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GUANGDONG INVESTMENT LIMITED
(粵海投資有限公司)

(Incorporated in Hong Kong with limited liability)
(**Stock code: 270**)

2008 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights for the year ended 31 December

	2008	2007	Changes
	HK$'000	HK$'000	%
Revenue	**7,590,712**	6,689,132	+ 13.5
Profit for the year attributable to equity holders of the Company	**1,876,682**	1,697,034	+ 10.6
Earnings per share – Basic	**30.54HK cents**	27.83HK cents	+ 9.7
Dividends per share			
Interim	**4.00HK cents**	5.00HK cents	
Proposed final	**6.00HK cents**	6.00HK cents	
	10.00HK cents	11.00HK cents	- 9.1

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008 together with the comparative figures for 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	4	7,590,712	6,689,132
Cost of sales		(4,377,406)	(3,615,460)
Gross profit		3,213,306	3,073,672
Other income and gain	4	852,436	123,570
Selling and distribution costs		(99,698)	(72,631)
Administrative expenses		(574,863)	(498,097)
Other operating income/(expenses), net		(713,950)	220,658
Finance costs	5	(380,278)	(490,769)
Share of profits of jointly-controlled entities		134,084	3,030
Share of profits less losses of associates		6,188	44,589
PROFIT BEFORE TAX	6	2,437,225	2,404,022
Tax	7	(442,422)	(406,120)
PROFIT FOR THE YEAR		1,994,803	1,997,902
Attributable to:			
Equity holders of the Company	9	1,876,682	1,697,034
Minority interests		118,121	300,868
		1,994,803	1,997,902
DIVIDENDS	8		
Interim		246,456	305,197
Proposed final		369,683	366,236
		616,139	671,433
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		30.54 HK cents	27.83 HK cents
Diluted		30.12 HK cents	27.23 HK cents

CONSOLIDATED BALANCE SHEET
31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		2,271,930	2,301,211
Investment properties		4,032,698	4,277,760
Prepaid land lease payments		838,589	849,808
Goodwill		262,370	256,119
Interests in jointly-controlled entities		994,757	852,142
Interests in associates		274,118	354,424
Intangible assets		17,454,798	18,300,506
Deferred tax assets		16,361	21,618
Other long term assets		6	18
Total non-current assets		26,145,627	27,213,606
CURRENT ASSETS			
Available-for-sale investments		56,718	42,045
Tax recoverable		174	33,437
Inventories		50,190	57,819
Receivables, prepayments and deposits	10	722,807	379,843
Derivative financial instruments		169,367	78,516
Restricted cash and bank balances		2,831	2,824
Cash and cash equivalents		4,096,977	2,684,533
Total current assets		5,099,064	3,279,017
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(1,512,351)	(1,416,203)
Tax payable		(268,282)	(81,249)
Derivative financial instruments		(708,242)	(277,647)
Due to minority shareholders of subsidiaries		(346,825)	(415,349)
Interest-bearing bank borrowings		(310,409)	(292,343)
Other liabilities - current portion		(118,200)	(118,200)
Total current liabilities		(3,264,309)	(2,600,991)
NET CURRENT ASSETS		1,834,755	678,026
TOTAL ASSETS LESS CURRENT LIABILITIES - page 4		27,980,382	27,891,632

CONSOLIDATED BALANCE SHEET (continued)
31 December 2008

	2008 HK$'000	2007 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES - page 3	27,980,382	27,891,632
NON-CURRENT LIABILITIES		
Due to minority shareholders of subsidiaries	(18,007)	(22,594)
Interest-bearing bank borrowings	(8,083,401)	(9,424,694)
Other liabilities	(1,680,072)	(1,654,800)
Deferred tax liabilities	(717,271)	(758,058)
Total non-current liabilities	(10,498,751)	(11,860,146)
Net assets	17,481,631	16,031,486
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	3,080,694	3,051,969
Reserves	11,945,145	10,606,790
Proposed final dividend	369,683	366,236
	15,395,522	14,024,995
Minority interests	2,086,109	2,006,491
Total equity	17,481,631	16,031,486

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 certain 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.

1. BASIS OF PREPARATION (continued)

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 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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 interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instrument: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

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

(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

2. CHANGES IN ACCOUNTING POLICIES (continued)

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

(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets (continued)

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions

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 buys 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. The adoption of the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 Service Concession Arrangements

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.

The Group is engaged in water distribution, electric power generation and toll road operations. Prior to the adoption of HK(IFRIC)-Int 12, the Group's infrastructure, including tunnels, dams, water reservoirs, power generators and a toll road (collectively referred to as the "Infrastructure") was recognised as property, plant and equipment and prepaid land lease payments. Except for the toll road which was depreciated on a unit-of-usage basis, all the Infrastructure was depreciated on a straight-line basis. Upon the adoption of HK(IFRIC)-Int 12, the Infrastructure under the service concession arrangements are reclassified as intangible assets and amortised over the useful economic life. HK(IFRIC)-Int 12 has been applied by the Group retrospectively and comparative amounts have been restated. The effect of the above changes is summarised below:

2. CHANGES IN ACCOUNTING POLICIES (continued)

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

(c) HK(IFRIC)-Int 12 Service Concession Arrangements (continued)

Effect of new policy (Increase/(decrease))

Consolidated balance sheet at 1 January

	2008 HK$'000	2007 HK$'000
<u>Assets</u>		
Property, plant and equipment	(3,964,293)	(4,270,581)
Prepaid land lease payments	(3,174,412)	(3,315,098)
Intangible assets	7,138,705	7,585,679
	-	-

Consolidated balance sheet at 31 December

	2008 HK$'000	2007 HK$'000
<u>Assets</u>		
Property, plant and equipment	(3,752,802)	(3,964,293)
Prepaid land lease payments	(3,033,482)	(3,174,412)
Intangible assets	6,786,284	7,138,705
	-	-

Consolidated equity at 31 December 2008 and 2007

The adoption of this interpretation has had no impact on the equity as at 31 December 2008 and 2007.

Consolidated income statement for the years ended 31 December 2008 and 2007

The adoption of the Interpretation has had no impact on the consolidated income statement and the basic/diluted earnings per share for the years ended 31 December 2008 and 2007.

(d) HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2. CHANGES IN ACCOUNTING POLICIES (continued)

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 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 Amendments	Amendment to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments [1]
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]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement [5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners [2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[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 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for annual periods ending on or after 30 June 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKAS 27 Amendments, HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 13 may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's 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 2008 and 2007.

Group

	Property Investment and Development		Toll Roads and Bridges		Water Distribution	
	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	722,856	457,342	14,268	15,688	3,443,842	3,364,767
Intersegment sales	91,614	85,161	-	-	-	-
Other revenue from external sources (note)	14,715	7,263	1,169	1,370	732,885	3,070
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange gains/(losses), net	738	373	950	377	(47,341)	(72,112)
Total	829,923	550,139	16,387	17,435	4,129,386	3,295,725
Segment results	135,723	1,182,290	912	(80,078)	2,511,234	1,772,350
Interest income						
Other unallocated gains, net						
Finance costs						
Share of profits less losses of:						
Jointly-controlled entities	-	-	134,084	3,030	-	-
Associates	-	-	11,688	9,566	-	-
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	
	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	927,616	942,576	371,352	335,382	2,110,778	1,573,377
Intersegment sales	-	-	-	-	-	-
Other revenue from external sources (note)	11,835	10,646	516	843	17,863	10,799
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange gains/(losses), net	1,648	1,221	4,069	1,332	2,882	2,768
Total	941,099	954,443	375,937	337,557	2,131,523	1,586,944
Segment results	(281,404)	(288,542)	97,976	96,462	170,555	104,118
Interest income						
Other unallocated gains, net						
Finance costs						
Share of profits less losses of:						
Jointly-controlled entities	-	-	-	-	-	-
Associates	(35,254)	16,046	-	-	29,754	18,977
Profit before tax						
Tax						
Profit for the year						

Note: Excluding exchange gains/(losses), net

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Others 2008 HK$'000	Others 2007 HK$'000	Eliminations 2008 HK$'000	Eliminations 2007 HK$'000	Consolidated 2008 HK$'000	Consolidated 2007 HK$'000
Segment revenue:						
Sales to external customers	-	-	-	-	7,590,712	6,689,132
Intersegment sales	-	-	(91,614)	(85,161)	-	-
Other revenue from external sources (note)	2,459	1,333	-	-	781,442	35,324
Other revenue from intersegment (note)	3,595	2,805	(3,595)	(2,805)	-	-
Exchange gains/(losses), net	2,760	(204)	-	-	(34,294)	(66,245)
Total	8,814	3,934	(95,209)	(87,966)	8,337,860	6,658,211
Segment results	(28,759)	(27,674)	-	-	2,606,237	2,758,926
Interest income					88,552	72,439
Other unallocated gains, net					(17,558)	15,807
Finance costs					(380,278)	(490,769)
Share of profits less losses of:						
Jointly-controlled entities	-	-	-	-	134,084	3,030
Associates	-	-	-	-	6,188	44,589
Profit before tax					2,437,225	2,404,022
Tax					(442,422)	(406,120)
Profit for the year					1,994,803	1,997,902

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	
	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	4,978,552	5,066,741	113,357	96,757	18,595,321	19,209,653
Interests in associates	-	-	73,114	61,426	-	-
Interests in jointly-controlled entities	-	-	994,757	852,142	-	-
Unallocated assets						
Total assets						
Segment liabilities	560,543	588,150	71,064	58,891	1,872,197	2,018,448
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	28,971	34,530	4,233	6,923	894,237	898,370
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	25,310	(7,135)
Impairment losses recognised in the income statement	-	-	-	76,723	-	-
Other non-cash expenses/ (income), net	494,199	(780,922)	-	-	(28)	(109)
Capital expenditure	96,518	212,914	18,045	79	6,881	23,254

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Electric Power Generation		Hotel Operations and Management		Department Stores	
	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	168,383	310,336	1,656,576	1,666,344	69,301	65,904
Interests in associates	103,484	223,385	-	-	97,520	69,613
Interests in jointly-controlled entities	-	-	-	-	-	-
Unallocated assets						
Total assets						
Segment liabilities	408,533	337,451	56,192	54,993	678,983	530,331
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	20,588	52,081	70,412	66,438	4,724	4,950
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	-	-
Impairment losses recognised in the income statement	189,271	469,372	1,231	8	-	-
Other non-cash expenses/(income), net	-	-	(14)	(87)	-	-
Capital expenditure	9,803	21,133	20,602	21,083	6,866	8,172

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	42,755	5,417	-	-	25,624,245	26,421,152
Interests in associates	-	-	-	-	274,118	354,424
Interests in jointly-controlled entities	-	-	-	-	994,757	852,142
Unallocated assets					4,351,571	2,864,905
Total assets					31,244,691	30,492,623
Segment liabilities	14,858	20,443	-	-	3,662,370	3,608,707
Unallocated liabilities					10,100,690	10,852,430
Total liabilities					13,763,060	14,461,137
Other segment information:						
Depreciation and amortisation	245	196	-	-	1,023,410	1,063,488
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	25,310	(7,135)
Impairment losses recognised in the income statement	-	-	-	-	190,502	546,103
Other non-cash expenses/ (income), net	-	-	-	-	494,157	(781,118)
Capital expenditure	90	313	-	-	158,805	286,948

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 2008 and 2007.

Group

	Hong Kong		Mainland China		Others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	222,483	205,871	7,368,229	6,483,261	-	-	-	-	7,590,712	6,689,132
Other segment information:										
Segment assets	1,791,316	1,874,928	23,832,929	24,546,224	-	-	-	-	25,624,245	26,421,152
Capital expenditure	6,627	13,070	152,178	273,878	-	-	-	-	158,805	286,948

4. REVENUE, OTHER INCOME AND GAIN

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 gain is as follows:

	2008 HK$'000	2007 HK$'000
Revenue		
Sale of water and electricity	4,371,458	4,307,343
Sale of goods	2,110,778	1,573,377
Hotel and rental income	1,094,208	792,724
Toll revenue	14,268	15,688
	7,590,712	6,689,132
Other income		
Government subsidy*	730,205	-
Bank interest income	88,552	72,439
Excess over the cost of business combinations	492	2,141
Dividend income from available-for-sale investments	-	1,684
Others	58,497	40,171
	877,746	116,435
Gain/(loss)		
Changes in fair value of derivative financial instruments not qualified as hedges, net	(25,310)	7,135
	852,436	123,570

* The amount represents government grants in relation to subsidy for revenue from the sale of water to the HKSAR from 2005 to 2008, which was determined and finalised during the year. There are no unfulfilled conditions or contingencies relating to these grants. During the year, HK$434,257,000 was received and the remaining outstanding balance of HK$295,948,000 has been included in other receivables as at 31 December 2008.

5. FINANCE COSTS

	Group 2008 HK$'000	Group 2007 HK$'000
Interest on bank borrowings wholly repayable [1]:		
Within five years	250,372	438,110
Over five years	20,592	39,170
Total interest expense on financial liabilities not at fair value through profit or loss	270,964	477,280
Finance charges on cash flow hedges, net	107,644	11,522
Other finance costs	1,670	1,967
Total finance costs for the year	380,278	490,769

[1] Net of government grants of HK$49,811,000 (2007: HK$52,595,000) in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of the Dongshen Water Supply Phase IV Renovation Project (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):

	2008 HK$'000	2007 HK$'000 (Restated)
Cost of inventories sold*	2,585,295	1,874,053
Depreciation	190,191	215,150
Recognition of prepaid land lease payments	16,485	16,241
Amortisation of intangible assets*	816,722	832,054
Minimum lease payments under operating leases in respect of land and buildings	15,815	9,998
Auditors' remuneration	6,620	5,755
Employee benefits expense (excluding directors' remuneration)		
Wages and salaries	381,223	305,645
Equity-settled share option expense	1,865	-
Pension scheme contributions	34,568	26,159
Less: Forfeited contributions	(76)	(213)
Net pension scheme contributions#	34,492	25,946
	417,580	331,591
Gross rental income from investment properties	(618,788)	(326,833)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	19,707	1,959
Net rental income from investment properties	(599,081)	(324,874)
Foreign exchange differences, net	34,294	66,245
Changes in fair value of investment properties^	494,199	(780,921)
Impairment of items of property, plant and equipment^	33,150	254,667
Impairment of intangible assets^	56,193	139,615
Impairment of interests in an associate^	99,928	151,813
Write-off of construction in progress^	937	5,115
Loss on disposal of items of property, plant and equipment, net^	12,557	3,945
Loss on disposal of items of intangible assets, net^	-	1,094
Write-back of provision for inventories, net^	(42)	(197)
Impairment of trade receivables^	1,231	8

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

\# As at 31 December 2008 and 2007, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years.

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

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. 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.

On 25 April 2008, the HKSAR approved the Hong Kong profits tax rate to be reduced from 17.5% to 16.5% from the year of assessment 2008/2009 onwards. The change in the Hong Kong profits tax rate will directly affect the Group's effective tax rate prospectively from 2008. According to HKAS 12 Income taxes, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and the Group's deferred tax has been adjusted accordingly.

Under the PRC Corporate Income Tax Law (the "New CIT Tax Law"), which became effective from 1 January 2008, enterprises are subject to corporate income tax ("CIT") at a rate of 25% (2007: 33%). According to the "Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Income Tax Law", the applicable tax rates in the coming years for enterprises which previously enjoyed a lower CIT rate of 15% will be 18% in 2008; 20% in 2009; 22% in 2010; 24% in 2011; and 25% in 2012 and thereafter. In addition, certain of the Group's PRC subsidiaries, which are currently 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, will continue to enjoy the preferential tax treatment in accordance with the original tax law, administrative regulations and the relevant stipulated preferential treatment until the term expires.

The effect of the changes of the tax rate in Hong Kong and CIT is not material to the Group for the year ended 31 December 2008.

7. TAX (continued)

	2008 HK$'000	2007 HK$'000
Group:		
Current - Hong Kong		
Charge for the year	9,052	6,009
Overprovision in prior years	(139)	(5)
Current - Mainland China		
Charge for the year	506,909	320,783
Underprovision in prior years	4,184	7,388
Deferred	(77,584)	71,945
Total tax charge for the year	442,422	406,120

The share of tax charge attributable to jointly-controlled entities amounting to HK$18,829,000 (2007: HK$47,854,000) and the share of tax credit attributable to associates amounting to HK$8,875,000 (2007: tax charge of HK$13,895,000) are included in "Share of profits of jointly-controlled entities" and "Share of profits less losses of associates" on the face of the consolidated income statement, respectively.

8. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim – 4.0 HK cents (2007: 5.0 HK cents) per Ordinary Share	246,456	305,197
Proposed final – 6.0 HK cents (2007: 6.0 HK cents) per Ordinary Share	369,683	366,236
	616,139	671,433

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 which includes the shares issued subsequent to the balance sheet date.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2008 HK$'000	2007 HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	1,876,682	1,697,034

	Number of shares 2008	2007
Shares:		
Weighted average number of Ordinary Shares in issue during the year used in the basic earnings per share calculation	6,144,064,027	6,097,594,400
Effect of dilution - weighted average number of Ordinary Shares that assumed to have been issued:		
Share options	87,150,623	134,482,779
For the purpose of diluted earnings per share calculation	6,231,214,650	6,232,077,179

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 (2007: electricity supply business) and the Group has a certain concentration of credit risk as 28% (2007: 33%) of the total trade receivables were due from one of the Group’s major customers.

10. RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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	
	2008	2007
	HK$'000	HK$'000
Within 3 months	247,296	200,656
3 months to 6 months	770	258
6 months to 1 year	778	15
More than 1 year	11,372	11,030
	260,216	211,959
Less: Impairments	(12,261)	(11,030)
	247,955	200,929

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	
	2008	2007
	HK$'000	HK$'000
Within 3 months	239,678	211,740
3 months to 6 months	840	9,924
6 months to 1 year	968	4,815
	241,486	226,479

12. COMPARATIVE AMOUNTS

As further explained in note 2.1(c) of this announcement, due to the adoption of HK(IFRIC)-Int 12 during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, prior year adjustment has been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to be able to report that our results for 2008 has continued to maintain a steady growth. For the year 2008, the Group's audited consolidated net profit attributable to shareholders amounted to HK$1,877 million, (2007: HK$1,697 million), representing a growth of 10.6% as compared with 2007. The basic earnings per share were 30.54 HK cents (2007: 27.83 HK cents), representing a growth of 9.7% as compared with 2007.

DIVIDEND

The Board recommends a final dividend of 6.0 HK cents per share for 2008. Aggregating such dividend with the interim dividend of 4.0 HK cents per share which has already been paid in 2008, the total dividend for the entire year will be 10.0 HK cents per share (2007: 11.0 HK cents). The said final dividend for 2008, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on 29 June 2009.

REVIEW

As a result of the financial tsunami that swept across the world in 2008, the Group encountered unprecedented difficulties and challenges in its business operations. Even at the beginning of the year, the Group took timely measures to adjust its strategies in light of the changing market conditions. The Group operated its businesses in a prudent and cost effective manner. The Group also stepped up its efforts to innovate its management and increase efficiency. Taking precaution against the looming dangers, the Group improved and regularized the management of its investment projects so as to minimize investment risks on the one hand and to seek out opportunity amidst the crisis on the other. It is all the measures that have together secured the steady and health development of the Group as a whole in the year past.

Through the effort of management, the Group's net profit attributable to shareholders has increased by 10.6% to HK$1,877 million, and our profit before tax increased by 1.4% (i.e. HK$33 million) to HK$2,437 million. The growth was mainly contributed by our water distribution and department stores businesses, their respective contribution being HK$739 million and HK$66 million. This is however offset in part by the impairment losses of HK$683 million in the electric power generation business and the property investment and development business. The growth in water distribution business was mainly due to the water tariffs subsidy of HK$730 million. The decline of profits in the property investment and development business was due to the revaluation deficit in Teem Plaza property in Guangzhou amounting to HK$379 million whereas there was a gain in valuation for HK$718 million in 2007.

PROSPECTS

The goal of the Group for 2009 is to convert all the external pressures on our business operations brought about by the severe macroeconomic conditions into the force and energy that will drive the Group to improve and strengthen itself and to further increase its competitiveness in the market. Notwithstanding the unfavourable external environment, the Group will seek to transform the challenges it faces into opportunities and thereby to maintain its steady and health growth.

It may not be realistic to expect the macroeconomic conditions to improve much in the short run. However, the businesses of the Group are likely to remain stable. This together with the substantial cash in hand and the low debt level put the Group in a good position to take advantage of the growth and development opportunities that may arise as a result of current crisis. The Group will therefore step up its business development efforts, with particular emphasis on utilities, infrastructure and shopping malls. 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, as well as possible new investments in highway and shopping mall projects so as to create even higher values for shareholders.

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, 15 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2008 was HK$7,591 million (2007: HK$6,689 million), an increase of 13.5% as compared with year 2007. The growth was mainly contributed by the property investment and development business and the department store business, but partially offset by the decrease in the power generation business.

The consolidated net profit attributable to shareholders of the Group for 2008 amounted to HK$1,877 million (2007: HK$1,697 million), an increase of HK$180 million or 10.6%. The increase was mainly contributed by the water distribution business benefiting from a subsidy of approximately HK$730 million and the department store business, but partially offset by the property investment and development business and the power generation business. Although the property investment and development business achieved a good growth in revenue, losses on revaluation of investment properties of HK$494 million has decreased the profit significantly.

A decrease in the fair value of investment properties for HK$494 million (2007: increase in value for HK$781 million) and an impairment of items of property, plant and equipment and intangible assets for HK$89 million (2007: HK$394 million) were recorded in the consolidated income statement for the year. Mainly because of the lower interest rate, the finance cost decreased by 22.5% to HK$380 million.

Under the new PRC Corporation Income Tax Law that came into effect as from 1 January 2008, the preferential tax rates enjoyed by certain of our subsidiaries will be gradually phased out over a five year period from 2008 to 2012. The effective tax rate for the year under review has increased to 18.2% (2007: 16.9%). Tax has likewise increased by HK$36 million to HK$442 million.

The basic earnings per share were 30.54 HK cents (2007: 27.83 HK cents), representing an increase of 9.7% as compared with 2007.

BUSINESS OVERVIEW

A summary of the performance of the Group’s major business during 2008 is as follows:

Water Distribution

Profit contribution from the Dongshen Water Supply Project remained significant to the Group. The Company’s interest in the holding company of the Dongshen Water Supply Project has increased by 0.28% to 88.45% during the year. The holding company in turn has 99% interest in the Dongshen Water Supply Project.

The designed 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 2.019 billion cubic meters (2007: 2.089 billion cubic meters), an decrease of 3.4%, generating revenue amounted to HK$3,443,842,000 (2007: HK$3,364,767,000), an increase of 2.4%.

According to the Hong Kong Water Supply Agreement for 2006 to 2008 as concluded between the Government of Hong Kong and the Guangdong Provincial Government (the “GPG”) in 2006, the total annual revenue for water sales to Hong Kong is fixed at HK$2,494.8 million. The Hong Kong Water Supply Agreement for 2009 to 2011 was signed between the Government of Hong Kong and the GPG during the year. Under the new Hong Kong Water Supply Agreement, the annual revenue for the three years 2009, 2010 and 2011 are to be HK$2,959 million, HK$3,146 million and HK$3,344 million, respectively.

The water sales volume to the Shenzhen area increased by 1.6% to 958 million cubic meters during the year (2007: 943 million cubic meters). The water sales revenue to the Shenzhen area in 2008 increased by 11.9% to HK$817,717,000 (2007: HK$730,842,000).

Affected by the economic slowdown, some factories in Dongguan were closed down or moved to other areas, the water sales volume to the Dongguan area decreased by 5.3% to 408 million cubic meters during the year (2007: 431 million cubic meters). The water sales revenue to the Dongguan area in 2008 decreased by 5.6% to HK$131,325,000 (2007: HK$139,127,000).

During the year, the GPG finalized the details of subsidy arrangements in respect of the relevant Hong Kong water supply agreements between Hong Kong Government and the GPG for the period from 2005 to 2008. The total subsidy amounted to RMB652 million (approximately HK$730 million) and the first instalment in the sum of RMB391 million was received during the year. The balance of RMB261 million will be paid by instalments over three year starting from 2009. Mainly because of the subsidy, the profit before tax of the water distribution business increased by HK$834 million to HK$2,130 million (2007: HK$1,296 million), an increase of 64.4%.

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 Shaoguan PPD). Shaoguan PPD had 1 power generation unit with installed capacity of 200 MW. The sales of electricity for the year amounted to 1,130 million kwh (2007: 1,356 million kwh), a decrease of 16.7%. Sales revenue for the year amounted to HK$563,935,000 (2007: HK$582,574,000), a decrease of 3.2%. The decrease in revenue was mainly due to the deceases in the electricity sales but compensated in part by a 6.4% increase in average electricity tariff. The decrease in electricity sales was mainly because some operation of the power plant was suspended in February, March and April for repair and maintenance. Because of the significant increase in coal price, the profit margin decreased from 22.5% as in 2007 to a negative margin of 5.8% during the year.

Given the eventual closure of Shaoguan PPD already planned for, it would not be justified to incur the substantial capital expenditure to meet the new PRC environmental protection requirements. Shaoguan PPD’s power generation unit was closed down at the end of 2008. Accordingly, Shaoguan PPD has made impairment provision of HK$33,150,000 for the power unit for the year 2008. The loss before tax for the year was HK$132,297,000 (2007: HK$152,078,000).

GPIL entered into a 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 in January 2008. We have, however, adjusted the strategy of our electric power generation business in light of the changes in the conditions of the respective power plant projects. It is considered that the interest of the Company would be better served if we are to focus and concentrate our resources instead on the other power plant projects that are likely to yield better returns and more quickly.

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 generation units with a total installed capacity of 110 MW. Sales of electricity for the year amounted to 603 million kwh (2007: 749 million kwh), a decrease of 19.5%. Sales revenue for the year amounted to HK$321,573,000 (2007: HK$350,239,000), a decrease of 8.2%. The decrease in revenue was mainly due to the suspension of operation of one of the power generation units from June to November for repair and maintenance but compensated in part by a 4.5% increase in average electricity tariff. Because of the significant increase in coal price, the profit margin decreased from 21.8% as in 2007 to 3% in 2008. The loss before tax for the year was HK$52,532,000 (2007: profit before tax HK$22,131,000).

On 28 March 2007, a letter of intent was executed between the Company and 中山興中集團有限公司 (Zhongshan Xingzhong Group Co., Ltd) regarding a proposed project for the construction of two 300 MW power generation units utilising the existing land and auxiliary facilities of Zhongshan Power Plant. In order to facilitate the obtaining of all requisite PRC government approvals for this proposed project, the existing power generation units may be closed down in the future. Accordingly, Zhongshan Power Plant has made an impairment provision of HK$56,193,000 (2007: HK$62,892,000) in relation to the power generation units during the year.

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 generation units with a total installed capacity of 600 MW. Sales of electricity for the year amounted to 2,836 million kwh (2007: 3,447 million kwh), a decrease of 17.7%. Due to the increase in both the tariff and the RMB exchange rate, sales revenue for the year reached HK$1,421,968,000 (2007: HK$1,405,802,000), an increase of 1.1%. Because of high coal prices, Yue Jiang Power Plant suffered a loss before tax of HK$253,437,000 for the year whereas a profit before tax of HK$25,072,000 was recorded in 2007. Considering the profitability of Yue Jiang Power Plant, impairment provision of HK$99,928,000 in relation to the power units has been made during the year.

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). Revenue for the year amounted to HK$1,091,654,000 (2007: HK$1,163,691,000), a decrease of 6.2%. Because of high coal prices, Meixian Power Plant suffered a loss before tax of HK$135,498,000 for the year whereas a profit before tax of HK$147,815,000 was recorded in 2007. During the year, GD Power Investment received dividend income of HK$20,540,000 (2007: HK$30,645,000) from this investment.

Toll Roads and Bridges

"1 Road and 2 Bridges"

In 2008, 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$299,830,000 in aggregate (2007: HK$99,774,000).

(i) Humen Bridge

During the year the JCE acquired further interest in this project and increased the profit sharing ratio from 19.5% to 23%. During the year, average daily traffic flow of this bridge increased by 1.5% to 62,825 vehicle trips (2007: 61,868 vehicle trips). Revenue for the year reached HK$1,116,205,000 (2007: HK$1,038,315,000), an increase of 7.5%. This was mainly because the repair and maintenance works at the Guangshen Highway diverted traffic to the Humen Bridge. With the repayment of shareholders' loans, finance costs decreased by HK$61,591,000 as compared with that of 2007. Accordingly, the profit before tax for the year increased by 8.0% to HK$805,747,000 (2007: HK$745,956,000).

(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 8.1% to 13,258 vehicle trips (2007: 12,260 vehicle trips). Together with the increase in the RMB exchange rate, revenue increased by 11.0% to HK$183,095,000 (2007: HK$164,908,000). The profit before tax for the year increased by 12.2% to HK$137,835,000 (2007: HK$122,815,000).

(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 decreased by 13.4% to 15,105 vehicle trips (2007: 17,446 vehicle trips). Revenue for the year was HK$57,088,000 (2007: HK$64,696,000), a decrease of 11.8%. Profit before tax for the year was HK$5,661,000 (2007: profit before tax HK$13,301,000) mainly due to the decrease in traffic flow.

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 20.2% to 3,572 vehicle trips (2007: 4,478 vehicle trips). Revenue decreased by 9.1% to HK$14,268,000 (2007: HK$15,688,000). The loss before tax for the year decreased by 99.9% to HK$4,000 (2007: HK$81,162,000) as there was no need for provision for diminution in value for the year (2007: HK$76,723,000).

Panyu Bridge

The Group's effective interest in this project is 20%. During the year, the average daily traffic flow of this bridge increased by 3.2% to 54,690 vehicle trips (2007: 53,010 vehicle trips). As a result, revenue for the year has increased by 15.3% to HK$145,364,000 (2007: HK$126,046,000). The profit before tax for the year was HK$71,550,000 (2007: HK$52,826,000), an increase of 35.4%.

Property Investment

Mainland China

Teem Plaza

At the balance sheet date, the Group holds an effective equity interest of 75.89% 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 Teem Plaza, comprising rental income from the shopping mall (including rentals from the department store run by the Group) and East Tower, during the year reached HK$744,468,000 (2007: HK$481,498,000), an increase of 55%. The profit before tax for the year decreased by 76% to HK$252,476,000 (2007: HK$1,061,264,000), which included the effect of the losses of HK$379,109,000 (2007: gain in revaluation HK$717,983,000) arising from the revaluation of Teem Plaza.

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 meters and 96,500 square meters respectively. The mall continued to enjoy high average occupancy rate of approximately 99% during the year (2007: 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 (粤海天河城大厦), is a 45-storey A-class office tower, with a total gross floor area and lettable area of approximately 102,000 square meters and 90,000 square meters respectively. Colliers International has been engaged to market and promote the leasing of all the East Tower units. With an occupancy rate of 80% as at the balance sheet date, the total rental income for the year was HK$106,027,000 (2007: HK$15,605,000), an increase of 579%. The profit before tax for the year increased to HK$98,878,000 (2007: HK$2,477,000).

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 has been engaged to operate, manage and promote the hotel under the name of Sheraton Guangzhou Hotel (粤海喜來登酒店) 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$289 million has been invested as at the balance sheet date.

Hong Kong

Guangdong Investment Tower

Average occupancy rate of the Guangdong Investment Tower for 2008 reached 100% (2007: 98.37%), 1.63% higher than 2007. The total rental income for the year was HK$33,068,000 (2007: HK$30,384,000), an increase of 8.8% which was a result of the increased occupancy rate and average rental.

Department Stores

At the balance sheet date, the Group holds an effective equity interest of 85.05% 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 37,500 square meters (2007: 38,800 square meters) 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$2,110,778,000 (2007: HK$1,573,377,000), an increase of 34.2%. The profit before tax for the year was HK$204,135,000 (2007: HK$134,846,000), an increase of 51.4%

廣東吉之島天貿百貨有限公司 (Guangdong Jusco Teem Stores Co., Ltd.), an 26.56% 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 2008, our hotel management team managed a total of 34 hotels (2007: 48 hotels), of which 2 were in Hong Kong, 1 in Macau and 31 in Mainland China. Of these 34 hotels, 9 were owned by the Group (2 in Hong Kong, 4 in Shenzhen, 1 in Zhuhai, 1 in Zhengzhou and 1 in Changzhou).

