of RMB, the Group recognized a net foreign exchange gain on financing activities of approximately HK$277 million (mainly from HK$ bank borrowings of the Company).

With the effect of the increase in bank borrowings and interest rate factor, the Group's actual finance costs amounted to HK$501 million, representing an increase of 34.52% over the previous year of HK$372 million. Whilst the finance costs being capitalized increased to approximately HK$258 million over the previous year of approximately HK$94 million. Finance costs recognized as expenses were approximately HK$243 million, representing a decrease of 12.7% over the previous year of approximately HK$278 million.

Share of profits less losses of associated entities and jointly controlled entities

In 2008, overall net contribution from the Group's associated entities amounted to HK$361 million, representing an increase of 2.5% over the previous year. They were mainly contributed by GZI Transport's associated entities (Humen Bridge, Shantou Bay Bridge, Qinglian Highway and Northern Ring Expressway) increased by approximately 19.43% over the previous year to approximately HK$296 million. Meanwhile, the Group's share of 35.58% equity interest in GZI REIT brought to the Group a profit contribution of approximately HK$76 million.

Share of net losses after taxation of jointly controlled entities amounted to approximately HK$21 million, which was mainly due to the fact that GWSR Expressway Co. from GZI Transport commenced operation at the end of December 2006, stepping into its second full year of operation, GWSR expressway Co. was still operating at a loss as expected.

Taxation expenses

During the year, taxation expenses amounted to approximately HK$225 million, representing a drop of 47% over the previous year of HK$425 million. The decrease was mainly due to the revenue from property sales decreased as well as the benefit from lower China corporate income tax rate. Whilst the provision for deferred taxation dropped by approximately HK$251 million as the income tax rate under China Income Tax Law was lowered in last year. Excluding this factor, taxation expenses of the Group decreased significantly by approximately 66.7% over the previous year.

Discontinued operation

On 24 December 2008, the Group completed the disposal of the newsprint business to its controlling shareholder, Yue Xiu. Following the disposal, the results of newsprint business was reported as a discontinued operation and presented separately in the consolidated income statement in accordance with the Hong Kong Financial Reporting Standard 5 "Non-current assets Held for Sale and Discontinued operations"

Earnings per share

During the year, basic earnings per share attributable to equity holders of the Company was HK8.53 cents (2007 restated: HK14.88 cents).

Liquidity and financial resources

As at 31 December 2008, the Group's working capital (current assets less current liabilities) amounted to approximately HK$5,103 million (2007: HK$7,104 million). The Group's current ratio was 1.36 times. Cash and cash equivalents amounted to approximately HK$3,497 million (2007: HK$3,588 million). Undrawn committed bank facilities amounted to approximately HK$2,953 million.

The Group's major sources of liquidity are from recurring cash flows of its business and committed bank facilities. The Group insists on the importance of maintaining a healthy and stable liquidity position so as to meet the need of an ever-changing external market and to safeguard the business development of the Group. Consequently, the Group places great emphasis on liquidity management and risk control. Other than proactively maintaining the current good relationships with financial institutions in Hong Kong and Mainland China, the Group strives to expand financing channels, lower financing costs and monitor the capital and debt structure from time to time. The Group also made appropriate adjustments thereof in order to enhance its risk resistance capability.

Capital structure

The Group's capital structure is summarized as follow：

	31 December 2008 *HK$'000*	2007 *HK$'000*
Bank borrowings (floating rate)		
Denominated in RMB	5,606,927	6,633,992
Denominated in Euro dollars	—	1,135,994
Denominated in United States dollars	—	66,088
Denominated in Hong Kong dollars	4,121,888	4,401,494
Total bank borrowings	9,728,815	12,237,568
Unsecured other borrowings	411,382	387,818
Finance lease	75	100
Overdrafts	406	362
Total debts	10,140,678	12,625,848
Ageing analysis:		
Repayable within one year	5,696,028	2,550,115
In the second year	1,572,655	6,280,623
In the third to fifth year	1,394,199	1,217,196
Over five year	1,122,576	2,244,494
With no fixed repayment terms	355,220	333,420
Total borrowings	10,140,678	12,625,848
Less: Bank balances and cash	(3,496,547)	(3,587,607)
Net borrowings	6,644,131	9,038,241
Shareholders' equity (excluding minority interests)	14,479,118	13,789,755
Total capitalization	21,123,249	22,827,996
Gearing ratio	31.5%	40%

During the year, net new bank borrowings from property business increased by approximately HK$1,574 million, which has been injected in full in development of property projects. As the Group has obtained a more favourable terms and costs, pressure on future interest expenses has been relieved.

Capital expenditures and investments

During the year ended 31 December of 2008, a significant acquisition related to the additional 2.78% equity interest in Humen Bridge Co. was completed with capital expenditure paid in the first half of 2008 amounted to approximately HK$193.5 million being the balance consideration of the said acquisition (a deposit of approximately HK$17 million was paid in late 2007). A partial injection of equity contribution to a jointly controlled entity amounted to approximately HK$47.6 million was made in the second half of 2008.

Other than the above, the capital expenditures on property, plant, equipment and investment properties amounted to HK$497 million.

Interest rate exposure

Interest expenses accounted for a significant proportion of the Group's finance costs, with the loans being mainly at floating interest rates. The Group will closely monitor the trend of interest rate fluctuations in the market and adopt appropriate risk management measures. Due to the impact of the financial tsunami, it is expected that a low interest rate environment will persist for a certain period of time. However, when the market condition becomes stable in the future, the Group will adopt appropriate interest rates hedging measures at appropriate prices near the end of the low interest rate cycle, with a view to preventing the risks caused by a rise of interest rates. As the current interest rate of RMB is still higher than that of HK dollar, the Group will consider to obtaining HK dollar borrowings first and then finance with RMB borrowings, aiming to save finance costs.