During the year under review, the average room rate of the 5 existing star-rated hotels of the Group in respectively Hong Kong, Shenzhen, Zhuhai, and Changzhou was HK$515, an increase of 6.2% as compared with that of 2007. For the hotel management business as a whole together with all the 5 hotels as aforesaid, the revenue for the year increased by 10.4% to HK$342,974,000 (2007: HK$310,608,000), and their profit before tax increased by 49.2% to HK$106,122,000 (2007: HK$71,115,000).

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$28,378,000 (2007: HK$24,774,000). But they suffered a loss before tax amounted to HK$3,619,000 (2007: profit before tax HK$3,016,000) because of the fierce competition from budget hotels that are targetting essential the same clientele.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2008, the cash and bank balances of the Group increased by HK$1,413 million to HK$4,100 million (2007: HK$2,687 million), of which 15% in Hong Kong dollars, 77% in Renminbi and 8% in US dollars.

During the year under review, the level of the Group's financial borrowing decreased by HK$1,441 million. The decrease was mainly due to the repayment of certain interest-bearing debts during the year.

As at 31 December 2008, the Group's financial borrowings amounted to HK$10,049 million (2007: HK$11,490 million), of which 9% in Renminbi and 91% in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK$1,655 million. Of the Group's total financial borrowings, HK$429 million was repayable within one year while the remaining balance of HK$7,916 million and HK$1,704 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 2008 (2007: RMB50 million).

The gearing (i.e. net financial indebtedness/ net asset value (excluded minority interests)) of the Group as at 31 December 2008 was 0.41 times (2007: 0.66 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 earnings before interest, tax, depreciation and amortisation ("EBITDA") / finance cost is 9.73 times (2007: 7.97 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 2008, 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 (2007: Nil).

CAPITAL EXPENDITURE

The Group's capital expenditure in 2008 amounted to HK$158 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 2008, total Renminbi borrowings amounted to HK$930 million (2007: HK$1,168 million).

As at 31 December 2008, the Group's total floating rate borrowings amounted to HK$8,394 million (2007: HK$9,717 million). For the purpose of interest rate risk management, the Group entered certain fixed interest rate swap agreements, amounting to HK$5,400 million (2007: HK$7,400 million), with an average remaining life of 4 years.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2008, the Group had a total of 4,267 employees, of which 837 were at the managerial level. Among the employees, 4,036 were employed by subsidiaries in Mainland China and 231 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK$381,223,000 (2007: HK$305,645,000).

In 2008, even when facing the challenges of the severe external economic crisis, the Group has continued its efforts to build up and strengthen its human resources, to fully mobilize the productivity and creativity of its staff and to enhance the competitiveness of the enterprise as a whole. At the same time, the Group further improves the standard of its management and through them enhances both our efficiency and competitive advantages. All these measures have made it possible for the Group to successfully maintain its stable and healthy growth despite all the unfavourable external conditions in the year past. To ensure the Group will be able to sustain its growth and development in the long term, the Group has implemented in earnest the "Credibility, Integrity and Profitability" core value of our corporate culture and created an environment with its emphasis on fair competition and an impartial reward and discipline system that is most conducive to the grooming and nurturing of our human resources. The Group has in place the mechanism for regular performance appraisals of and feedback to 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 measure that links bonuses with the operating results of their companies and further taking into account of the individual performance of the staff concerned. During the year, the Group has adopted a new share option scheme to better 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 ongoing basis its various functional skilled-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 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.

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 2008 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 during the year pursuant to the Company's share option scheme adopted on 31 May 2002:

	No. of new ordinary shares issued	Exercise price per ordinary share HK$	Cash consideration HK$
	33,000,000	0.96	31,680,000
	19,000,000	1.22	23,180,000
	450,000	1.25	562,500
	5,000,000	1.59	7,950,000
Total	57,450,000		63,372,500

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1 June 2009 to Wednesday, 3 June 2009, 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, 29 May 2009.

By order of the Board
LI Wenyue
Chairman

Hong Kong, 15 April 2009

As at the date of this announcement, the Board of the Company comprises three Executive Directors, Mr. LI Wenyue, Mr. ZHANG Hui and Mr. TSANG Hon Nam; seven Non-Executive Directors, Mr. CHENG Mo Chi, Moses, Mr. HUANG Xiaofeng, Mr. ZHAI Zhiming, Ms. XU Wenfang, Mr. LI Wai Keung, Mr. SUN Yingming and Ms. WANG Xiaofeng; and three Independent Non-Executive Directors, Mr. CHAN Cho Chak, John, Dr. The Honourable LI Kwok Po, David and Mr. FUNG, Daniel R.