Foreign exchange exposure

As the business operations of the Group are mainly in Mainland China, income and cash flows are primarily denominated in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings. As RMB has accumulated significant increases over the past year and that the domestic investment fever has cooled down following deteriorating external market conditions, it is expected that the exchange rate of RMB will continue to remain flat. In addition, as the government policy is to maintain stability in RMB exchange rate, the Group's currency exposure is therefore considered to be minimal. However, the Group will review and monitor its currency exposure from time to time and will adopt appropriate currency swaps as and when appropriate to hedge its currency risks.

CAPITAL COMMITMENTS

As at 31 December 2008, the Group had financial commitments to a jointly controlled entity in respect of equity capital balance to be injected to GWSR Expressway Co. of RMB63.0 million (equivalent to approximately HK$71 million). This balance would be paid by stages in such amount and by such date as to be determined by the board of directors of GWSR Expressway Co.

On 10 December 2008, the Group had entered into an Equity Transfer Agreement to acquire 90% equity interest in Cangyu Expressway Co., Ltd. for a total consideration of RMB128 million (equivalent to approximately HK$145 million) plus an additional registered share capital of RMB19 million (equivalent to approximately HK$22.0 million), making the total financial commitments at 31 December 2008 in respect of this acquisition amounted to RMB147 million (equivalent to approximately HK$167 million).

Except for the aforementioned financial commitments, the Group also had capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately HK$628 million (2007: approximately HK$1,531 million).

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31 December 2008, total contigent liabilities relating to these guarantees amounted to approximately HK$ 883 million (2007: approximately HK$774 million)

In connection with the disposal of a subsidiary to GZI REIT during the period, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage gurantees and deferred taxation with an estimated total amount of approximately HK$74 million. The Deed of Indemnity will expire on 30 May 2014.

POST BALANCE SHEET EVENTS

In view of the continual integration of Changsha, Zhuzhou and Xiangtan and the proposed introduction of the annual travel pass system for the merging districts, the Group entered into an agreement with Xiangtan Municipal Government in January 2009 for the disposal of the operating right of Xian Jiang Bridge II, for an aggregate cash consideration of Rmb271,000,000. The consideration was negotiated with reference to GZI Transport group's projected revenues and returns from 1 January 2009 until the end of the concessionary period, i.e. 30 November 2021 and was to be paid by 26 half yearly installments commencing from 30 May 2009 with the final payment due on 30 November 2021. The discounted value of the installments/receivables as valued by an independent valuer amounted to Rmb169.6 million (equivalent to approximately HK$192.4 million). As at 31 December 2008, the carrying value of Xiang Jiang Bridge II is approximately HK$122 million. The disposal was in line with GZI Transport group's corporate strategy to optimize our toll road mix in our portfolio.

On 10 December 2008, GZI Transport has entered into an Equity Transfer Agreement (refer to Announcement on the same date) with independent third parties in connection with the acquisition of a 90.0 percent equity interest in Cangyu Expressway Co., Ltd. which principal asset is the operating right of Cangyu Expressway. On 19 January 2009, the GZI Transport group has paid HK$71.2 million (equivalent to approximately RMB62.7 million) and HK$4.4 million (equivalent to approximately RMB3.9million) being the initial payment of the acquisition consideration of approximately HK$145.2 million (equivalent to approximately RMB128.1 million) and the partial payment to the additional registered capital contribution required of HK$22.0 million (equivalent to approximately RMB19.4 million) respectively. Parties to the Equity Transfer Agreement had confirmed that equity transfer was completed on 19 January 2009.

The Taihe toll station of Guangcong Highway Section I, a Class I highway, was closed down in January 2009 for relocation at the request of the Guangzhou Municipal Government on the understanding that the loss occasioned by such relocation, if any, would be compensated by the government. At present, GZI Transport is in negotiation with the relevant government authorities for the relocation and other possible options, including, but not limited to a buy back, in relation to the Taihe toll station.

On 24 March 2009, the Group has signed a new syndicated loan agreement of RMB1,900 million with five financial institutions in China to finance the development of Fortune World, Plazaa new property project in Guangzhou.

The loan is secured by certain leasehold land and land use right of the Group and the maturity date is over five years.

Final dividend

The directors recommended the payment of a final dividend of HK0.8 cent (2007: final dividend HK2.5 cents) per share payable to shareholders whose names appeared on the register of members of the Company on 3 June 2009. Subject to the approval of shareholders at the Annual General Meeting to be held on 3 June 2009, the final dividend will be paid on 26 June 2009. Together with the interim dividend of HK2.6 cents per share (2007: HK2.3 cents), total dividends for the year ended 31 December 2008 will amount to HK3.4 cents per share (2007: HK4.8 cents).

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code Provisions") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2008, except for the following deviations:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2009 to Wednesday, 3 June 2009, 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, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 25 May 2009.

By order of the Board
LU Zhifeng
Chairman

Hong Kong, 25 March 2009

As at the date of this announcement, the Board of the Company comprises:

Executive Directors:	*LU Zhifeng (Chairman), ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, WANG Hongtao, ZHOU Jin, LI Xinmin and HE Zili*
Independent Non-executive Directors:	*YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose*