GUANGZHOU INVESTMENT COMPANY LIMITED
越秀投資有限公司
(Stock Code: 123)

New Heights
New Breakthrough
Renewed Brilliance

Annual Report 2007


Xing Hui Yun Jin

Contents

Company Profile

Southern Le Sand

Springland Garden

Guangzhou Investment Company Limited ("Company") was listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in December 1992. Yue Xiu Enterprises (Holdings) Limited, the controlling shareholder of the Company, is the principal investment vehicle of the Guangzhou Municipal People's Government in Hong Kong. The Company and its subsidiaries ("Group") have built up several businesses consisting of property, newsprint and toll road mainly located in the Guangdong Province of the Mainland of the People's Republic of China ("China"). These businesses all have substantial market shares in Southern China. Regarding the China property business, the Group currently has property projects under development and land bank in Guangzhou with total gross floor area of approximately 5.17 milllion sq. metres. The newsprint plant currently has annual production capacity of 450,000 tonnes. The toll road business is conducted through GZI Transport Limited ("GZT"), a subsidiary of the Company separately listed on the Stock Exchange in 1997. GZT is currently operating an attributable length of 323.9 km of toll road and bridge projects in Guangdong and other selective provinces of China. The Group also holds a 31.33% interest in GZI Real Estate Investment Trust ("GZI REIT"), a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the first listed real estate investment trust in the world investing in real estate in China.

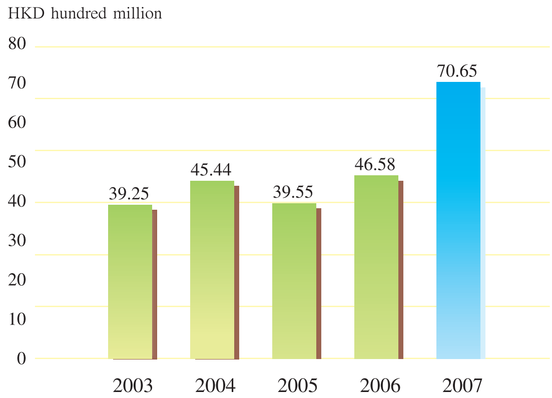
Glade Village


Guangzhou Investment Company Limited
(Stock Code: 123)
GZI Transport Limited
(Stock Code: 1052)
Newsprint
(450,000 tonnes)
Property
GZI Real Estate Investment Trust
(Stock Code: 405)
Toll Roads and Bridges
(323.9 km)
China Properties
(5,170,000 m²)
Hong Kong Properties

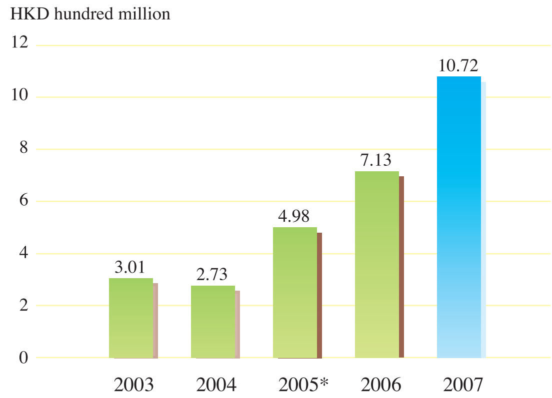
Financial Highlights

	Year ended 31 December		
	2007 **HK$'000**	2006 HK$'000	**Change**
Revenue	**7,064,573**	4,657,922	↑ **52%**
Operating Profit	**1,771,367**	1,036,764	↑ **71%**
Profit attributable to equity holders of the Company	**1,071,641**	712,615	↑ **50%**
Earnings per share for profit attributable to the equity holders of the Company - Basic (HK cents)	**15.46**	10.64	↑ **45%**
Dividend per share			
- Interim, paid (HK cents)	**2.30**	1.89	↑ **22%**
- Final, proposed (HK cents)	**2.50**	2.30	↑ **9%**
- Total (HK cents)	**4.80**	4.19	↑ **15%**
Total assets	**44,144,382**	29,621,544	↑ **49%**
Shareholders' equity per share (excluding minority interests)	**HK$1.94**	HK$1.64	↑ **18%**
Gearing Ratio	**40%**	24%	↑ **67%**
Interest coverage	**4.40 times**	4.26 times	↑ **3%**

Revenue

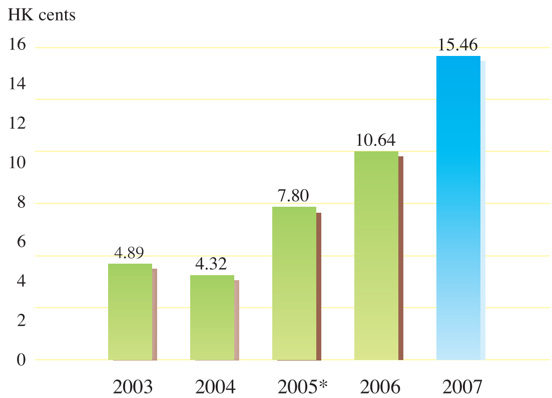


Profit attributable to shareholders



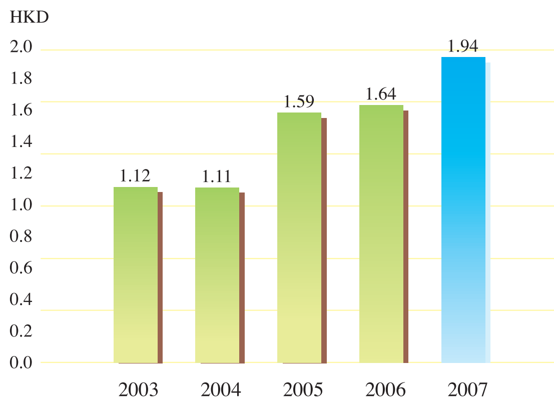
* excluding the special gain on disposal of subsidiaries

Basic earnings per share



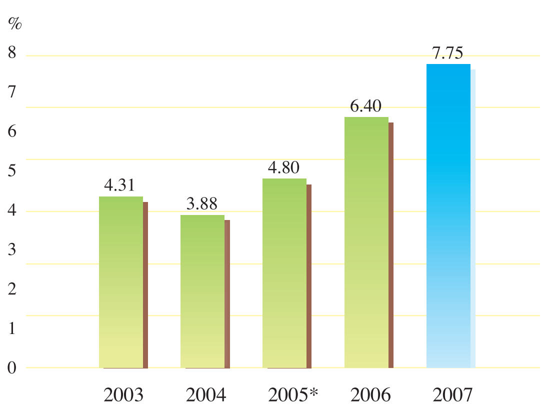
* excluding the special gain on disposal of subsidiaries

Shareholders' equity per share*



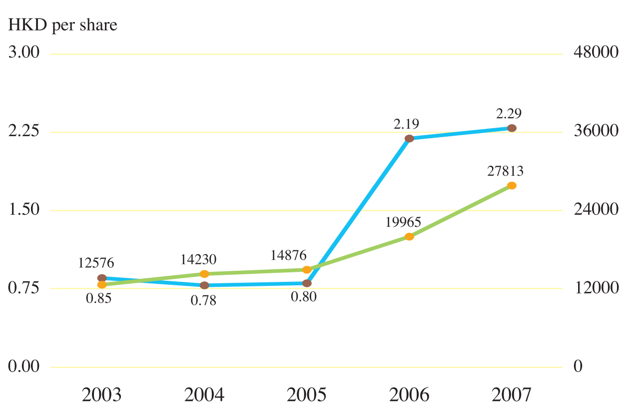
* excluding minority interests

Return on net assets



* excluding the special gain on disposal of subsidiaries

Share price at Balance Sheet date compared with Hang Seng Index



2007 Major Events

March 2007

The toll road business "GZT" acquired an additional 20% equity interest in GNSR Expressway Co., increasing GZT's interest in GNSR Expressway Co. from 40% to 60%.

June 2007

Flagship project "Guangzhou International Financial Centre" (West Tower of Mega-Twin Commercial Tower, Pearl River New City) held a ceremony to celebrate the completion of the underground works and the commencement of the open ground construction. The project is expected to be completed before the opening of the 16th Asian Games which will be held in Guangzhou in 2010.

July 2007

The Group acquired two properties located in Yau Tong, Hong Kong from the controlling shareholder, Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") at a consideration of approximately HK$670 million. The site area for the two properties amounted to 67,930 square feet . The consideration was satisfied by cash payment of HK$158 million and by the issuance of 257 million shares of the Company.

2007 Major Events

August 2007

GZT has raised approximately HK$2,190 million (before expenses) through an open offer. Upon completion, the Group's interest in GZT increased to 45.28% from 34.30%.

September 2007

GZT exercised its pre-emption right to acquire an additional 2.78% interest in Guangdong Humen Bridge Co., Ltd.(" Humen Bridge Co.") at a consideration of RMB194.6 million. Upon completion, in January 2008, GZT's equity interest in Humen Bridge Co. increased from 25% to 27.78%.

December 2007

The Group has acquired two non-price restricted sites in Jin Sha Zhou, Bai Yun District, Guangzhou at RMB523 million. The site area for the two sites amounted to approximately 90,000 square metres with total gross floor area for development of approximately 140,000 square metres and an average land cost of RMB3,756 per square metre.

December 2007

Our subsidiary Guangzhou Paper Limited ("GZ Paper") disposed certain non-core assets to Guangzhou Paper Holdings Limited ("GZPHL") at approximately RMB329 million.

Mr Ou Bingchang
Chairman

The year 2007 is a historic one for the Group, with a substantial rise in operating results.

Revenue amounted to HK$7,065 million, representing a 52% increase over the previous year. Profit attributable to equity holders amounted to HK$1,072 million, representing a 50% increase year-on-year. Basic earnings per share amounted to HK15.46 cents, representing a 45% increase year-on-year. We recommend the distribution of a final dividend of HK2.5 cents per share. Together with the interim dividend of HK2.3 cents per share, the dividend payout ratio for the year is 31%.

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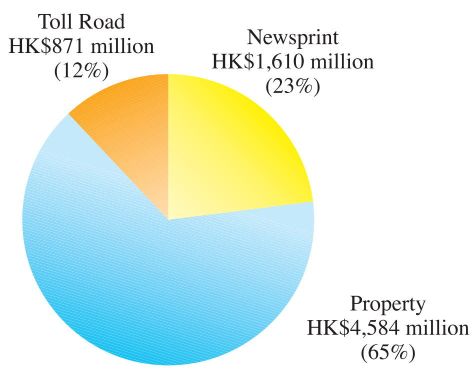
During the past year, the Chinese economy maintained its growth and per capita income rose rapidly, while people's livelihood has been improving. The GDP of China increased by 11.4%, while the GDP of Guangzhou, the third largest city in China, rose 14.5% year-on-year to RMB705.1 billion. Although in the second half of 2007 various noncommittal factors about the global economy began to surface, the Group managed to produce remarkable results.

The Property Business

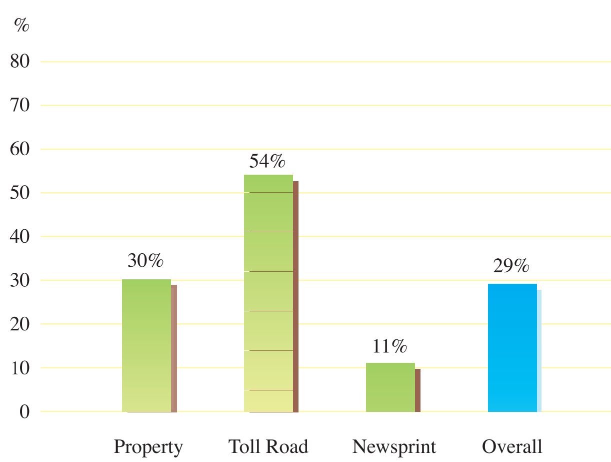
During the year of 2007, the property business effectively took advantage of the golden opportunity offered by the robust domestic economy. Recognised sales area for the year totalled approximately 360,000 square metres, up 37% from the 2006 figure of approximately 260,000 square metres. Recognised property sales revenue amounted to approximately HK$3,475 million, up 77% over the previous year. Pre-sold area not yet recognised in the income statement totalled approximately 140,000 square metres, with a pre-sold revenue amounting to approximately HK$1,478 million, in which most are expected to be recognised in 2008.

During the year, the gross floor area of properties under construction transferred from the land bank category amounted to approximately 700,000 square metres, of which most are located in the city centre of Guangzhou, thereby bringing the area under construction in the city centre to approximately 1,350,000 square metres which represents 74% of the total area under construction of 1,840,000 square metres. Meanwhile, the Group's flagship project under construction, the over 430-metre and 103-storey Guangzhou International Financial Centre (formerly West Tower of Mega-Twin Commercial Tower, Pearl River New City), expected to be one of the top ten tallest building in the world, held a ceremony on 6 June 2007 to celebrate the completion of the underground works and the commencement of the open ground construction. Construction progressed smoothly, with casting of the main structure of over 30 stories completed as at the end of 2007. The project is expected to be completed before the opening of the 16th Asian Games which will be held in Guangzhou in 2010.

Revenue by Segment



Gross Profit Margin Comparison



During the year, the property market of Guangzhou had been prosperous with the highest bidding price of auctioned land exceeding RMB18,000. Meanwhile, China further strengthened its macroeconomic revision measures, such as tightening the money supply and gearing up enforcement actions of repossession of idle undeveloped land, in order to prevent the property market from being overheated. Coupled with the increases in the interest rate of commercial banks by the People's Bank of China, the cost and risks of property development have been increased substantially. In the year, we added new land bank at relative low cost by bidding and winning at land auctions at opportune times. In December 2007, we acquired approximately 140,000 square metres of land bank in Jin Sha Zhou, Bai Yun District, Guangzhou. Together with another site in the same area through bidding in January 2008 after the reporting period, we have acquired approximately 300,000 square metres of gross floor area available for development at the average cost of approximately RMB4,200 per square metre, highlighting a substantial advantage over similar sites in the neighbourhood. The three plots of land at Jin Sha Zhou acquired by the Group are designated for non-price restricted properties. We plan to develop these sites into a large-scale low-density luxury residential project. In retrospect, together with the Jin Sha Zhou residential sites we have just acquired, the Group has demonstrated an outstanding exercise of business judgment as it has managed to repeatedly capture the opportunities to acquire quality sites at below-market prices, thereby giving such development projects a great competitive edge in terms of their future room for profits.

The Toll Road Business

The toll road business, GZI Transport Limited ("GZT"), reported significant growth during the year, with profit attributable to equity holders of GZT amounting to HK$581 million, up 26.0% over the previous year's HK$461 million. In August 2007, with expectation of a total planned investment of RMB159.1 billion for construction of 2,773 kilometres of new expressways in Guangdong Province during the 11th five-year plan, GZT raised approximately HK$2,190 million (before expenses) from an open offer of approximately 557.7 million new shares so as to improve its business expansion capability and investment competitiveness. The Group has increased its equity interest in GZT by approximately 11% during the open offer through subscribing new shares it entitled under such open offer and taking up the attributable subscription rights which Yue Xiu, the controlling shareholder of the Group, gave up. After the open offer, the Group's attributable equity interest in GZT increased to 45.28%. We believe that through future acquisitions and investment, impressive returns will be brought to shareholders.

The Newsprint Business

With domestic newsprint prices reporting a substantial drop while prices for raw materials such as waste paper and for energy surged, it was a difficult period for the operation of the newsprint business. During the year, PM9 at the Nan Sha Plant successfully proceeded to trial production with the expectation that commercial production will commence in 2008, and PM8 at Hai Zhu Plant completed its technical up-grading and improved its annual production capacity from 130,000 tonnes to 170,000 tonnes. Meanwhile the Company sold certain non-core assets and workshops such as mechanical pulping and wastewater treatment facilities. In the reporting period, the operation reported a sales volume of approximately 420,000 tonnes and sales revenue increased by approximately 19%. Profit attributable to equity holders of the Group amounted to HK$21 million.

REIT Business

GZI Real Estate Investment Trust ("GZI REIT"), in which the Group holds a 31.33% interest, reported an attributable net profit after tax of HK$226 million for the year and brought about over HK$70 million of distribution to the Group. After the reporting period, the Group sold a subsidiary to GZI REIT and the project was one of the four named projects subject to a first right of refusal granted to GZI REIT when it was listed in 2005.

Glade Village

FUTURE PROSPECTS

The Property Business

Looking into the future, we expect the global economy will be volatile and China will continue to implement macroeconomic revision measures. The Group has been following a prudent operation strategy, as well as maintaining bank borrowings at a reasonable level. Meanwhile, most of the land bank is located in the city centre of Guangzhou and is intended to be developed into up/mid-market residential and commercial properties, which clearly put us in an advantageous position in the current market.

The Group plans to fully utilise its advantages and integrated prowess to add quality projects at key areas by land bid. Furthermore, the Group will continue to enhance its management on the basis of the 2007 refinement of its internal management structure and business flow, in order to shorten the development cycle of properties and to increase the scale of new developments. Appropriate measures will also be adopted to expedite sales to achieve a positive cycle of capital utilisation.

Property Development

In the next few years, the Group will speed up its property completion so as to achieve the target of an average annual increase of not less than 30%. In 2008, the Group have planned to commence new developments of approximately 1,180,000 square metres. Together with approximately 1,840,000 square metres under construction as at the end of 2007, the Group expects to have a total area of approximately 3,000,000 square metres of properties completed in the next three to four years.

Investment Property

Currently, a substantial part of the investment property portfolio of the Group comprises commercial properties. Considering the phenomenal growth rate of the domestic retail sector, which is significantly higher than the growth of the national GDP, the Group intends to improve on the quality of the portfolio and to generate additional cash flow for the Group by focusing on high end commercial properties with greater appreciation potential and to disposing properties with low returns, such as scattered residential parking lots and commercial properties at the right opportunity.

Land Bank

As to our land bank, the Group will make full use of its experience in the bidding for and construction of Guangzhou International Financial Centre to bid for the adjacent landmark project of East Tower of Mega Twin Towers, Pearl River New City. If we succeed in the land bid, we could enjoy more flexibility in the market positioning, layout of the composite functions, provision of amenities and and marketing strategy which would greatly enhance the synergistic and integral development of the twin towers. Moreover, we will prudently bid for other quality sites in the urban area at opportune times to increase our land bank to facilitate the Group's sustainable, healthy and stable development.

Financial and Operation Management

The Group will maintain a prudent financial management policy, focusing on risk management and liquidity. Through further strengthening of its internal management and corporate governance, as well as further market segment refinement in our property products to cater for different market needs, the Group will bring better investment return to shareholders.

The Toll Road Business

The Group will fully capitalise on GZT's advantage of approximately HK$2,290 million cash hoard, appropriately apply financial leverage and actively enhance the investment effort to participate in the construction of State expressways in various approaches. Meanwhile, the Group will acquire matured expressway projects which can offer stable returns and new expressways in emerging markets and popular tourism spots. The Group is currently intensely proceeding with the relevant work in an orderly manner. This will establish the foundation of long-term development and sustained growth momentum for the toll road business after the completion of the relevant expressway projects.

The Newsprint Business

As the intense competition in the business is expected to continue, besides maintaining stable production and operation, the Group will also actively raise its production capacity, optimize product structure and study relevant feasible options on equity structure with reference to market changes.

REIT Business

It is expected that there will be more property projects available for acquisition after the geographical scope of investment has been expanded. Currently some potential projects in booming cities are under consideration. The Group will also strive to inject appropriate properties into GZI REIT to achieve a "win-win" situation through scale expansion.

General

In 2008, we will continue to improve the management structure, enhance corporate governance, increase operational transparency, optimize human resource configuration and expand our efforts in training so as to encourage our staff's proactive participation. The Group firmly believes that by strengthening and enhancing internal management efficiency and by adequately grasping and capitalising on market opportunities, we can bring better investment return to all shareholders in the coming year through prudent operation.

Acknowledgement

I would like to take this opportunity to thank all the directors, the management and the entire staff, for their hard work over the past year and their contributions to the Group's development. I would also like to thank all the shareholders and our friends in the banking, commercial and investment sectors for their continued strong support to the Group.

Ou Bingchang
Chairman

Guangzhou International Financial Centre

BUSINESS REVIEW

The Property Business

- **Sold Properties**

Property development in the year of 2007 achieved remarkable results. Recognized sales area for the current year amounted to approximately 360,000 square metres and relevant revenue amounted to approximately HK$3,475 million, representing an increase of 37% and 77% respectively year on year. Residential properties contributed the main portion, accounting for 84% of the total recognized sales area, and amounted to approximately 300,000 sq. m.; while office and commercial properties contributed accounted for the remaining 16%. Benefiting from the robust economic growth of Guangzhou, the average selling price of recognized sales area increased substantially by 29% to approximately HK$9,700 per square metres, setting a strong base for the Group's profitability in 2007.

Main recognized sales areas are set out as follows:

Project Name	Land Use	GFA (sq. m.)	Location
Springland Garden	Residential	78,700	Hai Zhu, Guangzhou
Cong Hua Glade Village	Villa	51,800	Cong Hua, Guangzhou
Xing Hui Ya Yuan	Residential	47,300	Tian He, Guangzhou
Jiang Nan New Mansion	Residential	45,900	Hai Zhu, Guangzhou
Binjiang Yiyuan	Residential	38,300	Hai Zhu, Guangzhou
Victory Plaza (Tower Building portion)	Office	30,800	Tian He, Guangzhou
Yue Xiu City Plaza	Office	23,300	Yue Xiu, Guangzhou
Southern Le Sand	Villa	21,200	Nan Sha, Guangzhou
Yue Xiu Neo Metropolis Plaza	Office	1,600	Yue Xiu, Guangzhou
Other Projects	N/A	19,700	N/A
Total		approx. 360,000	

Pre-sold area not yet recognized in the income statement during the year amounted to approximately 140,000 square metres generating revenue of approximately HK$1,478 million.

The following table shows the details of main pre-sold areas:

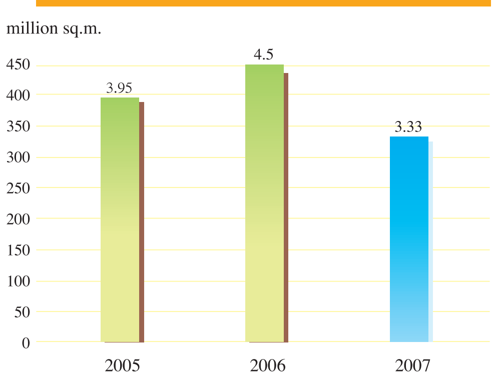
Project Name	Land Use	GFA (sq. m.)	Location
Springland Garden	Residential	42,300	Hai Zhu, Guangzhou
Southern Le Sand	Villa	35,100	Nan Sha, Guangzhou
Victory Plaza (Tower Building portion)	Office	22,100	Tian He, Guangzhou
Cong Hua Glade Village	Villa	17,100	Cong Hua, Guangzhou
Ling Nan Ya Yuan (formerly Fu Hai Garden)	Office	6,200	Yue Xiu, Guangzhou
Binjiang Yiyuan	Residential	3,000	Hai Zhu, Guangzhou
Other Projects	N/A	17,400	N/A
Total		approx. 140,000	

- **Land Bank**

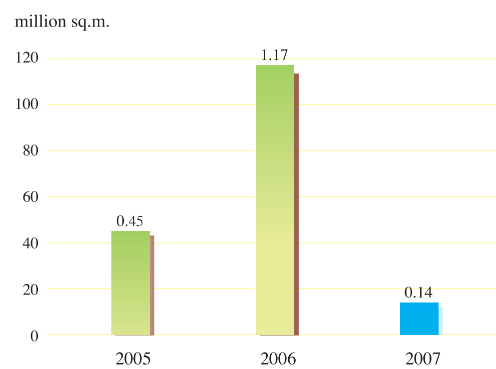
During the year, the Group has added two non-price restricted sites in Jin Sha Zhou, Bai Yun District, Guangzhou at an opportune time with relative low cost. The site area for the two sitesamounted to approximately 90,000 square metres with total gross floor area for development of approximately 140,000 square metres and an average land cost of RMB3,756 per square metre. Together with another residential site in the same area with gross floor area of approximately 160,000 square metres acquired at land auction after the reporting period in January 2008, the Group has aggregate land bank of approximately 300,000 square metres in Jin Sha Zhou available for future development. Details of newly added land bank are listed below:

Project Name	Acquisition Date	Land Use	Land Area (sq. m.)	GFA (sq. m.)	Premium (RMB million)	Land Cost (RMB/ sq. m.)
B3709B07 Jin Sha Zhou, Guangzhou	2007.12.06	Residential	43,958	68,135	265	3,889
B3709B08 Jin Sha Zhou, Guangzhou	2007.12.06	Residential	45,881	71,116	258	3,628
B3711B03 Jin Sha Zhou, Guangzhou	2008.01.08	Residential	103,436	160,326	735	4,584
Total			193,275	299,577	1,258	4,199

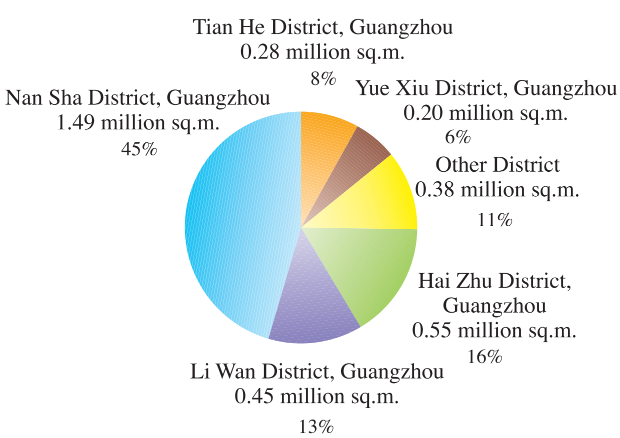
Trend of Land Bank (2005-2007)



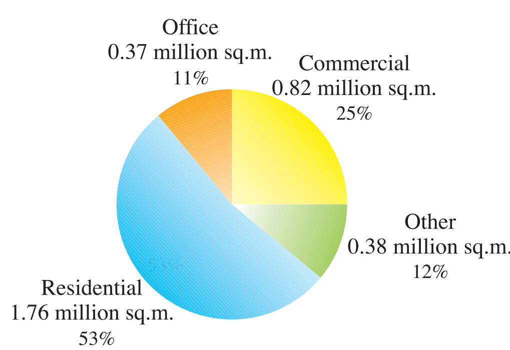
Newly Added Land Bank (2005-2007)



Land Bank-By District



Land Bank-By Land Use



At the end of 2007, the aggregate land bank of the Group amounted to 3.33 million square metres in terms of gross floor area. Major projects of its land bank are set out as follows:

Major Project Name	Land Use	GFA (sq. m.)	Location
Southern Le Sand	Villa/Office/Commercial	1,490,000	Nan Sha,Guangzhou
Liwan Property (cement plant project)	Residential/Commercial	450,000	Li Wan, Guangzhou
Jiang Nan New Mansion	Residential	230,000	Hai Zhu, Guangzhou
Springland Garden	Residential	180,000	Hai Zhu, Guangzhou
B2-10, Pearl River New City	Office	170,000	Tian He, Guangzhou
Cong Hua Glade Village	Villa	146,000	Cong Hua, Guangzhou
B3709B07,B3709B08, Jin Sha Zhou	Residential	140,000	Bai Yun, Guangzhou
Jiangnan New Village, phase 3 & 4	Residential	138,000	Hai Zhu, Guangzhou
Sports Stadium Building	Office	125,000	Yue Xiu, Guangzhou
D3-7, Pearl River New City	Office	110,000	Tian He, Guangzhou
Other Projects	N/A	150,000	N/A
Total		approx. 3,330,000	

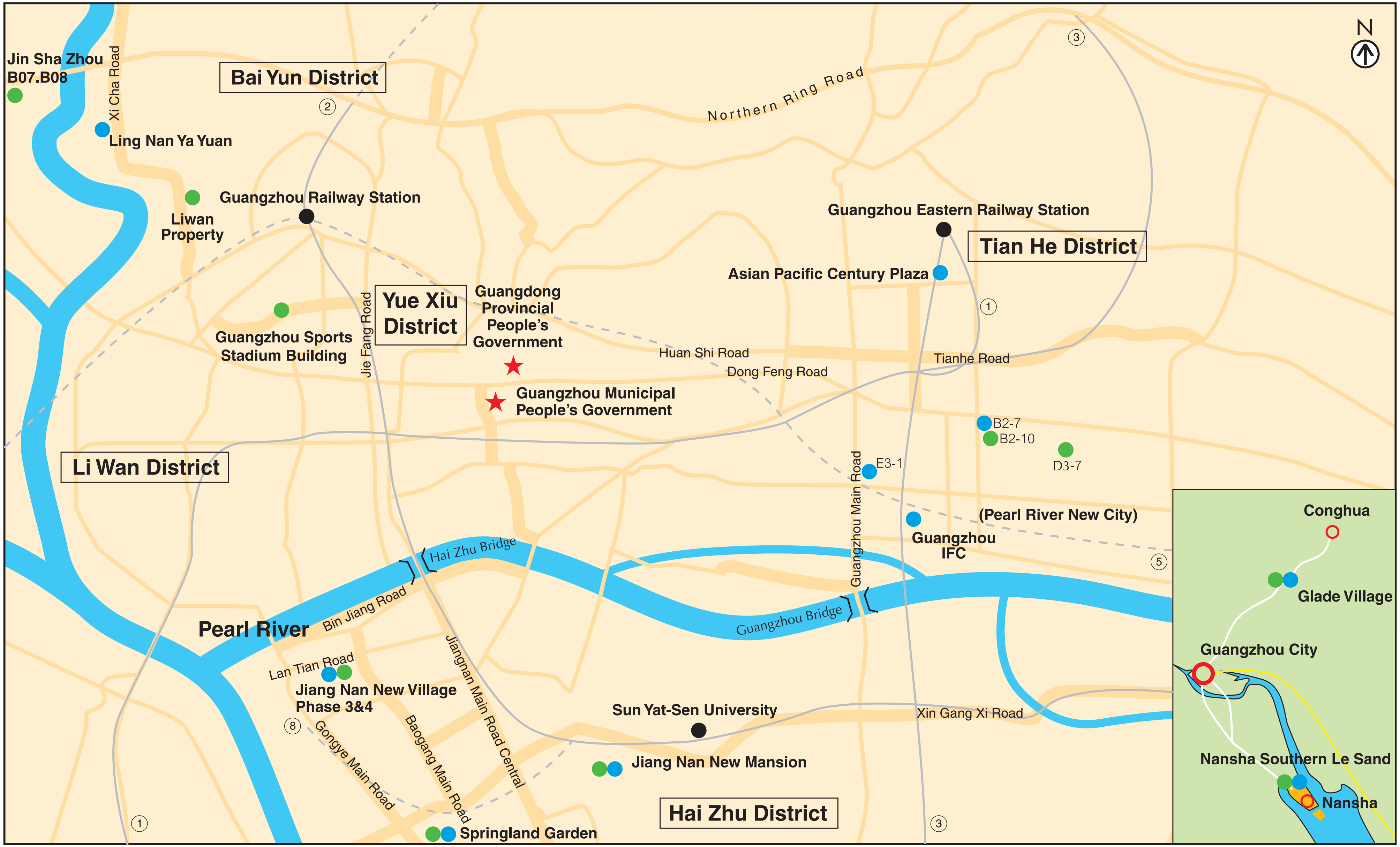
Springland Garden

- **Properties Under Development**

As at 31 December 2007, total area of properties under development of the Group amounted to approximately 1,840,000 square metres, mainly comprising 8 projects which are listed below:

Major Project Name	Land Use	GFA (sq. m.)	Estimated Next Completion Date	Location
Guangzhou International Financial Centre	Office/Apartment/ Hotel/Commercial	450,000	2010	Tian He, Guangzhou
Asian Pacific Century Plaza	Office/Hotel/ Commercial	232,000	2011	Tian He, Guangzhou
Xing Hui Yun Jin (Pearl River New City E3-1)	Residential/Apartment	186,000	2011	Tian He, Guangzhou
Springland Garden	Residential	190,000	2008	Hai Zhu, Guangzhou
Ke Yi Hao Yuan (Jiangnan New Village phase 4)	Residential	162,000	2009	Hai Zhu, Guangzhou
Ling Nan Ya Yuan (formerly Fu Hai Garden)	Residential	90,000	2008	Bai Yun, Guangzhou
Southern Le Sand	Villa/Office/ Commercial	440,000	2008	Nan Sha, Guangzhou
Other Projects	N/A	85,000	N/A	N/A
Total		approx. 1,840,000		

Location Map of Major Property Projects of the Group in Guangzhou Urban Area



Land bank

Properties under development

Metro line in operation

Metro line under construction

Management Discussion and Analysis

Guangzhou International Financial Centre

Site area : 31,000 sq. m.
Total GFA : 450,000 sq. m.
Area under construction : 450,000 sq. m.
Expected completion date : year 2010
Land use : Office/ Apartment/ Hotel/ Commercial
Descripeion : Located in the center of Tian He, Pearl River New City, Guangzhou, near the Pearl River New City Metro Station

Asian Pacific Century Plaza

Total GFA : 232,000 sq. m.
Area under construction : 232,000 sq. m.
Expected completion date : year 2011
Land use : Office/ Hotel/ Commercial
Description : Located in Tian He North Road, Tian He Guangzhou, near the Lin He Xi Metro Station

Xing Hui Yun Jin (E3-1 project)

Site area : 19,000 sq. m.
Total GFA : 186,000 sq. m.
Area under construction : 186,000 sq. m.
Expected completion date : year 2011
Land use : residential/ apartment
Description : Located in Tian He, Pearl River New City, Guangzhou, near Guangzhou Main Road

Springland Garden

Site area : 160,000 sq. m.
Total GFA : 630,000 sq. m.
Completed area: 260,000 sq. m.
Area under construction : 190,000 sq. m.
Expected next completion date : year 2008
Land use : Residential
Description : Located in Hai Zhu District,
near the Bao Gang Da Dao, Metro Station

Ke Yi Hao Yuan (Jiangnan New Villiage phase 4)

Total GFA : 162,000 sq.m.
Area under construction : 162,000 sq.m.
Expected next completion date : year 2009
Land use : Residential
Description : Located in Hai Zhu District, Guangzhou Jiang Nan Xi, near the commercial center, ten minutes to Jiang Nan Xi Metro Station

Ling Nan Ya Yuan (formerly Fu Hai Garden)

Site area : 40,000 sq. m.
Total GFA : 90,000 sq. m.
Area under contruction : 90,000 sq. m.
Expected next completion date : year 2008
Land use : Residential
Description : Located in Bai Yun District,
with Ling Nan style design

Management Discussion and Analysis

Southern Le Sand

Total GFA : 2,190,000 sq.m.
Completed area: 260,000 sq.m.
Area under construction : 440,000 sq.m.
Expected next completion date : year 2008
Land use : Villa/Commercial/Office
Description : Located in Nan Sha District, Guangzhou, near the Jin Zhou Metro Station

Cong Hua Glade Village

Total GFA : 500,000 sq. m.
Completed area : 310,000 sq. m.
Area under contruction : 43,000 sq. m.
Expected next completion date : year 2008
Land use : Villa
Description : Located in Cong Hua District, Guangzhou, with natural environmental concept

- ### Investment Properties

During the past year, investment properties sold amounted to approximately 15,000 square metres, while newly added area of investment properties transferred from the properties under development category amounted to approximately 60,000 square metres, thereby bringing the area of investment properties of the Group as at 31 December 2007 to approximately 730,000 square metres, representing a 6.9% increase compared with the year of 2006. The investment properties portfolio comprised approximately 45% of commercial properties, approximately 16% of office, and the remaining balance of approximately 39% of other properties. The revenue of investment properties and property management business amounted to approximately HK$525 million, representing a substantial increase of 18.4% over the previous year. During the period, revaluation gain of investment properties amounted to approximately HK$362 million (2006: HK$747 million). One subsidiary company named Guangzhou Yicheng Property Management Company Limited was awarded the Class I certificate by the Ministry of National Construction Department of China for its property management ability, which is an excellent recognition of the Group's high quality and more value added property management services it provided to tenants and users of properties under its management.

The table below displays the details of the Group's major investment properties at the end of 2007:

Project	Land Use	GFA (sq. m.)	Location
Tian Hui Cheng Plaza (Tian He Rail Station East Commercial Plaza)	Commercial	85,000	Tian He, Guangzhou
Jin Han Building	Office	46,000	Yue Xiu, Guangzhou
Guang Yuan Cultural Centre	Commercial	32,000	Bai Yun, Guangzhou
Xiangkang Commercial Plaza	Commercial	29,000	Bai Yun, Guangzhou
Huangshi Garden	Commercial	29,000	Bai Yun, Guangzhou
Hong Fa Building	Office	17,000	Tian He, Guangzhou
Jiangxing Building	Office	16,000	Hai Zhu, Guangzhou
Yue Xiu City Plaza	Commercial	15,000	Yue Xiu, Guangzhou
XingHuiGuoJi	Commercial	13,000	Tian He, Guangzhou
Other Projects (include carpark of approximately 5,500)	N/A	448,000	N/A
Total		approx. 730,000	

- ### Other Businesses

During the year of 2007, the revenue generated by the decoration business amounted to approximately HK$142 million, representing an increase of 31%, while the revenue from the supermarket business, with more than 100 outlets, amounted to approximately HK$380 million.

The Toll Road Business

The toll road business reported significant growth during the year, with recorded toll revenue of approximately HK$871 million, representing a substantial increase of 94.1% which was mainly attributable to Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co.") being converted into a subsidiary of the Group. With the satisfactory performance of jointly controlled entities and associated entities, profit attributable to equity holders of GZT amounted to approximately HK$581 million, representing a 26.0% increase over the amount of HK$461 million of the same period of the previous year. During the reporting period, the Group had increased its interest in GZT from 34.3% to 45.28% through the open offer.

In line with its business strategy, the Group has been striving to increase the weight of its investments in expressways. In September 2007, GZT exercised its pre-emption right to acquire an additional 2.78% interest in Humen Bridge Co. for the consideration of RMB194.6 million. Upon completion in January 2008, the Group's equity interest in Humen Bridge Co. increased from 25% to 27.78% after the acquisition.

The Newsprint Business

As domestic newsprint prices dropped substantially while prices for raw materials such as waste paper and energy soared significantly, the operation of the newsprint business was difficult during the reporting period. During the year, PM9 at the Nan Sha Plant successfully proceeded to trial production and PM8 at the Hai Zhu Plant completed its technical up-grading. Meanwhile the Group sold some non-core assets and workshops such as mechanical pulping and wastewater treatment facilities. In the reporting period, the operation reported a sales volume of approximately 420,000 tonnes and sales revenue increased by approximately 19%. Profit attributable to equity holders of the Group amounted to HK$21 million.

REIT Business

During the year of 2007, the GZI REIT, in which the Company holds a 31.33% interest, reported a stable growth. The consolidated net profit after tax before transactions with the Unitholders amounted to HK$364 million, representing an increase of 49%. Excluding the effect of fair value gains of investment properties, the net profit after tax attributable to Unitholders amounted to HK$226 million, up by 9.28%, which brought along distribution in excess of HK$70 million to the Group.

FINANCIAL REVIEW

Financial Overview

1. Total revenue achieved historical high

During the year, profit attributable to equity holders increased to approximately HK$1,072 million, up 50% over the previous year. Total turnover reached approximately HK$7,065 million, up 52% over the previous year, of which revenue from property business grew by 60% to approximately HK$4,584 million, revenue from toll road business rose by 94% to approximately HK$871 million. Overall gross profit increased to approximately HK$2,025 million, up 102% over the previous year, with gross profit margin improved to 29% from 22% of the previous year.

2. Maintained a solid financial position with sufficient working capital

As at 31 December 2007, the Group's working capital remained at approximately HK$7,100 million, increased by approximately HK$5,233 million as compared to approximately HK$1,867 million of the previous year. Current ratio was 1.7 times. Bank and cash balances amounted to approximately HK$3,587 million with undrawn committed bank facilities amounted to approximately HK$6,200 million. The Group possesses a solid financial position with sufficient working capital to provide a supportive channel for the Group's future business development.

3. Healthy investments and acquisitions bring to the Group profitable yield

During the year, GZT acquired additional equity interest in two toll roads with rapidly growing traffic volume. In March 2007, GZT completed its acquisition of an additional 20% equity interest in GNSR Expressway Co. Upon completion, GNSR Expressway Co. became a subsidiary of the Group. On the other hand, in September 2007, GZT exercised its pre-emptive right to acquire an additional 2.78% equity interest in Humen Bridge Co. The acquisition was completed in late January 2008 and GZT's equity interest in Human Bridge Co. has increased to 27.78%. In August 2007, the Group utilised approximately HK$1,500 million in the subscription of the open offer of GZT. Upon completion, the Group's interest in GZT increased to 45.28% from 34.30%. The above investments and acquisitions broght to the Group profitable return during the year. It is expected they will continue to make sizable contribution to the revenue of the Group in future.

During December of 2007, the Group acquired two pieces of land in Jin Sha Zhou, Bai Yun District, Guangzhou at a consideration of RMB523 million, which is considered to be a relatively low price with reference to the then prevailing auction prices for similar sites in the same area at an opportune.

4. Total assets and shareholders' equity reported significant growth and gearing ratio maintained at a comfortable level

As at 31 December 2007, total assets of the Group increased by 49% to approximately HK$44,144 million, shareholders' equity increased by 24% to approximately HK$13,830 million. Due to RMB appreciated by approximately 6% in 2007, the shareholders' equity of the Group increased by approximately HK$800 million accordingly. The significant increase in total assets and shareholders' equity enhance the shareholders value of the Company.

The Group's gearing ratio was 40%.

Management Discussion and Analysis

Operating profit analysis

Cost of sales of newsprint business rose dramatically and the operating profit of newsprint business slashed down as compared to previous year, whereas total revenue from property business reached its historic high, toll road business maintained a strong yet stable growth, the Group's operating profit therefore reported a significant growth of 71% to approximately HK$1,771 million.

Included in other gain of HK$99 million was the profit derived from a disposal of certain non-core assets of the newsprint business during the year.

During the year, finance costs grew by 83% to approximately HK$355 million. In addition to the increase in bank borrowings, a persistent rise in average RMB interest rate during the year resulted in an increase in the interest expense on the Group's RMB bank borrowings.

During the year, the interest coverage (measured by the ratio of earnings before interest, tax, depreciation and amortisation to interest expense) was 4.4 times, over that of 4.26 times reported in last year.

During the year, the Group's share of losses after taxation from jointly controlled entities amounted to approximately HK$19 million, mainly contributed by the GWSR Expressway Co. which commenced its operation in late December 2006 and as expected, was operated at a loss in its initial stage of operation when traffic flow has not yet reached its normal level.

Share of profits after taxation from associated entities amounted to approximately HK$418 million, increased by 11% over the previous year. Such increase was mainly attributable to the satisfactory growth of Humen Bridge, Shantou Bay Bridge and the Northern Ring Road during the year, together with the net profit contributed by GZI REIT (31.33% held by the Group) amounted to approximately HK$114 million, representing an increase of 42% for the year. The Group is entitled to a distribution of approximately HK$70 million.

Xing Hui Yun Jin

As a result of the reduction of the corporate income tax rate under the new China Income Tax Law, deferred taxation on temporary differences that are expected to be reversed after 1 January 2008 have been reduced with approximately HK$251 million being credited to income statement during the year. Apart from this, the Group recorded a taxation charge of approximately HK$671 million.

Total assets and shareholders' equity

As at 31 December 2007, the Group's total assets and shareholders' equity increased by 49% and 24% to approximately HK$44,144 million and HK$13,830 million respectively. The increases in total assets were mainly contributed by the GZT acquired further 20% equity interest in GNSR Expressway Co. during the year, and became a subsidiary of the Group from a jointly controlled entity, hence all the assets and liabilities of the acquiree were consolidated to the Group, the remaining was contributed by the increase in land bank and construction in progress of the property business and newsprint business during the year.

Liquidity and financial resources

As at 31 December 2007, the Group's working capital (current assets less current liabilities) increased to approximately HK$7,100 million (2006: approximately HK$1,867 million). Current ratio was 1.70 times (2006: 1.22 times). Cash and cash equivalent amounted to approximately HK$3,587 million (2006: approximately HK$2,300 million). Undrawn committed bank facilities amounted to approximately HK$6,200 million.

The Group's major sources of liquidity are from recurring cash flow of its businesses and committed bank facilities. The Group recognise the importance of healthy liquidity position to the sustainability of the operations of the Group, and thus manage to emphasis on liquidity management and risk control. The Group will proactively maintain a good relationship with the financial institutions in Hong Kong and Mainland China, strives to maintain a lower borrowing margin, and from time to time monitor the capital and debt structure. The Group adheres to adopt prudent management for maintaining the healthiness on liquidity and cash management.

Capital structure

The Group's capital structure is summarized as follows:

	31 December 2007 HK$'000	2006 HK$'000
Bank borrowings (floating rate)		
Denominated in RMB	**6,633,992**	4,388,349
Denominated in Euro dollars	**1,135,994**	204,253
Denominated in United States dollars	**66,088**	37,242
Denominated in Hong Kong dollars	**4,401,494**	707,445
Total bank borrowings	**12,237,568**	5,337,289
Unsecured other borrowings	**387,818**	501,353
Finance lease	**100**	136
Overdrafts	**362**	215
Total debts	**12,625,848**	5,838,993
Ageing analysis:		
Repayable within one year	**2,550,115**	2,076,346
In the second year	**6,280,623**	1,142,596
In the third to fifth year	**1,217,196**	2,170,313
Over five year	**2,244,494**	—
With no fixed repayment terms	**333,420**	449,738
Total borrowings	**12,625,848**	5,838,993
Less: Bank balances and cash	**(3,587,607)**	(2,305,854)
Net borrowings	**9,038,241**	3,533,139
Shareholders' equity (excluding minority interests)	**13,830,075**	11,136,887
Total capitalisation	**22,868,316**	14,670,026
Gearing ratio	**40%**	24%

During the year, bank borrowings increased by approximately HK$6,900 million, of which 53% were in HK dollars, most of these new borrowings were negotiated on terms and at cost which were more favourable when compared to borrowings of previous year. As a result, it is expected there will be substantial savings in future interest expense. Approximately HK$5,000 million of the Group's bank borrowings are secured while 20% of the bank borrowings will be due for repayment within one year.

Capital expenditures and investments

In March 2007, GZT completed its acquisition of an additional 20% equity interest in GNSR Expressway Co. at a net cash outflow of approximately HK$533 million.

In July 2007, the Group acquired two properties located in Yau Tong, Hong Kong from Yue Xiu, at a consideration of HK$670 million. The consideration was satisfied by cash payment of HK$158 million and by the issuance of 257 million shares of the Company at a price of HK$1.995 per share. (As at completion date, the closing share price of the Company was HK$1.97 per share)

In August 2007, the Group was allotted and issued 375,067,000 shares of GZT, at a net cash outflow of approximately HK$1,500 million. Upon completion, the Group's interest in GZT increased to 45.28% from 34.30%.

In September 2007, GZT exercised its Pre-emption Right to acquire an additional 2.78% equity interest in Humen Bridge Co. and paid a deposit of HK$17.4 million, the acquisition was completed in January 2008.

In December 2007, the Group acquired two pieces of land in Jin Sha Zhou, Bai Yun District, Guangzhou at a consideration of RMB523 million.

Other than the above, the capital expenditures on property, plant, equipment and investment properties amounted to HK$3,100 million.

Interest rate exposure

Interest expense accounted for a significant proportion of the Group's finance costs. The Group's policy on interest rate risk management is to monitor and review from time to time the interest rate fluctuation, and refinance at a lower cost for existing loans or enter into new bank facilities when favourable pricing opportunities arise. Interest rate swaps to hedge exposure to floating rates will be used as and when appropriate.

Foreign exchange exposure

As the business operations of the Group are mainly based in Mainland China, income and cash flows are primarily denominated in RMB. The main cash outflows in Hong Kong related to cash dividend payment to shareholders and repayment of bank borrowings. The Group's financing strategy is to raise funding in HK dollars or other currencies, and further invest in RMB-denominated assets in Mainland China, thereby to reduce the Group's overall borrowing costs and at the same time enjoy the leverage provided by the appreciation of RMB. Currently RMB is keeping a relatively appreciation trend, the currency exposure is therefore considered to be minimal to the Group. The Group will from time to time review and monitor the currency exposure and will adopt appropriate currency swaps as and when appropriate to hedge its currency risks.

Capital commitment

As at 31 December 2007, the Group had financial commitments in respect of equity capital to be injected into a jointly controlled entity and an associated entity of approximately HK$305.6 million (2006: two jointly controlled entities of approximately HK$637.29 million).

As at 31 December 2007, the Group's share of capital commitments of a jointly controlled entity not included in the above amounted to approximately HK$94.24 million (2006: HK$244 million).

Other than the above, the Group also had capital commitments in respect of property, plant and equipment amounted to approximately HK$1,531 million as at 31 December 2007 (2006: HK$3,772 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 2007, total contingent liabilities relating to these guarantees amounted to HK$774 million (2006: HK$494 million).

Pledge of assets

As at 31 December 2007, certain banking facilities and loans granted to the Group were secured by assets of the Group. Details of the pledge of assets are set out in Note 44 to the financial statements.

Final Dividend

The Directors recommended the payment of a final dividend of HK2.50 cents per share (2006: HK2.30 cents) per share to shareholders whose names appear on the register of members of the Company on 3 June 2008. Subject to the approval of shareholders at the Annual General Meeting to be held on 3 June 2008, the final dividend will be paid on 26 June 2008. Together with the interim dividend of HK2.30 cents per share (2006: HK1.89 cents), total dividends for the year ended 31 December 2007 will amount to HK4.80 cents per share (2006: HK4.19 cents).

The register of members of the Company will be closed from Tuesday, 27 May 2008 to Tuesday, 3 June 2008, 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, 26 May 2008.

Employees and remuneration policy

As at 31 December 2007, the Group employed approximately 9,350 employees (31 December 2006: 8,450 employees), of whom approximately 9,020 employees (31 December 2006: 8,310 employees) were primarily engaged in the properties, toll roads and newsprint business. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees according to their performance. Promotion and salary adjustments are based on performance.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

Reference is made to a HK$2,500 million loan agreement dated 18 December 2006 ("Loan Agreement") with a final maturity in December 2009. In accordance with the terms of the Loan Agreement, it shall be an event of default if (A) Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ceases to maintain (i) its status as the single largest beneficial shareholder of the Company, or (ii) (whether directly or indirectly) a shareholding interest of not less than 35% in the issued voting share capital of the Company or (iii) an effective management control over the Company; or (B) Yue Xiu (with the Company) cease to maintain (i) their status as the single largest beneficial shareholder of GZT, a subsidiary of the Company, or (ii) (whether combined directly or indirectly) a shareholder interest of not less than 35% in the issued voting share capital of GZT. These obligations have been duly complied with for the year ended 31 December 2007.

Liwan Property


Jiang Nan New Mansion


Southern Le Sand

Executive Directors

Mr Ou Bingchang, aged 61, was appointed executive director, Chairman and the General Manager of the Company in 2003. He is also the Chairman and the general manager of Yue Xiu, a controlling shareholder of the Company, and the Chairman of GZT. Mr Ou graduated from China Pharmaceutical University in China. Prior to joining Yue Xiu in November 2002, he assumed leading roles in Guangzhou Pharmaceutical Factory, Economic Coordinating Office of Guangzhou and General Office of Guangzhou Municipal People's Government. During the period of serving as the director of the Guangzhou Municipal Transport Commission, Mr Ou had made distinguished contributions to Guangzhou in relation to transport planning, construction, development and management. He has over 30 years of experience in industrial technology, transportation network, enterprise and economic management.

Mr Liang Yi, aged 55, was appointed executive director of the Company in 2003. He is also a Vice Chairman of the Company, a director of Yue Xiu and GZT. Mr Liang graduated from the Chinese People's Liberation Army Engineering Soldier's University majoring in public administration. Prior to joining Yue Xiu in June 2001, he assumed leading roles in Guangzhou Chemical Industry Bureau and organizations under the party Committee of Guangzhou Municipal People's Government. Mr Liang had made outstanding contribution in establishing the administrative supervisory system of Guangzhou. He has over 20 years of experience in public administration.

Mr Tang Shouchun, aged 45, was appointed executive director of the Company in 2006. Mr Tang graduated from Nanjing Agricultural University and is a senior accountant, senior economist and registered asset appraiser in China, and has a Doctor degree in Agricultural Economics and Management. Prior to joining Yue Xiu in 2002, he taught at Southwestern University of Finance and Economics in Chengdu and was a vice professor of South China Normal University in Guangzhou. He had been a director and chief accountant of Guangzhou City Construction & Development Group Co. Ltd., responsible for overseeing financial accounting, financial management and capital operation of the company. He also participated in the planning and operation management of various large real estate projects. After joining Yue Xiu, Mr Tang has held the positions of Group financial controller and deputy general manager, overseeing the Group's financial and treasury affairs. He has extensive experience in the financial management and capital operation of large enterprises.

Mr Wang Hongtao, aged 58, was appointed executive director and Deputy General Manager of the Company in 2006. Mr Wang graduated from the Huadong Institute of Hydraulic with a major in port engineering. He joined Guangzhou City Construction & Development Group Co. Ltd. in 1985, and had taken up various leading positions in the planning and development department, Guangzhou Grandcity Development Ltd. and Guangzhou Investment Property Holdings Limited. He has nearly 30 years' experience in infrastructure and real estate development, specializing in real estate investment, project planning, development and construction as well as property operation and management.

Mr Wang has participated in and has been in charge of various large real estate development projects such as Guangzhou Jiang Nan Estate, Er Sha Island and Tianhe Construction Zone, and more than ten residential districts and commercial buildings such as Guangzhou Ming Ya Mansion, Galaxy City, Jiang Nan New Mansion, City Development Plaza and China Mayors Plaza. Among them, City Development Plaza and China Mayors Plaza were awarded the Luban Prize, the highest accolade awarded by the Ministry of Construction of China, while Lingnan Garden won the Zhan Tian You Civil Engineering Award. Mr Wang himself was awarded the Ministerial Award from the Ministry of Construction of China.

Directors' Profiles

Mr Wang is a senior economist, engineer and registered land valuer in China, and is a member of the Expert Committee of the Guangzhou Real Estate Industry Association. He is also the vice chairman of the Guangzhou Real Estate Industry Association, the Guangzhou Construction Industry Association and the Leasing Association of Guangzhou.

Mr Li Xinmin, aged 56, was appointed executive director of the Company in 2006. He is also the Deputy Chairman of GZT. Mr Li has over 30 years of experience in highway construction and management. Prior to joining GZT in 2001, he served as the deputy general manager of Guangzhou Highways Construction Company, department head of the maintenance division of Guangzhou Highways Management Bureau and deputy director of Guangzhou Highways Management Bureau. From March 2004 to April 2005, Mr Li was the general manager of GZT.

Mr He Zili, aged 58, was appointed executive director of the Company in 2006. He is also a director of GZT. Mr He graduated from the Central Television University in China with an economics degree. Prior to joining Yue Xiu in 1991, he worked as a deputy manager of Guangzhou Taxi Company Limited in charge of finance and accounting. After joining Yue Xiu, Mr He had been the general manager of the finance department, the investment and business department, and the capital management department. Mr He is currently the deputy group financial controller of Yue Xiu and financial controller of the Company. He has over 40 years of experience in finance and accounting and is a senior accountant in China.

Ms Zhou Jin, aged 58, was appointed executive director of the Company on 19 April 2007. Ms Zhou attained tertiary level education. She has been working at Guangzhou City Construction & Development Holding Co. Ltd. and then Guangzhou City Construction & Development Co. Ltd. ("GCD") since 1979. During her term of service with GCD, she was head of major departments such as Human Resources and Administration Supervision. Ms Zhou is well experienced with the work-flow and management of property development and related operations. She has been in charge of the setting up and implementation of a series of operations and internal control systems and measures with emphasis on the GCD group's development and expansion of major operations.

Non-executive Director

Mr Zhang Huaqiao, aged 45, was appointed non-executive director of the Company with effect from 17 April 2008. Mr Zhang graduated from Hubei Institute of Economics and Finance, with a Bachelor degree in Economics. He also received a Master degree in Economics from the Graduate School of The People's Bank of China and from The Australian National University, respectively. Mr Zhang worked at UBS Securities Asia Limited for seven years during which time he held the positions of managing director and head and co-head of the China research department. Between 1991 to 1994, Mr Zhang served as a tenured lecturer of banking and finance at the University of Canberra. He also worked at The People's Bank of China from 1986 to 1989.

Mr Zhang has been an executive director of Shenzhen Investment Limited since May 2006, a company whose shares are listed on the Main Board of the Stock Exchange. He is also a non-executive director of Shenzhen International Holdings Limited, Hong Long Holdings Limited, Coastal Greenland Limited, OP Financial Investments Limited, and Tak Sing Alliance Holdings Limited and an independent non-executive director of Kasen International Holdings Limited. The shares of the companies mentioned above are listed on the Main Board of the Stock Exchange.

Independent Non-executive Directors

Mr Yu Lup Fat Joseph, aged 60, has been an independent non-executive director of the Company since 1992. Mr Yu holds a master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 39 years of experience in investment, banking and finance and is a senior advisor of Access Capital Limited.

Mr Lee Ka Lun, aged 53, has been an independent non-executive director of the Company since 2000. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Denway Motors Limited, Chow Sang Sang Holdings International Limited and REXCAPITAL Financial Holdings Limited.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 60, has been an independent non-executive director of the Company since 2004. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited, Glorious Sun Enterprises Limited, GZT, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited and Wing Hang Bank, Limited. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Corporate Governance Report

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Company has complied with the Code Provisions save for certain deviations from Code Provisions A.2.1 and A.4.1, details of which are explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance, transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company.

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive directorate, and focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall business strategies and budgets, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. For a list of directors during the year ended 31 December 2007 and their respective profiles, please refer to the section headed "Directors' Profiles" and page 46 of the Report of the Directors.

None of the members of the Board is related to one another.

During the year ended 31 December 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make valuable contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company. On 10 October 2007, the Board removed Mr Li Fei as a director of the Company on first becoming aware of media reports that he was being prosecuted at Guangzhou Intermediate People's Court.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

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.

In accordance with the Company's Articles of Association which were amended by a special resolution at the annual general meeting held on 15 June 2006 for the purpose of compliance with the CG Code, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Messrs Ou Bingchang, Liang Yi, Tang Shouchun and Wang Hongtao shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

At the board meeting of the Company held on 16 April 2008, Mr Zhang Huaqiao was appointed a non-executive director with effect from 17 April 2008. Mr Zhang Huaqiao retires in accordance with Article 97 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The Board recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

Training for Directors

Each newly appointed director receives comprehensive, formal and tailored induction and a directors' guidelines on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Board Meetings

Number of Meetings and Directors' Attendance

In year 2007, the Board held 10 meetings. The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2007**
Executive directors	
Ou Bingchang	10/10
Liang Yi	10/10
Li Fei[1]	0/8
Tang Shouchun	10/10
Wang Hongtao	6/10
Li Xinmin	10/10
He Zili	10/10
Zhou Jin[2]	3/8
Independent non-executive directors	
Yu Lup Fat Joseph	4/10
Lee Ka Lun	5/10
Lau Hon Chuen Ambrose	4/10

Notes:

1. Removed on 10 October 2007
2. Appointed on 19 April 2007

Practices and Conduct of Meetings

Notices of the two regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr Ou Bingchang is the Chairman and General Manager of the Company. The Chairman is responsible for overseeing the operation of the Board and providing leadership and direction towards achieving the Company's objectives. In contrast, the General Manager of the Company is responsible for the operation of the business under the direction of the Board and the implementation of the policies and strategies set by the Board. The combination of the roles of the Chairman and the General Manager in one person is intended to ensure that the Board is in full control of the affairs of the Company and that the policies and strategies set by the Board would be efficiently and effectively implemented.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Yu Lup Fat Joseph is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2007 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	**Attendance of Audit Committee meetings in 2007**
Yu Lup Fat Joseph	2/2
Lee Ka Lun	2/2
Lau Hon Chuen Ambrose	2/2

The Company's annual results for the year ended 31 December 2007 has been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors and Mr Tang Shouchun, an executive director, and Mr Lau Hon Chuen Ambrose is the chairman of the committee.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure, and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee met once on 2 April 2008 (with all members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2007.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2007 amounted to HK$7.7 million and HK$1.8 million respectively.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets. In meeting its responsibility, the Board seeks to increase risk awareness of its business operations and puts in place policies and procedures, including the parameters of delegated authority, to provide for the identification and management of business risk.

The Board assumes overall responsibility in monitoring the operation of the businesses within the Group. Executive directors are appointed to the boards of all significant material operating subsidiaries to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

Business plans and budgets are prepared annually by the management of individual businesses which are subject to review and approval by both the executive management teams and the executive directors as part of the Group's corporate planning. The executive directors hold monthly meetings to review management reports on the business results and key operating statuses of each core business.

The Group has established procedures and guidelines for the approval and control of expenditure. Operating expenditure is subject to overall budget control and is controlled within each business with the approval levels for such expenditure being set by reference to the level of responsibility of each executive and officer.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results of the shareholders' meetings will be posted on the websites of the Stock Exchange and the Company on the same day of the meetings.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.gzinvestment.com.hk, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of three major businesses: property, toll roads and newsprint. The principal activities of its principal subsidiaries, jointly controlled entities, associated entities are set out in the section headed "Group Structure" on pages 138 to 151.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 58.

The Directors have declared an interim dividend of HK2.3 cents per ordinary share, totalling HK$163.62 million which was paid on 8 November 2007.

The Directors recommend the payment of a final dividend of HK2.5 cents per ordinary share, totalling HK$178.11 million.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 38 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$1 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 17 to the financial statements.

MAJOR PROPERTY PROJECTS

Details of the major property projects held for/under development, for sale and for investment purposes of the Group in Guangzhou Municipality are set out in the Business Review section on pages 15 to 23.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Hong Kong Companies Ordinance.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	Year ended 31 December				
				Restated	
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to shareholders	**1,071,641**	712,615	2,527,765	272,736	300,653

	As at 31 December				
				Restated	
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**44,144,382**	29,621,544	27,095,641	24,471,063	25,785,918
Total liabilities	**(23,385,694)**	(14,645,386)	(13,156,154)	(13,999,168)	(15,441,736)
Minority interests	**(6,928,613)**	(3,839,271)	(3,550,726)	(3,451,189)	(3,374,822)
Shareholders' equity (excluding minority interests)	**13,830,075**	11,136,887	10,388,761	7,020,706	6,969,360

PURCHASE, SALE AND 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.

INTEREST CAPITALISED

During the year, interest capitalised as development cost in respect of properties under development and property, plant and equipment amounted to approximately HK$148 million (2006: HK$70 million).

DISTRIBUTABLE RESERVES

As at 31 December 2007, the distributable reserves of the Company available for distribution amounted to HK$2,717 million (2006: HK$2,740 million).

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Mr Ou Bingchang	
Mr Liang Yi	
Mr Li Fei	(removed on 10 October 2007)
Mr Tang Shouchun	
Mr Wang Hongtao	
Mr Li Xinmin	
Mr He Zili	
Ms Zhou Jin	(appointed on 19 April 2007)
Mr Yu Lup Fat Joseph *	
Mr Lee Ka Lun *	
Mr Lau Hon Chuen Ambrose*	

* *Independent non-executive directors*

Messrs Ou Bingchang, Liang Yi, Tang Shouchun and Wang Hongtao retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

At the board meeting of the Company held on 16 April 2008, Mr Zhang Huaqiao was appointed a non-executive director with effect from 17 April 2008. Mr Zhang Huaqiao retires in accordance with Article 97 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The Directors' Profiles are set out on pages 33 to 35.

DIRECTOR'S SERVICE CONTRACTS

None of the directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

During the reporting year, the following connected transactions took place on normal and commercial terms:

(1) On 29 June 2007, the Company entered into an underwriting agreement ("Underwriting Agreement") with, among others, GZT in relation to the open offer ("Open Offer") of 557,720,765 new shares in GZT at the subscription price of HK$3.93 per share. The new shares ranked pari passu in all respects with the then existing shares of GZT. Pursuant to the Underwriting Agreement, GZI has agreed to underwrite up to 164,754,727 new shares not taken up by qualifying shareholders at the subscription price of HK$3.93 per share. The aggregate value of such underwritten shares amounted to approximately HK$647 million. Underwriting is not within the ordinary course of business of GZI.

On 29 June 2007, the Company entered into a loan agreement ("Loan Agreement") with Yue Xiu, GZI Transport (Holdings) Limited ("GZT Holdings") and the Four Subsidiaries (as defined in the circular issued by Company on 20 July 2007). Pursuant to the Loan Agreement, the Company agreed to provide funding to GZT Holdings for the subscription of all the offer shares (which as at the date of the Loan Agreement, amounted to 375,000,000 offer shares) that will be allotted and issued to the Four Subsidiaries. It was also agreed that all costs related to these arrangements including, stamp duty amounting to approximately HK$3 million, would be settled by the Company for account of GZT Holdings. Upon completion of the open offer, the funding together with costs were to be repaid and settled by the Four Subsidiaries transferring to the Company or its nominees the ownership of the 375,000,000 offer shares allotted and issued to the Four Subsidiaries under the open offer by GZT. All finance costs in relation to any bank borrowings raised by the Company for the purposes of the open offer would be solely borne by the Company. The open offer was completed on 29 August 2007 and the Company's attributable interest in GZT was increased from 34.30% to 45.28%.

The Loan Agreement, containing the funding arrangements and the repayment arrangements, and the Underwriting Agreement constituted connected transactions of the Company and as such are subject to the requirements of reporting, announcement and independent shareholders approval under Chapter 14A of the Listing Rules.

The relevant circular was dispatched on 20 July 2007. The independent shareholders approved these transactions at an extraordinary general meeting on 6 August 2007.

(2) (a) On 9 July 2007, the Company, Success Hill Holdings Limited ("Success Hill"), a wholly owned subsidiary of the Company, entered into an agreement with Yue Xiu to acquire the entire equity interest in Supreme Eagle Trading Limited ("Supreme Eagle") for the consideration of HK$69,405,084. The consideration was to be paid as to HK$16,348,534 in cash and as to the remaining balance by issue of 26,594,762 new shares of the Company ("Consideration Shares") at a price of HK$1.995 per share ("Issue Price"). The sole asset of Supreme Eagle was the property situated at Ground and First Floor of Block A ("Hi-Watt I"), Hi Watt Industrial Building, 21 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong ("Hi-Watt Building").

(b) On 9 July 2007, the Company, Glory Mission Development Limited ("Glory Mission"), a wholly owned subsidiary of the Company, entered into an agreement with Hi-Watt Battery Industry Co., Ltd. ("Hi-Watt"), an associate of Yue Xiu, to purchase Hi-Watt Building (excluding Hi-Watt I, "Hi-Watt II") for the consideration of HK$416,044,916, as to HK$20,000,000 was to be paid in cash as deposit, a further cash amount of 78,000,382 was to be paid together with the remaining balance to be paid and settled by issue of 159,420,819 Consideration Shares at the Issue Price.

(c) On 9 July 2007, the Company, Success Hill entered into an agreement with Yue Xiu International Development Limited ("YX International"), an associate of Yue Xiu, and Yue Xiu to acquire the entire equity interest in Lucken Limited for the consideration of HK$185,250,000, as to HK$43,636,084 to be paid in cash with the remaining balance to be paid and settled by the issue of 70,984,419 Consideration Shares at the Issue Price. The sole asset of Lucken Limited was the property situated at 16 Tung Yuen Street, Yau Tong Bay, Kowloon, Hong Kong. The Tung Yuen property was subject to an existing lease ("Success Hill Lease") entered into between YX International and Yue Xiu Cold Storage & Warehouse Limited ("YX Warehouse"), an associate of Yue Xiu, for 1 year commencing 1 January 2007 at a monthly rent of HK$250,000 (exclusive of rates).

Yue Xiu International and Hi-Watt, being associates of Yue Xiu, thus the above agreements ("Yau Tong Agreements") constituted connected transactions of the Company. Since the applicable ratios in respect of the transactions contemplated under the Yau Tong Agreements, when aggregated under Rule 14A.25 of the Listing Rules, exceed 2.5%, the Yau Tong Agreements were subject to the reporting, announcement and independent shareholders approval requirements set out in Chapter 14A of the Listing Rules.

The relevant circular was despatched on 20 July 2007. The independent shareholders approved the Yau Tong Agreements at an extraordinary general meeting on 6 August 2007.

(d) On completion, Success Hill as assignee stepped into the shoes of YX International as landlord under the Success Hill Lease for the remaining term of the lease at a monthly rent of HK$250,000 (exclusive of rates).

Upon completion of the Yau Tong Agreement on 16 August 2007, Glory Mission leased part of Hi-Watt II to Hi-Watt for 1 year at a monthly rent of HK$655,528 (exclusive of rates, government rent and management fee) ("Glory Mission Lease"). Both the Glory Mission Lease and the Success Hill Lease were subject to renewal for 1 year and the monthly rent under the respective agreements would be adjusted upon renewal. For details of the terms of and the proposed annual caps in respect of rent receivable under the lease agreements for each of the three financial years ending 31 December 2009, please refer to the announcement dated 9 July 2007.

As the applicable percentage ratios in respect of the transactions contemplated under the Glory Mission Lease and the Success Hill Lease on an annual basis, when aggregated under Rule 14A.25 of the Listing Rules (including the existing leases between the Group and Yue Xiu and/or its associates), were less than 2.5%, the lease agreements were subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules but were exempt from the independent shareholders approval requirement pursuant to Rule 14A.34(1) of the Listing Rules.

The total amount of rent collected under the Glory Mission Lease and the Success Hill Lease for 2007 amounted to HK$2.9 million and HK$1.1 million respectively.

(3) Other significant related party transactions, which also constitute connected transactions under the Listing Rules, required to the disclosed in accordance with the Listing Rules, are disclosed in Note 45(b) to the financial statements. In respect of the lease and utility service transactions entered into between the Group and Guangzhou Paper Holdings Limited disclosed in Note 45(b)(II) to the financial statements, Messrs Yu Lup Fat Joseph, Lee Ka Lun and Lau Hon Chuen Ambrose, the independent non-executive directors of the Company, have confirmed that the transactions have been entered into in accordance with the terms of the relevant agreements governing such transactions.

The auditor of the Company have performed certain agreed-upon procedures in respect of the lease and utility service transactions entered into between the Group and Guangzhou Paper Holdings Limited and reported their findings to the Directors that the transactions (i) have received the approval of the board of directors; (ii) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (iii) have not exceeded the cap for the transactions.

INTERESTS OF DIRECTORS

As at 31 December 2007, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

1. Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lee Ka Lun	Personal	3,500,000	0.049
Mr Wang Hongtao	Personal	160,000	0.002
Ms Zhou Jin	Personal	100,000	0.001

2. Long positions in underlying shares of equity derivatives of the Company:

			Number of share options			
Name of Director	Date of grant	Exercise price per share HK$	outstanding as at 1 January 2007	exercised during the year	weighted average closing price (c) HK$	outstanding as at 31 December 2007
Mr Ou Bingchang	02/06/2003 (a)	0.54	9,000,000	9,000,000	2.27	—
Mr Liang Yi	02/06/2003 (a)	0.54	7,000,000	7,000,000	2.43	—
Mr Tang Shouchun	23/06/2004 (b)	0.63	1,560,000	—	N/A	1,560,000

Notes:

(a) The share options are exercisable from 2 June 2003 to 1 June 2013, of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

(b) The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

(c) The weighted average closing price per share immediately before the dates on which the options were exercised.

Save as disclosed herein, as at 31 December 2007, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2007, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Approximate % of interest
Yue Xiu *(Note)*	Interests of controlled corporations	3,333,935,248 (Long position)	46.81
JPMorgan Chase & Co.	Beneficial owner and approved lending agent	445,229,000 (Long position)	6.26
		6,050,000 (Short position)	0.09
		438,725,000 (Lending pool)	6.17

Note:

Yue Xiu is deemed by the SFO to be interested in 3,333,935,248 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	**Long position in shares**
Excellence Enterprises Co., Ltd. ("Excellence")	3,325,548,981
Bosworth International Limited ("Bosworth")	2,430,846,821
Sun Peak Enterprises Ltd. ("Sun Peak")	565,683,000
Novena Pacific Limited ("Novena")	565,683,000
Shine Wah Worldwide Limited ("Shine Wah")	158,049,000
Morrison Pacific Limited ("Morrison")	158,049,000
Perfect Goal Development Co., Ltd. ("Perfect Goal")	135,737,000
Greenwood Pacific Limited ("Greenwood")	135,737,000
Seaport Development Limited ("Seaport")	35,233,160
Goldstock International Limited ("Goldstock")	35,233,160
Yue Xiu Finance Company Limited ("YXF")	8,386,267

(i) 2,430,846,821 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.

(ii) 565,683,000 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.

(iii) 158,049,000 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.

(iv) 135,737,000 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.

(v) 35,233,160 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

(vi) 8,386,267 shares were held by YXF, which was wholly-owned by Yue Xiu.

SHARE OPTIONS

(i) The Company

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("Board") may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries ("Participants") options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 percent of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme, but the Company may seek approval from its shareholders in a general meeting to refresh the 10 percent limit.

On 2 June 2004, the shareholders of the Company approved the refreshment of the 10 percent limit under the 2002 Share Option Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes of the Company must not exceed 30 percent of the shares of the Company in issue from time to time. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 percent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders' approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK$10, with full payment of the exercise price to be made upon exercise of an option.

Movements during the year of the options granted under the share option scheme of the Company to the employees of the Group other than the directors of the Company as disclosed on page 50 were as follows:

Number of share options						
outstanding as at 1 January 2007	exercised during the year	outstanding as at 31 December 2007	Exercise price per share HK$	Date of grant	Exercisable period	Weighted average closing price (c) HK$
12,430,000	—	12,430,000	0.4100	02/05/2003	02/05/2003 - 01/05/2013 (b)	N/A
14,000,000	(7,000,000)	7,000,000	0.5400	02/06/2003	02/06/2003 - 01/06/2013 (b)	2.43
3,120,000	(500,000)	2,620,000	0.8140	27/10/2003	27/10/2003 - 26/10/2013 (b)	2.06
18,720,000	(7,100,000)	11,620,000	0.8460	23/12/2003	23/12/2003 - 22/12/2013 (b)	2.25
74,582,000	(30,780,000)	43,802,000	0.6300	23/06/2004	23/06/2004 - 22/06/2014 (b)	2.28

Notes:

(a) No options have been granted, cancelled or lapsed during the year.

(b) The options are exercisable in 3 tranches.

(c) The weighted average closing price per share immediately before the dates on which the options were exercised.

(ii) GZT

On 25 June 2002, the shareholders of GZT approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme ("2002 GZT Scheme"). The 2002 GZT Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 GZT Scheme with terms and conditions substantially the same as those under the 2002 Share Option Scheme, the board of directors of GZT may grant to any person being an employee, officer, director, agent, consultant or representative of the Company, Yue Xiu, GZT or any of their respective subsidiaries options to subscribe for shares in GZT.

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

Three independent non-executive directors of the Company each received HK$125,000 as directors' fees for the year ended 31 December 2007.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 percent of the Group's total sales and purchases respectively.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after balance sheet date is set out in Note 46 to the financial statements.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ou Bingchang
Chairman

Hong Kong, 16 April 2008

PRICEWATERHOUSECOOPERS

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22nd Floor Prince's Building
Central Hong Kong

TO THE SHAREHOLDERS OF GUANGZHOU INVESTMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Guangzhou Investment Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 137, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	5	**7,064,573**	4,657,922
Cost of sales	8	**(5,039,638)**	(3,656,141)
Gross profit		**2,024,935**	1,001,781
Fair value gains on revaluation of investment properties		**362,139**	747,025
Other gain	6	**99,190**	—
Selling and distribution expenses	8	**(183,843)**	(193,003)
General and administrative expenses	8	**(531,054)**	(519,039)
Operating profit		**1,771,367**	1,036,764
Interest income	7	**75,815**	96,557
Finance costs	9	**(355,222)**	(193,891)
Share of profits less losses of			
– jointly controlled entities		**(18,835)**	60,431
– associated entities		**418,283**	375,299
Profit before tax		**1,891,408**	1,375,160
Taxation	10	**(420,049)**	(355,191)
Profit for the year		**1,471,359**	1,019,969
Attributable to			
Equity holders of the Company		**1,071,641**	712,615
Minority interests		**399,718**	307,354
		1,471,359	1,019,969
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	12		
– Basic		**15.46**	10.64
– Diluted		**15.33**	10.42
Dividends	13	**341,729**	284,625

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in toll highways and bridges	16	**6,795,284**	1,943,681
Property, plant and equipment	17	**5,222,910**	2,354,331
Investment properties	18	**5,984,228**	5,625,185
Leasehold land and land use rights	19	**4,277,157**	4,737,407
Interests in jointly controlled entities	22 & 45	**419,388**	898,170
Interests in associated entities	23 & 45	**3,119,252**	2,995,294
Goodwill	24	**119,186**	—
Other non-current assets	25	**17,375**	324,096
Available-for-sale financial assets	26	**979,903**	418,269
Deferred tax assets	39	**71,240**	135,689
		27,005,923	19,432,122
Current assets			
Properties under development	27	**2,370,664**	2,230,173
Properties held for sale		**953,934**	728,951
Leasehold land and land use rights	19	**4,399,341**	2,182,789
Prepayments for land use rights	28	**3,139,344**	1,272,233
Inventories	29	**277,307**	233,895
Trade receivables	30	**477,692**	585,226
Other receivables, prepayments and deposits	30	**835,558**	420,630
Taxation recoverable		**177,575**	142,062
Charged bank deposits		**96,733**	72,609
Cash and cash equivalents	31	**3,587,607**	2,305,854
		16,315,755	10,174,422
Non-current assets held for sale	32	**822,704**	15,000
		17,138,459	10,189,422
LIABILITIES			
Current liabilities			
Trade payables	33	**577,319**	198,428
Land premium payable		**1,200,083**	637,134
Other payables and accrued charges	34	**5,155,391**	5,220,253
Borrowings	35	**2,550,115**	2,076,346
Taxation payable		**452,928**	189,657
		9,935,836	8,321,818
Liabilities associated with non-current assets held for sale	32	**98,748**	—
		10,034,584	8,321,818

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Net current assets		**7,103,875**	1,867,604
Total assets less current liabilities		**34,109,798**	21,299,726
Non-current liabilities			
Borrowings	35	**10,075,733**	3,762,647
Deferred tax liabilities	39	**3,275,377**	2,560,921
		13,351,110	6,323,568
Net assets		**20,758,688**	14,976,158
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	36	**712,192**	680,354
Other reserves	38	**8,853,108**	6,897,267
Retained earnings			
– Proposed dividends	38	**178,113**	156,781
– Others	38	**4,086,662**	3,402,485
		13,830,075	11,136,887
Minority interests		**6,928,613**	3,839,271
Total equity		**20,758,688**	14,976,158

On behalf of the Board

Liang Yi
Director

Tang Shouchun
Director

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**13,523**	10,731
Investment properties	18	**12,530**	10,680
Interests in subsidiaries	20	**14,272,788**	10,293,139
		14,298,841	10,314,550
Current assets			
Other receivables, prepayments and deposits	30	**220,948**	19,903
Cash and cash equivalents	31	**19,562**	20,088
		240,510	39,991
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	20	**35,046**	30,920
Other payables and accrued charges		**78,629**	113,068
Borrowings	35	**54,436**	40
		168,111	144,028
Net current assets/(liabilities)		**72,399**	(104,037)
Total assets less current liabilities		**14,371,240**	10,210,513
Non-current liability			
Borrowings	35	**4,398,400**	759,156
Net assets		**9,972,840**	9,451,357
EQUITY			
Share capital	36	**712,192**	680,354
Other reserves	38	**6,543,766**	6,031,152
Retained earnings			
– Proposed dividends	38	**178,113**	156,781
– Others	38	**2,538,769**	2,583,070
Total equity		**9,972,840**	9,451,357

On behalf of the Board

Liang Yi
Director

Tang Shouchun
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Operating activities			
Net cash (outflow)/inflow generated from operations	40(a)	**(1,148,870)**	1,688,904
Interest received		**75,815**	65,477
Interest paid		**(534,260)**	(248,261)
Hong Kong profits tax paid		**(4,772)**	(818)
China taxation paid		**(258,027)**	(212,876)
Net cash (outflow)/inflow from operating activities		**(1,870,114)**	1,292,426
Investing activities			
Dividends received from jointly controlled entities and associated entities		**278,565**	124,582
Partial disposal of an associated entity		**—**	261,213
Investment in interests in toll highways and bridges		**(52,245)**	—
Purchases of property, plant and equipment, investment properties and available-for-sale financial assets		**(2,689,552)**	(2,260,834)
Proceeds from sale of property, plant and equipment and investment properties		**306,663**	18,702
Proceeds from sale of available-for-sale financial assets		**15,424**	—
Acquisition of a subsidiary	21	**(532,835)**	—
Acquisition of additional interests in a subsidiary		**(14,696)**	—
Prepayments for acquisition of an additional interest in an associated entity/a jointly controlled entity		**(17,375)**	(132,580)
Capital injection in a jointly controlled entity		**—**	(101,500)
Repayment from jointly controlled entities and associated entities		**228,169**	135,374
(Increase)/decrease in charged bank deposits		**(24,124)**	92,283
Net cash outflow from investing activities		**(2,502,006)**	(1,862,760)
Financing activities			
Issue of ordinary shares		**38,162**	190,851
Capital contribution from minority shareholders of subsidiaries		**900,903**	3,846
New bank loans		**8,445,854**	3,761,641
Repayment of bank loans		**(3,060,391)**	(3,520,341)
New other borrowings		**2,783**	44,581
Repayment of other borrowings		**(85,112)**	(51,573)
Dividends paid to equity holders of the Company		**(320,597)**	(597,149)
Dividends paid to minority shareholders of subsidiaries		**(165,301)**	(141,679)
Decrease in amount due to a substantial shareholder		**(46,750)**	(71,702)
Decrease in amounts due to minority shareholders of subsidiaries		**(45,663)**	(11,023)
Net cash inflow/(outflow) from financing activities		**5,663,888**	(392,548)

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Increase/(decrease) in cash and cash equivalents	**1,291,768**	(962,882)
Cash and cash equivalents at the beginning of year	**2,305,639**	3,198,953
Exchange gains on cash and cash equivalents	**111,616**	69,568
Transfer to non-current assets held for sale	**(121,778)**	—
Cash and cash equivalents at the end of year	**3,587,245**	2,305,639
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**3,587,607**	2,305,854
Bank overdrafts	**(362)**	(215)
	3,587,245	2,305,639

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company			
	Share capital HK$'000	Reserves HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 January 2007	680,354	10,456,533	3,839,271	14,976,158
Currency translation differences	—	810,426	318,720	1,129,146
Share of change in fair value of cash-flow hedges of an associated entity	—	(15,111)	—	(15,111)
Change in fair value of available-for-sale financial assets	—	381,224	53,214	434,438
Net income recognised directly in equity	—	1,176,539	371,934	1,548,473
Profit for the year	—	1,071,641	399,718	1,471,359
Total recognised income for the year ended 31 December 2007	—	2,248,180	771,652	3,019,832
Issue of shares net of issuing expenses	31,838	512,614	—	544,452
Dividends paid	—	(320,597)	(165,301)	(485,898)
Acquisition of a subsidiary	—	221,153	1,596,784	1,817,937
Acquisition of additional interests in a subsidiary	—	—	(14,696)	(14,696)
Capital injection to a subsidiary	—	—	900,903	900,903
	31,838	413,170	2,317,690	2,762,698
Balance at 31 December 2007	**712,192**	**13,117,883**	**6,928,613**	**20,758,688**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company			
	Share capital HK$'000	Reserves HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 January 2006	651,894	9,736,867	3,550,726	13,939,487
Currency translation differences	—	397,336	104,535	501,871
Increase in fair value of available-for-sale financial assets	—	45,411	3,565	48,976
Share of change in fair value of cash-flow hedges of an associated entity	—	(11,155)	—	(11,155)
Fair value adjustment to loans from minority shareholders of subsidiaries	—	5,703	10,924	16,627
Net income recognised directly in equity	—	437,295	119,024	556,319
Profit for the year	—	712,615	307,354	1,019,969
Total recognised income for the year ended 31 December 2006	—	1,149,910	426,378	1,576,288
Employees share option scheme - value of employee services	—	4,514	—	4,514
Issue of shares net of issuing expenses	28,460	162,391	—	190,851
Dividends paid	—	(597,149)	(141,679)	(738,828)
Capital injection to a subsidiary	—	—	3,846	3,846
	28,460	(430,244)	(137,833)	(539,617)
Balance at 31 December 2006	680,354	10,456,533	3,839,271	14,976,158

1 GENERAL INFORMATION

Guangzhou Investment Company Limited ("the Company") and its subsidiaries (together "the Group") is principally engaged in development, operation and management of toll highways and bridges, development, selling and management of properties, holding of investment properties and manufacturing and trading of newsprint. The Group's operations are mainly conducted in Hong Kong and Mainland China ("China").

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and Singapore Exchange Securities Trading Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The following standard, amendment and interpretations are mandatory for the financial year ended 31 December 2007.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

Except for HKAS 1 (Amendment) and HKFRS 7, the adoption of the above interpretations do not have material impact to the Group's principal accounting policies or presentation of financial statements.

According to HKAS 1 (Amendment), an entity shall disclose information that enable users of the financial statements to evaluate the entity's objective, policies and processes for managing capital, including (a) qualitative information about its objectives, policies and processes for managing capital; (b) summary quantitative data about what it manages as capital; (c) any changes on (a) and (b) from the previous period; (d) whether during the period it complied with any externally imposed capital requirements to which it is subject; and (e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

The HKFRS 7 requires disclosure of (a) the significance of financial instruments for an entity's financial position and performance; and (b) qualitative and quantitative information about its exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures include description of management's objective, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risks including sensitivity analysis to market risk, based on information provided internally to the entity's key management personnel.

The following new standard, amendment/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
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

The Group has already commenced an assessment of the related impact of adopting the above new standard, amendment/revisions to standard and interpretations to the Group.

Management anticipates that the adoption of HK(IFRIC)-Int 12 for the year ending 31 December 2008 will result in accounting for the Group's toll infrastructures as intangible assets instead of tangible assets on a retrospective basis. Management is in the process of assessing the related financial impact on the Group's financial statements.

For the remaining standard, amendment/revisions to standards and interpretations, 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.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Consolidation (cont'd)

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the excess of any consideration paid over the acquired share of the carrying value of net assets of the subsidiary. If the consideration is less than the acquired share of the carrying value of net assets of the subsidiary, the difference is recognised directly in the income statement.

(c) Associated entities

Associated entities are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associated entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated entity equals or exceeds its interest in the associated entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated entities.

Unrealised gains on transactions between the Group and its associated entities are eliminated to the extent of the Group's interests in the associated entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Consolidation (cont'd)

(d) Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary.

2.6 Interests in toll highways and bridges

Tangible infrastructures

Major costs incurred in restoring tangible infrastructures of toll highway to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

Depreciation of tangible infrastructures of toll highway is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period of 30 to 36 years over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

The Group has been granted by the relevant local government authorities the rights to operate the toll highway for period of 30 to 36 years. According to the relevant governments' approval documents and the relevant regulations the Group is responsible for the construction of the toll highway and the acquisition of the related facilities and equipment and is also responsible for the operations and management, maintenance and overhaul of the toll highway during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway assets are required to be returned to the local government authorities when the operating rights periods expire without any payments to be made to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

Intangible operating rights

Amortisation of intangible operating rights is provided on a straight-line basis over periods of 20 to 30 years in which the operating rights are held.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	25-50 years
Plant and machinery and tools	3-30 years
Leasehold improvement, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts.

Production facilities under construction are stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the production facilities under construction are transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of production facilities under construction.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group or for sale in the ordinary course of business, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair values, representing open market value determined by external valuers at least annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the external valuers use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are expensed in the income statement during the period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2.9 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through sale rather than through continuing use.

2.10 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life or that are not yet available for use are not subject to amortisation but are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' on the balance sheet (Note 2.14).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Regular purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial assets (cont'd)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in Note 2.14.

2.12 Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for sale comprises development and construction expenditure, borrowing costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses. Income from incidental operation is recognised in the income statement.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the recoverables is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.16 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associated entities and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated entities and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.20 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution plans under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Employee benefits (cont'd)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

2.21 Provisions

Provisions are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(b) Operating lease rental income is recognised on a straight-line basis over the lease period.

(c) Revenue from property management is recognised in the period in which the services are rendered.

(d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(e) Toll revenue is recognised on a receipt basis.

(f) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(g) Dividend income is recognised when the right to receive payment is established.

(h) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The up-front prepayments made for leasehold land and land use rights are charged to the income statement on a straight-line basis over the period of the lease. Where there is impairment, the impairment loss is charged to the income statement.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.24 Government grants

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) *Foreign exchange risk*

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars. The Group has not specifically hedged this exposure considering the steady appreciation of Renminbi spot rate against Hong Kong dollars in recent years and its view that such appreciation will continue on a stable and predictable trend.

At 31 December 2007, if Renminbi had weakened/strengthened by 5 percent against Hong Kong dollars with all other variables held constant, post-tax profit for the year would have been approximately HK$61 million (2006: HK$33 million) lower/higher, mainly as a result of foreign exchange gains on translation of Hong Kong dollar-denominated monetary assets and liabilities.

(ii) *Cash flow interest rate risk*

The Group's interest rate risk arises mainly from borrowings. Borrowings that are subject to variable rates expose the Group to cash flow interest rate risk. Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use floating-to-fixed interest rate swaps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future.

At 31 December 2007, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$83 million (2006: HK$58 million) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (cont'd)

3.1 Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) *Price risk*

The Group is exposed to equity securities price risk in its available-for-sale financial assets. The Group is not exposed to commodity price risk.

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately HK$67 million (2006: HK$25 million).

(b) Credit risk

Credit risk arises from cash and cash equivalents, charged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with banks with good ratings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayment. Details disclosure of these guarantees is made in Note 43.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by counterparties. The Group does not hold any collateral as security.

None of the financial assets that are fully performing has been renegotiated in last year.

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (Note 31) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

3 FINANCIAL RISK MANAGEMENT (cont'd)

3.1 Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand or with no fixed repayment terms HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group						
At 31 December 2007						
Borrowings	**343,423**	**3,585,029**	**7,026,356**	**1,552,114**	**2,373,668**	**14,880,590**
Trade payables	**—**	**577,319**	**—**	**—**	**—**	**577,319**
Land premium payable	**—**	**538,130**	**264,781**	**397,172**	**—**	**1,200,083**
Other payables and accrued charges	**—**	**2,645,713**	**—**	**—**	**—**	**2,645,713**
At 31 December 2006						
Borrowings	472,900	2,374,911	1,326,131	2,290,548	—	6,464,490
Trade payables	—	198,428	—	—	—	198,428
Land premium payable	—	637,134	—	—	—	637,134
Other payables and accrued charges	—	2,441,221	—	—	—	2,441,221
Company						
At 31 December 2007						
Borrowings	**—**	**219,636**	**4,561,543**	**39**	**—**	**4,781,218**
Amounts due to subsidiaries	**35,046**	**—**	**—**	**—**	**—**	**35,046**
Other payables and accrued charges	**—**	**78,629**	**—**	**—**	**—**	**78,629**
At 31 December 2006						
Borrowings	—	36,861	36,915	795,874	—	869,650
Amounts due to subsidiaries	30,920	—	—	—	—	30,920
Other payables and accrued charges	—	113,068	—	—	—	113,068

3 FINANCIAL RISK MANAGEMENT (cont'd)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using a mixture of long-term and short-term borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2007 and at 31 December 2006 were as follows:

	2007 **HK$'000**	2006 HK$'000
Total borrowings *(Note 35)*	**12,625,848**	5,838,993
Less: Cash and cash equivalents *(Note 31)*	**(3,587,607)**	(2,305,854)
Net debt	**9,038,241**	3,533,139
Total equity (excluding minority interests)	**13,830,075**	11,136,887
Total capital	**22,868,316**	14,670,026
Gearing ratio	**40%**	24%

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Depreciation of interests in toll highways and bridges

Interests in toll highways and bridges of the Group and investee companies comprise tangible infrastructures and intangible operating rights. Depreciation of tangible infrastructures is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 2 percent to 7 percent.

(b) Impairment of leasehold land and land use rights and property, plant and equipment

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment, leasehold land and land use rights have been determined based on the higher of their value-for-sale or value-in-use, taking into account the latest market information and past experience.

(c) Net realisable value of properties under development and properties held for sale

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (cont'd)

(d) Fair value of investment properties (cont'd)

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(e) Current and deferred income tax

The Group is subject to income tax primarily in China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax in the period in which such estimate is changed.

(f) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (cont'd)

(g) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining certain land use rights for construction of properties in China. The Group estimates the accruals for these costs for construction based on historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

(h) Fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustments to reflect those differences; and

(ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(i) Impairment of trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement. In determining whether there is any impairment, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

5 REVENUE AND SEGMENT INFORMATION

Revenue recognised is as follows:

	2007 HK$'000	2006 HK$'000
Sales revenue		
– Sales of properties	**3,475,031**	1,966,685
– Sales of newsprint	**1,609,717**	1,352,070
	5,084,748	3,318,755
Toll revenue from toll operations	**870,778**	448,531
Property management fee income	**262,689**	213,388
Rental income	**261,922**	229,727
Others	**584,436**	447,521
	7,064,573	4,657,922

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

There are no significant sales between these business segments.

5 REVENUE AND SEGMENT INFORMATION (cont'd)

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.

Segment assets consist primarily of interests in toll highways and bridges, property, plant and equipment, investment properties, leasehold land and land use rights, other non-current assets, available-for-sale financial assets, properties under development, properties held for sale, inventories, trade receivables, other receivables, prepayments and deposits, prepayments for land use rights and bank balances and cash. Unallocated assets comprise primarily deferred tax assets, current taxation recoverable and corporate assets which are not directly attributable to segments or cannot be allocated to segments on a reasonable basis.

Segment liabilities comprise primarily operating liabilities directly attributable to a segment. Unallocated liabilities comprise items such as borrowings, taxation payable, deferred tax liabilities and corporate liabilities which are not directly attributable to segments or cannot be allocated to segments on a reasonable basis.

Capital expenditure comprises additions to interests in toll highways and bridges (Note 16), property, plant and equipment (Note 17), investment properties (Note 18) and leasehold land and land use rights in relation to property, plant and equipment (Note 19), including additions resulting from acquisitions through business combinations.

5 REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format – business segments

	Properties and others		Toll operations		Paper		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**4,584,078**	2,857,321	**870,778**	448,531	**1,609,717**	1,352,070	**7,064,573**	4,657,922
Segment results	**1,298,032**	816,537	**410,244**	184,784	**142,224**	82,360	**1,850,500**	1,083,681
Interest income							**75,815**	96,557
Unallocated operation costs							**(79,133)**	(46,917)
Finance costs							**(355,222)**	(193,891)
Share of profits less losses of								
– Jointly controlled entities	**(6,653)**	(14,782)	**(12,182)**	75,213	**—**	—	**(18,835)**	60,431
– Associated entities	**104,057**	134,045	**314,226**	241,254	**—**	—	**418,283**	375,299
Profit before tax							**1,891,408**	1,375,160
Taxation							**(420,049)**	(355,191)
Profit for the year							**1,471,359**	1,019,969
Capital expenditure	**88,768**	360,342	**4,655,774**	5,273	**3,013,305**	472,044	**7,757,847**	837,659
Depreciation and amortisation	**179,409**	112,041	**237,092**	114,122	**44,441**	74,667	**460,942**	300,830

5 REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format – business segments (cont'd)

	Properties and others		Toll operations		Paper		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**24,986,841**	19,794,688	**9,403,559**	2,530,249	**5,918,826**	3,063,982	**40,309,226**	25,388,919
Interests in jointly controlled entities	**191,515**	227,000	**227,873**	671,170	**—**	—	**419,388**	898,170
Interests in associated entities	**1,363,731**	1,249,478	**1,755,521**	1,745,816	**—**	—	**3,119,252**	2,995,294
Unallocated assets							**296,516**	339,161
Total assets							**44,144,382**	29,621,544
Segment liabilities	**6,144,598**	5,642,690	**144,879**	57,308	**731,351**	334,373	**7,020,828**	6,034,371
Unallocated liabilities							**16,364,866**	8,611,015
Total liabilities							**23,385,694**	14,645,386

Secondary reporting format – geographical segments

	Revenue		Capital expenditure		Total assets	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**87,596**	611,097	**679,729**	2,168	**1,252,508**	991,199
China	**6,974,121**	4,044,409	**7,078,118**	835,491	**42,555,820**	28,252,008
Overseas	**2,856**	2,416	**—**	—	**39,538**	39,176
	7,064,573	4,657,922	**7,757,847**	837,659	**43,847,866**	29,282,383
Unallocated assets					**296,516**	339,161
Total assets					**44,144,382**	29,621,544

6 OTHER GAIN

	2007	2006
	HK$'000	HK$'000
Gain on disposal of property, plant and equipment	**99,190**	—

7 INTEREST INCOME

	2007 HK$'000	2006 HK$'000
Interest income from bank deposits	**55,446**	65,477
Interest income from associated entities	**20,369**	31,080
	75,815	96,557

8 EXPENSES BY NATURE

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

	2007 HK$'000	2006 HK$'000
Advertising and promotion expenses	**169,288**	152,874
Cost of inventories/properties sold included in cost of sales	**4,214,463**	3,106,855
Direct operating expenses arising from investment properties		
– that generate rental income	**55,994**	42,972
– that did not generate rental income	**169**	129
Depreciation		
– Owned property, plant and equipments	**139,743**	108,875
– Leased property, plant and equipments	**36**	36
Amortisation/depreciation of interests in toll highways and bridges (included in cost of sales)	**235,299**	111,624
Amortisation of leasehold land and land use rights	**85,864**	80,295
Operating leases		
– Hire of plant and workshops	**17,350**	17,350
– Land and buildings	**8,250**	7,373
(Reversal of)/provision for doubtful debts *(Note 30)*	**(16,186)**	6,457
Auditor's remuneration	**9,530**	8,019
Employee benefit expenses *(Note 14)*	**599,820**	500,651
(Reversal of)/provision for impairment of available-for-sale financial assets *(Note 26)*	**(2,476)**	10,982
(Reversal of)/provision for impairment of properties under development and properties held for sale	**(1,031)**	12,843
Provision for impairment of property, plant and equipment	**—**	1,959
Provision for impairment of leasehold land *(Note 19)*	**23,357**	—
Maintenance expenses of toll highways and bridges	**61,159**	41,005
Loss on partial disposal of an associated entity	**—**	2,656
Provision for impairment of goodwill	**3,671**	—
Reversal of provision for other receivables	**(71,516)**	—
Others	**221,751**	155,228
	5,754,535	4,368,183

9 FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**492,816**	244,620
Bank loan handling fees	**5,406**	—
Interest on		
– loans from minority shareholders of subsidiaries	**16,627**	15,620
– loan from a substantial shareholder	**—**	375
– loans from related companies	**2,784**	3,266
Others	**(14,615)**	—
Total borrowing costs incurred	**503,018**	263,881
Less: amount capitalised as properties under development and property, plant and equipment (Note)	**(147,796)**	(69,990)
	355,222	193,891

Note: The average interest rate of borrowing costs capitalised for the year ended 31 December 2007 was approximately 6.12 percent per annum (2006: 5.38 percent per annum).

10 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 17.5 percent (2006: 17.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated entities and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises (the "Old China Tax Law"). The principal income tax rate is 33 percent.

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. As a result of the new CIT Law and the reduction of the corporate income tax rate, deferred taxation on temporary differences that are expected to be reversed after 1 January 2008 have been reduced with approximately HK$250,959,000 and HK$21,443,000 credited to the income statement and equity respectively in 2007. The New CIT Law also provides certain grandfathering provisions and concessions which are set out below.

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. The deferred tax liabilities attributable to these subsidiaries, associated entities and jointly controlled entities in China have been provided based on the grandfathering provisions as at 31 December 2007.

10 TAXATION (cont'd)

Unused tax holidays

Under the Old China Tax Law, certain of the Group's subsidiaries, associated entities and jointly controlled entities in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 percent reduction in income tax for the next three to five years. The new CIT Law allows unused tax holidays to be carried forward to 2008 and beyond until their expiration. However, if the entity has not yet commenced its tax holiday due to loss position, the tax holiday is deemed to commence from 1 January 2008. A jointly controlled entity of the Group which reported tax losses prior to 31 December 2007 will commence the tax holiday on 1 January 2008. This change does not impact the Group's financial statements for the year ended 31 December 2007.

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. This change does not impact the Group's financial statements for the year ended 31 December 2007.

(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:

	2007	2006
	HK$'000	HK$'000
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	**2,786**	2,547
China enterprise income tax	**167,724**	126,982
China land appreciation tax	**316,148**	75,618
Deferred taxation		
Origination and reversal of temporary difference	**127,380**	101,778
Impact of change in tax rate	**(250,959)**	—
Under-provision in prior years	**56,970**	48,266
	420,049	355,191

10 TAXATION (cont'd)

The taxation on the Group's profit before tax less share of profits less losses of associated entities and jointly control entities differs from the theoretical amount that would arise using the enterprise income tax rate of China, where majority of the Group's operations were carried out, as follows:

	2007 HK$'000	2006 HK$'000
Profit before tax less share of profits less losses of associated entities and jointly controlled entities	**1,491,960**	939,430
Calculated at China enterprise income tax rate of 33 percent (2006: 33 percent)	**492,347**	310,012
Effect of different taxation rates	**(89,898)**	(35,789)
Impact of change in tax rate	**(250,959)**	—
Profit of a subsidiary under tax holiday	**(20,246)**	—
Income not subject to taxation	**(16,589)**	(7,025)
Expenses not deductible for taxation purposes	**64,993**	34,400
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**34,733**	(2,822)
Under-provision in prior years	**56,970**	48,266
Effect of land appreciation tax deductible for calculation of income tax purposes	**(73,239)**	(4,013)
	198,112	343,029
Land appreciation tax	**221,937**	12,162
Taxation charges	**420,049**	355,191

11 PROFIT FOR THE YEAR

The profit for the year is dealt with in the financial statements of the Company to the extent of HK$297,628,000 (2006: HK$224,411,000).

12 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.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**1,071,641**	712,615
Weighted average number of ordinary shares in issue ('000)	**6,930,782**	6,698,470
Basic earnings per share (HK cents)	**15.46**	10.64

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.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**1,071,641**	712,615
Weighted average number of ordinary shares in issue ('000)	**6,930,782**	6,698,470
Adjustments for share options ('000)	**57,732**	139,365
Weighted average number of ordinary shares for diluted earnings per share ('000)	**6,988,514**	6,837,835
Diluted earnings per share (HK cents)	**15.33**	10.42

13 DIVIDENDS

The dividends paid in 2007 and 2006 were approximately HK$321 million (HK4.60 cents per share) and HK$595 million (HK8.89 cents per share) respectively. The directors recommend the payment of a final dividend of HK2.50 cents per ordinary share, totaling approximately HK$178 million. Such dividend is to be approved by the shareholder at the Annual General Meeting on 3 June 2008. These financial statements do not reflect this dividend payable.

	2007 HK$'000	2006 HK$'000
Interim, paid, of HK2.30 cents (2006: HK1.89 cents) per ordinary share	**163,616**	127,844
Final, proposed, of HK2.50 cents (2006: HK2.30 cents) per ordinary share	**178,113**	156,781
	341,729	284,625

14 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000
Wages, salaries and bonus	**439,541**	394,685
Pension costs (defined contribution plans)	**33,524**	29,631
Medical benefits costs (defined contribution plans)	**5,483**	7,685
Social security costs	**32,235**	20,535
Termination benefits	**604**	159
Staff welfare	**88,433**	43,442
Share-based payments	**—**	4,514
	599,820	500,651

Pension scheme arrangements

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees under the Occupational Retirement Schemes Ordinance. Contributions to the scheme by the employer and employees are calculated at 5 percent to 20 percent and 5 percent respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's contributions under the MPF Scheme are at 5 percent of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans in the range of 16 to 24 percent of the monthly salaries of the employees.

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Pension costs HK$'000	Total HK$'000
OU Bingchang*	—	1,661	11,521	163	13,345
LIANG Yi*	—	1,413	10,090	146	11,649
LI Fei *(Note (i))*	—	689	—	—	689
TANG Shouchun	—	826	7,000	146	7,972
WANG Hongtao	—	1,187	7,000	—	8,187
LI Xinmin*	—	1,528	9,221	145	10,894
HE Zili*	—	1,237	8,850	116	10,203
ZHOU Jin *(Note (ii))*	—	967	—	—	967
YU Lup Fat Joseph	125	—	—	—	125
LEE Ka Lun	125	—	—	—	125
LAU Hon Chuen Ambrose*	250	—	—	—	250
Total	500	9,508	53,682	716	64,406

Note:

(i) Removed on 10 October 2007

(ii) Appointed on 19 April 2007

* Also acts as director of GZI Transport Limited

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Pension costs HK$'000	Total HK$'000
OU Bingchang*	—	1,602	7,817	176	9,595
LIANG Yi*	—	1,300	7,314	140	8,754
LI Fei	—	700	4,800	—	5,500
CHEN Guangsong* *(Note (i))*	—	1,233	4,500	136	5,869
TANG Shouchun *(Note (ii))*	—	584	3,600	117	4,301
WANG Hongtao *(Note (ii))*	—	349	3,600	—	3,949
LI Xinmin* *(Note (iii))*	—	924	3,017	41	3,982
HE Zili* *((Note (iii))*	—	762	2,714	32	3,508
YU Lup Fat Joseph	125	—	—	—	125
LEE Ka Lun	125	—	—	—	125
LAU Hon Chuen Ambrose*	250	—	—	—	250
Total	500	7,454	37,362	642	45,958

Note:

(i) Resigned on 28 November 2006

(ii) Appointed on 28 February 2006

(iii) Appointed on 15 September 2006

* Also acts as director of GZI Trasnport Limited

No Directors waived emoluments in respect of the years ended 31 December 2007 and 2006. No emoluments were paid or payable by the Group to any Director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2007 and 2006 are also Directors whose emoluments are reflected in the analyses presented above.

16 INTERESTS IN TOLL HIGHWAYS AND BRIDGES

	Group		
	Intangible operating rights HK$'000	Tangible infrastructures HK$'000	Total HK$'000
At 1 January 2006			
Cost	2,248,518	413,462	2,661,980
Accumulated amortisation/depreciation	(600,008)	(81,955)	(681,963)
Net book amount	1,648,510	331,507	1,980,017
Year ended 31 December 2006			
Opening net book amount	1,648,510	331,507	1,980,017
Exchange differences	62,028	13,260	75,288
Amortisation/depreciation	(98,016)	(13,608)	(111,624)
Closing net book amount	1,612,522	331,159	1,943,681
At 31 December 2006			
Cost	2,333,900	430,000	2,763,900
Accumulated amortisation/ depreciation	(721,378)	(98,841)	(820,219)
Net book amount	1,612,522	331,159	1,943,681
Year ended 31 December 2007			
Opening net book amount	**1,612,522**	**331,159**	**1,943,681**
Addition	**52,245**	**—**	**52,245**
Acquisition of a subsidiary *(Note 21)*	**2,246,913**	**2,345,255**	**4,592,168**
Exchange differences	**259,955**	**182,534**	**442,489**
Amortisation/depreciation	**(184,263)**	**(51,036)**	**(235,299)**
Closing net book amount	**3,987,372**	**2,807,912**	**6,795,284**
At 31 December 2007			
Cost	**4,940,686**	**2,964,503**	**7,905,189**
Accumulated amortisation/ depreciation	**(953,314)**	**(156,591)**	**(1,109,905)**
Net book amount	**3,987,372**	**2,807,912**	**6,795,284**

The intangible operating rights and tangible infrastructures are in China.

17 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Production facilities under construction HK$'000	Plant and machinery and tools HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006						
Cost	397,542	380,607	1,410,089	249,349	78,062	2,515,649
Accumulated depreciation and impairment	(105,229)	—	(591,526)	(156,699)	(47,628)	(901,082)
Net book amount	292,313	380,607	818,563	92,650	30,434	1,614,567
Year ended 31 December 2006						
Opening net book amount	292,313	380,607	818,563	92,650	30,434	1,614,567
Exchange differences	14,349	11,271	47,369	3,721	955	77,665
Additions	640	534,938	13,673	12,456	8,288	569,995
Transfer from properties under development	227,692	—	—	—	—	227,692
Disposals	(19,080)	—	—	(4,907)	(731)	(24,718)
Reclassification	9,737	(769,255)	755,923	2,696	899	—
Impairment loss	(1,959)	—	—	—	—	(1,959)
Depreciation	(21,464)	—	(57,389)	(23,475)	(6,583)	(108,911)
Closing net book amount	502,228	157,561	1,578,139	83,141	33,262	2,354,331
At 31 December 2006						
Cost	663,287	157,561	2,225,036	261,870	87,007	3,394,761
Accumulated depreciation and impairment	(161,059)	—	(646,897)	(178,729)	(53,745)	(1,040,430)
Net book amount	502,228	157,561	1,578,139	83,141	33,262	2,354,331

17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Group (cont'd)

	Buildings HK$'000	Production facilities under construction HK$'000	Plant and machinery and tools HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2007						
Opening net book amount	502,228	157,561	1,578,139	83,141	33,262	2,354,331
Exchange differences	28,592	114,162	73,315	28,956	2,278	247,303
Additions	1,170	2,986,379	2,279	17,847	19,345	3,027,020
Disposals	(59,752)	—	(183,607)	(15,398)	(1,397)	(260,154)
Transfer to investment properties	(7,230)	—	—	—	—	(7,230)
Reclassification	2,937	(13,076)	9,938	201	—	—
Acquisition of a subsidiary	—	—	—	1,419	—	1,419
Depreciation	(40,526)	—	(63,757)	(27,574)	(7,922)	(139,779)
Closing net book amount	427,419	3,245,026	1,416,307	88,592	45,566	5,222,910
At 31 December 2007						
Cost	620,292	3,245,026	2,011,441	287,075	105,408	6,269,242
Accumulated depreciation and impairment	(192,873)	—	(595,134)	(198,483)	(59,842)	(1,046,332)
Net book amount	427,419	3,245,026	1,416,307	88,592	45,566	5,222,910

17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Company

	Building HK$'000	Leasehold improvements, furniture, fixtures and office sequipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006				
Cost	15,613	1,545	4,465	21,623
Accumulated depreciation	(5,338)	(873)	(4,352)	(10,563)
Net book amount	10,275	672	113	11,060
Year ended 31 December 2006				
Opening net book amount	10,275	672	113	11,060
Additions	—	319	—	319
Disposals	—	(5)	—	(5)
Depreciation	(297)	(233)	(113)	(643)
Closing net book amount	9,978	753	—	10,731
At 31 December 2006				
Cost	15,613	1,627	4,047	21,287
Accumulated depreciation	(5,635)	(874)	(4,047)	(10,556)
Net book amount	9,978	753	—	10,731
Year ended 31 December 2007				
Opening net book amount	**9,978**	**753**	**—**	**10,731**
Additions	**—**	**74**	**3,735**	**3,809**
Depreciation	**(297)**	**(241)**	**(479)**	**(1,017)**
Closing net book amount	**9,681**	**586**	**3,256**	**13,523**
At 31 December 2007				
Cost	**15,613**	**1,701**	**6,738**	**24,052**
Accumulated depreciation	**(5,932)**	**(1,115)**	**(3,482)**	**(10,529)**
Net book amount	**9,681**	**586**	**3,256**	**13,523**

Property, plant and equipment with an aggregate carrying amount of HK$13 million (2006: HK$133 million) were mortgaged as collateral for the Group's bank borrowings (Note 44).

18 INVESTMENT PROPERTIES

(a) Group

	2007 HK$'000	2006 HK$'000
Beginning of the year	**5,625,185**	3,301,437
Exchange differences	**353,862**	135,088
Additions	**37,135**	21,548
Transfer from property, plant and equipment	**7,230**	—
Transfer from properties held for sale, properties under development, leasehold land and land use rights	**444,717**	1,474,575
Transfer to non-current assets held for sale *(Note 32)*	**(694,148)**	—
Disposals	**(151,892)**	(54,488)
Fair value gains credited to income statement	**362,139**	747,025
End of the year	**5,984,228**	5,625,185

(b) Company

	2007 HK$'000	2006 HK$'000
Beginning of the year	**10,680**	10,500
Fair value gains credited to income statement	**1,850**	180
End of the year	**12,530**	10,680

The investment properties were revalued at 31 December 2007 on an open market value basis by an independent firm of professional qualified surveyors, Greater China Appraisal Limited, employed by the Group. Valuations were performed using discounted cash flow projections based on estimates of future cash flows derived from the terms of any existing lease and other contracts and from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2007, investment properties of HK$2,610 million (2006: HK$2,988 million) were mortgaged as collateral for the Group's bank borrowings (Note 44).

18 INVESTMENT PROPERTIES (cont'd)

The Group's and the Company's interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong:				
Leases of between 10 to 50 years	**415,550**	386,220	**—**	—
Leases of over 50 years	**135,530**	112,480	**12,530**	10,680
Outside Hong Kong *(Note)*:				
Leases or land use rights of between 10 to 50 years	**5,433,148**	5,126,485	**—**	—
	5,984,228	5,625,185	**12,530**	10,680

Note: Properties outside Hong Kong mainly comprise properties located in China.

19 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2007 HK$'000	2006 HK$'000
Beginning of the year	**6,920,196**	7,563,939
Additions	**2,451,990**	246,116
Disposals	**(724,687)**	(589,016)
Transfer to investment properties	**(208,025)**	(488,497)
Amortisation charged to income statement	**(85,864)**	(80,295)
Amortisation capitalised in properties under development	**(75,107)**	(44,801)
Exchange differences	**421,352**	312,750
Impairment *(Note 8)*	**(23,357)**	—
End of the year	**8,676,498**	6,920,196
Analysed as:		
Non-current		
– in relation to properties held for development	**3,890,494**	4,657,010
– in relation to property, plant and equipment	**386,663**	80,397
	4,277,157	4,737,407
Current		
– in relation to properties under development *(Note (i))*	**4,095,301**	1,853,654
– in relation to properties held for sale	**304,040**	329,135
	4,399,341	2,182,789
	8,676,498	6,920,196

Note:

(i) Included in the balance is an amount of approximately HK$340 million (2006: HK$323 million) which represents the land use right that the Group has contributed into a property project in exchange for certain property units to be developed on the land upon completion of the project.

19 LEASEHOLD LAND AND LAND USE RIGHTS (cont'd)

	Group	
	2007	2006
	HK$'000	HK$'000
In China:		
Land use rights of over 50 years	**3,834,327**	4,279,377
Land use rights of between 10 to 50 years	**3,946,823**	2,389,912
In Hong Kong:		
Leases of over 50 years	**244,665**	250,207
Leases of between 10 to 50 years	**650,683**	700
	8,676,498	6,920,196

Land use rights with an aggregate net book amount of approximately HK$236 million (2006: HK$410 million) as at 31 December 2007 were pledged as collateral for the Group's bank borrowings (Note 44).

20 INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Investments in unlisted shares, at cost	**60,480**	60,480
Amounts due from subsidiaries *(Note (a))*	**14,212,308**	10,232,659
	14,272,788	10,293,139
Amounts due to subsidiaries *(Note (b))*	**(35,046)**	(30,920)

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for a total amount of approximately HK$7,528,505,000 (2006: approximately HK$7,986,000,000) which are interest free, all amounts due from subsidiaries are interest bearing at 4.25 to 7.29 percent (2006: 5.25 to 5.85 percent) per annum.

These balances were not in default or impaired as at 31 December 2007 and 2006. No provision has been required in 2007 and 2006 for the amounts due from subsidiaries.

(b) The amounts due to subsidiaries are interest free, unsecured and repayable on demand.

(c) Details of the principal subsidiaries of the Group as at 31 December 2007 are set out on pages 138 to 149.

21 BUSINESS COMBINATIONS

On 20 November 2006, the Group entered into an agreement with Guangzhou Development Infrastructure Investment Co., Ltd. to acquire a 20 percent additional equity interest in Guangzhou Development Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co., Ltd."), which was a jointly controlled entity held by the Group as at 31 December 2006 with 40 percent equity interest, for a consideration of RMB666 million. The acquisition was completed on 28 March 2007, after which GNSR Expressway Co., Ltd. became a subsidiary of the Group.

GNSR Expressway Co., Ltd. contributed revenue of approximately HK$382 million and profit attributable to equity holders of the Company of approximately HK$39 million of which approximately HK$13 million related to the 20 percent additional equity interest acquired, for the period from the date of acquisition to 31 December 2007. If the acquisition had occurred on 1 January 2007, the revenue contributed by GNSR Expressway Co., Ltd. to the Group would have been approximately HK$489 million and profit attributable to equity holders of the Company would have been approximately HK$50 million of which approximately HK$17 million related to the 20 percent additional equity interest acquired.

Details of the net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Cash paid	666,200
Direct costs relating to the acquisition	8,911
Total purchase consideration	675,111
Fair value of net identifiable assets acquired (see below)	(560,068)
Goodwill *(Note 24)*	115,043

The goodwill is attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 20 percent additional interest in GNSR Expressway Co. Ltd.

21 BUSINESS COMBINATIONS (cont'd)

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Cash and cash equivalents	9,696	9,696
Interests in toll highways and bridges	4,592,168	2,345,255
Property, plant and equipment	1,419	1,419
Trade receivables	4,896	4,896
Other receivables, prepayments and deposits	4,409	4,409
Trade payables and accrued charges	(70,784)	(70,784)
Borrowings	(1,119,000)	(1,119,000)
Deferred income tax liabilities	(622,462)	(56,504)
Net identifiable assets acquired	2,800,342	1,119,387
Net identifiable assets attributable to the 20 percent additional equity interest acquired by the Group	560,068	223,877

Cash outflow to acquire the subsidiary, net of cash acquired:	
Purchase consideration	675,111
Deposit paid in 2006	(132,580)
Cash and cash equivalents of the subsidiary acquired	(9,696)
Cash outflow on acquisition in 2007	532,835

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**270,164**	707,580
Amounts due from jointly controlled entities *(Note 45(c))*	**149,224**	190,590
	419,388	898,170
Amounts due to jointly controlled entities *(Note 45(c))*	**(146,044)**	(130,678)

The Group's interests in its jointly controlled entities, all of which are unlisted, are as follows:

	2007	2006
	HK$'000	HK$'000
Revenue	**80,400**	138,005
Expenses	**(102,401)**	(74,570)
Taxation	**3,166**	(3,004)
(Loss)/profit for the year	**(18,835)**	60,431
Assets:		
Non-current assets	**1,031,753**	1,746,188
Current assets	**257,490**	196,487
	1,289,243	1,942,675
Liabilities:		
Non-current liabilities	**(696,921)**	(1,114,146)
Current liabilities	**(322,158)**	(120,949)
	(1,019,079)	(1,235,095)
Net assets	**270,164**	707,580

Details of the Group's jointly controlled entities are set out on page 150.

23 INTERESTS IN ASSOCIATED ENTITIES

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**2,831,005**	2,537,494
Loans receivable from associated entities *(Note 45(c))*	**149,665**	319,218
Amounts due from associated entities *(Note 45(c))*	**138,582**	138,582
	3,119,252	2,995,294
Amounts due to associated entities *(Note 45(c))*	**(112,150)**	(112,150)

All the interests in associated entities held by the Group are unlisted except for an investment in an associated entity with a carrying value of HK$1,107,353,000 (2006: HK$1,002,455,000) which is listed on The Stock Exchange of Hong Kong Limited. The fair value of the interests in this associated entity amounted to HK$3,411,000,000 (2006: HK$3,070,000,000) as at 31 December 2007.

The Group's interests in its associated entities are as follows:

	2007	2006
	HK$'000	HK$'000
Revenue	**678,748**	539,512
Profit after tax	**418,283**	375,299
Assets	**4,604,553**	3,860,251
Liabilities	**(1,773,548)**	(1,322,757)
Net assets	**2,831,005**	2,537,494

Details of the Group's associated entities are set out on page 151.

24 GOODWILL

	Group HK$'000
At 1 January 2007	—
Acquisition of a subsidiary *(Note 21)*	**115,043**
Exchange differences	**7,814**
Impairment losses	**(3,671)**
At 31 December 2007	**119,186**

Goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 20 percent additional interest in GNSR Expressway Co., Ltd.

Impairment losses of goodwill are recognised as a result of reversal of the deferred tax liabilities and the recoverable amount of the goodwill falling below its carrying value.

25 OTHER NON-CURRENT ASSETS

	Group	
	2007 HK$'000	2006 HK$'000
Prepayment for acquisition of property, plant and equipment	—	191,516
Prepayment for acquisition of additional interest in a jointly controlled entity *(Note 46)*	**17,375**	132,580
	17,375	324,096

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007 HK$'000	2006 HK$'000
Beginning of the year	**418,269**	354,912
Additions	**3,572**	789
Increase in fair value credited to equity	**527,532**	73,099
Reversal of/(provision for) impairment losses	**2,476**	(10,982)
Disposals	**(424)**	—
Transfer to non-current assets held for sale	—	(15,000)
Exchange differences	**28,478**	15,451
End of the year	**979,903**	418,269

Available-for-sale financial assets represent unlisted securities in companies located in China without external credit ratings.

27 PROPERTIES UNDER DEVELOPMENT

As at 31 December 2007, the Group's properties under development of HK$1,392 million (2006: HK$576 million) were pledged as collateral for the Group's bank borrowings (Note 44).

28 COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land, buildings, plant and workshop (arising mainly from the related party transactions referred to in Note 45(b) except for the commitment disclosed in Note (i) below) as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Not later than one year *(Note (i))*	**433,807**	2,764,276
Later than one year and not later than five years	**126,721**	140,497
Later than five years	**230,412**	213,828
	790,940	3,118,601

Note:

(i) Included in this amount were commitments totaling approximately HK$372 million as at 31 December 2007 (2006: HK$2,717 million) relating to certain land use rights for which ownership certificates have not yet been obtained. As at 31 December 2007, total consideration for these land use rights amounted to approximately HK$3,511 million (2006: HK$3,989 million) for which the Group has prepaid approximately HK$3,139 million (2006: HK$1,272 million).

The Company did not have any significant commitments under operating leases at 31 December 2007 (2006: Nil).

29 INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**116,361**	82,845
Work-in-progress	**55,535**	68,071
Finished goods	**105,411**	82,979
	277,307	233,895

30 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**580,260**	703,980
Less: provision for impairment of trade receivables	**(102,568)**	(118,754)
	477,692	585,226

The fair values of trade and other receivables approximate their carrying amounts.

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:

	Group	
	2007	2006
	HK$'000	HK$'000
0 - 30 days	**211,793**	123,068
31 - 90 days	**161,820**	113,451
91 - 180 days	**23,470**	83,952
181 - 365 days	**65,581**	139,282
Over 1 year	**117,596**	244,227
	580,260	703,980

As at 31 December 2007, trade receivables of approximately HK$373,613,000 (2006: HK$236,519,000) were fully performing.

As at 31 December 2007, trade receivables of approximately HK$104,079,000 (2006: HK$348,707,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Up to 3 months	**23,470**	83,952
Over 3 months	**80,609**	264,755
	104,079	348,707

30 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (cont'd)

As at 31 December 2007, trade receivables of approximately HK$102,568,000 (2006: HK$118,754,000) were impaired. The amount of the provision was HK$102,568,000 as at 31 December 2007 (2006: HK$118,754,000). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Over 3 months	**102,568**	118,754

Movements in the provision for impairment of trade receivables are as follows:

	2007	2006
	HK$'000	HK$'000
Beginning of the year	**118,754**	112,297
(Reversal of)/provision for impairment *(Note 8)*	**(16,186)**	6,457
End of the year	**102,568**	118,754

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the income statement.

Other receivables and deposits do not contain impaired assets.

Majority of the Group's trade receivables are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Hong Kong dollars	**71,268**	27,397
Renminbi	**406,424**	557,829
	477,692	585,226

31 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank in hand	**1,603,312**	2,194,375	**2,166**	5,227
Short-term bank deposits	**1,984,295**	111,479	**17,396**	14,861
	3,587,607	2,305,854	**19,562**	20,088

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**2,115,082**	164,235	**15,900**	16,092
Renminbi	**1,215,351**	2,057,070	**1,024**	53
United States dollars	**190,633**	84,549	**2,638**	3,943
Euro	**66,541**	—	**—**	—
	3,587,607	2,305,854	**19,562**	20,088

The Group's Renminbi balances are placed with banks in China. The conversion of these Renminbi denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

The effective interest rate on short-term bank deposits was 3.48 percent (2006: 3.45 percent).

The Group's bank deposits are placed with major financial institutions. Counter parties' credit risks are carefully reviewed, and none of the bank deposits is exposed to significant credit risk.

32 NON-CURRENT ASSETS HELD FOR SALE/LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

On 20 November 2007, the Group gave an offer to sell the entire equity interest of Metrogold Development Limited ("Metrogold"), a subsidiary, to GZI Real Estate Investment Trust, an associated entity of the Group. Accordingly, the assets and liabilities of Metrogold have been presented as non-current assets held for sale and liabilities associated with non-current assets held for sale. As at 31 December 2006, non-current assets held for sale represent certain financial assets that were sold in 2007. Refer to Note 45 for further details of this transaction.

Non-current assets classified as held for sale

	Group	
	2007	2006
	HK$'000	HK$'000
Investment property *(Note 18(a))*	**694,148**	—
Available-for-sale financial assets	**—**	15,000
Other receivables, prepayments and deposits	**6,778**	—
Cash and cash equivalents	**121,778**	—
	822,704	15,000

Liabilities associated with non-current assets held for sale

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred tax liabilities *(Note 39)*	**64,011**	—
Other payables and accrued charges	**34,737**	—
	98,748	—

33 TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0 - 30 days	**109,559**	61,916
31 - 90 days	**257,029**	69,648
91 - 180 days	**193,915**	49,640
181 - 365 days	**6,831**	7,965
1 - 2 years	**9,858**	8,741
Over 2 years	**127**	518
	577,319	198,428

Majority of the Group's trade payables are denominated in Renminbi.

34 OTHER PAYABLES AND ACCRUED CHARGES

Other payables and accrued charges primarily comprise advance payments received from pre-sale of properties, deposits received from leasing of properties, and accruals for construction costs of properties and public facilities, staff related costs and other operating expenses.

35 BORROWINGS

	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Non-current				
Long-term bank borrowings				
– Secured	**3,977,940**	2,076,945	**2,915,000**	707,445
– Unsecured	**5,764,311**	1,184,253	**1,483,338**	—
Obligations under finance leases	**62**	96	**62**	96
Loans from a related company *(Note 45(c))*	**—**	51,615	**—**	51,615
Loans from minority shareholders of subsidiaries *(Note 45(c))*	**333,420**	449,738	**—**	—
	10,075,733	3,762,647	**4,398,400**	759,156
Current				
Bank overdrafts	**362**	215	**—**	—
Short-term bank borrowings				
– Secured	**165,528**	230,000	**—**	—
– Unsecured	**848,233**	1,182,243	**—**	—
Current portion of long-term bank borrowings				
– Secured	**812,687**	537,148	**—**	—
– Unsecured	**668,869**	126,700	**—**	—
Loans from a related company *(Note 45(c))*	**54,398**	—	**54,398**	—
Obligations under finance leases	**38**	40	**38**	40
	2,550,115	2,076,346	**54,436**	40
Total borrowings	**12,625,848**	5,838,993	**4,452,836**	759,196

The maturity of borrowings is as follows:

Group

	Bank borrowings and overdrafts 2007 HK$'000	Bank borrowings and overdrafts 2006 HK$'000	Other loans 2007 HK$'000	Other loans 2006 HK$'000
Within one year	**2,495,679**	2,076,306	**54,436**	40
In the second year	**6,280,599**	1,142,500	**24**	96
In the third to fifth year	**1,217,158**	2,118,698	**38**	51,615
Over five years	**2,244,494**	—	**—**	—
With no fixed repayment terms *(Note (i))*	**—**	—	**333,420**	449,738
	12,237,930	5,337,504	**387,918**	501,489

35 BORROWINGS (cont'd)

Note:

(i) The carrying amounts of the interest free loans from minority shareholders of subsidiaries approximate their fair values which are calculated based on cash flows discounted using a rate of 7.47 percent (2006: 5.184 percent) per annum.

Company

	Bank borrowings and overdrafts		Other loans	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Within one year	**—**	—	**54,436**	40
In the second year	**4,398,338**	—	**24**	96
In the third to fifth year	**—**	707,445	**38**	51,615
	4,398,338	707,445	**54,498**	51,751

The effective interest rates at the balance sheet date were as follows:

	2007				2006			
	HK$	**RMB**	**USD**	**EUR**	HK$	RMB	USD	EUR
Bank overdrafts	**7.47%**	**—**	**—**	**—**	8.24%	—	—	—
Bank borrowings	**3.71%**	**6.29%**	**6.28%**	**5.23%**	4.85%	5.54%	5.43%	4.28%
Other loans	**5.39%**	**—**	**—**	**—**	5.15%	—	—	—

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Hong Kong dollars	**4,456,353**	759,411	**4,452,836**	759,196
Renminbi	**6,967,413**	4,838,087	**—**	—
Euro	**1,135,994**	204,253	**—**	—
United States dollars	**66,088**	37,242	**—**	—
	12,625,848	5,838,993	**4,452,836**	759,196

The fair values of borrowings approximate their carrying amounts.

36 SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2006	6,518,936	651,894
Issue of shares upon exercise of share options *(Note a)*	284,602	28,460
At 31 December 2006	6,803,538	680,354
At 1 January 2007	6,803,538	680,354
Issue of shares upon exercise of share options *(Note a)*	61,380	6,138
Issue of shares upon acquisition of leasehold land and a building *(Note b)*	257,000	25,700
At 31 December 2007	**7,121,918**	**712,192**

Note:

(a) During the year, 61,380,000 (2006: 284,602,000) ordinary shares of HK$0.1 each were issued upon the exercise of share options (Note 37).

(b) During the year, the Group entered into agreements with certain subsidiaries of Yue Xiu Enterprises (Holdings) Limited, a substantial shareholder of the Company, for the acquisition of leasehold land and a building in Hong Kong. The consideration was satisfied by the issuance of 257,000,000 ordinary shares of the Company, together with a cash consideration of approximately HK$158 million.

37 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options '000
At 1 January 2006	425,014
Exercised during the year	(284,602)
At 31 December 2006	140,412
At 1 January 2007	140,412
Exercised during the year	(61,380)
At 31 December 2007	**79,032**

Particulars of share options as at 31 December 2007 and 31 December 2006 are as follows:

Date of grant	Exercise period	Exercise price HK$	Number of outstanding share options 2007 '000	2006 '000
2 May 2003	2 May 2003 - 1 May 2013	0.4100	**12,430**	12,430
2 June 2003	2 June 2003 - 1 June 2013	0.5400	**7,000**	30,000
27 October 2003	27 October 2003 - 26 October 2013	0.8140	**2,620**	3,120
23 December 2003	23 December 2003 - 22 December 2013	0.8460	**11,620**	18,720
23 June 2004	23 June 2004 - 22 June 2014	0.6300	**45,362**	76,142
			79,032	140,412

On 26 June 2002, the Company adopted a share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10 percent of the number of shares in issue as at 26 June 2002. The exercise price will be determined by the Company's Board of Directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of grant of the options, (ii) an average closing price of the Company's shares for the five business days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares.

As at 31 December 2007, all (2006: all) of the outstanding share options were exercisable.

The fair value of options granted was determined using the Black-Scholes valuation model by an independent valuer, Greater China Appraisal Limited. The significant inputs into the model were share price at the grant date, exercise price, standard deviation of expected share price returns, expected life of options, expected dividend payout rate and annual risk-free rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a period of one year before the date when the options were granted.

38 RESERVES

(a) Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Statutory reserves (Note a) HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Cash-flow hedging reserve HK$'000	Asset revaluation reserve (Note a) HK$'000	Available -for-sale financial assets fair value reserve HK$'000	Employee share -based compen- sation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	6,008,649	1,815	133,747	547,522	16,415	(11,155)	—	179,586	20,688	3,559,266	10,456,533
Currency translation differences	—	—	3,468	787,608	—	—	—	19,350	—	—	810,426
Share of change in fair value of cash-flow hedges of an associated entity	—	—	—	—	—	(15,111)	—	—	—	—	(15,111)
Change in fair value of financial assets											
– gross	—	—	—	—	—	—	—	469,663	—	—	469,663
– tax	—	—	—	—	—	—	—	(109,882)	—	—	(109,882)
– effect of change in tax rate	—	—	—	—	—	—	—	21,443	—	—	21,443
Profit attributable to shareholders	—	—	—	—	—	—	—	—	—	1,071,641	1,071,641
Acquisition of a subsidiary	—	—	—	—	—	—	221,153	—	—	—	221,153
Transfer	—	—	71,478	—	(16,415)	—	(9,528)	—	—	(45,535)	—
Issue of shares net of issuing expenses	512,614	—	—	—	—	—	—	—	—	—	512,614
Transfer upon exercise of share options	9,320	—	—	—	—	—	—	—	(9,320)	—	—
Dividends paid	—	—	—	—	—	—	—	—	—	(320,597)	(320,597)
At 31 December 2007	6,530,583	1,815	208,693	1,335,130	—	(26,266)	211,625	580,160	11,368	4,264,775	13,117,883
Representing:											
2007 Final dividend proposed										178,113	
Others										4,086,662	
										4,264,775	

38 RESERVES (cont'd)

(a) Group (cont'd)

	Share premium HK$'000	Capital redemption reserve HK$'000	Statutory reserves (Note a) HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Cash-flow hedging reserve HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006	5,813,273	1,815	110,979	150,186	10,712	—	134,175	49,159	3,466,568	9,736,867
Currency translation differences	—	—	—	397,336	—	—	—	—	—	397,336
Share of change in fair value of cash-flow hedges of an associated entity	—	—	—	—	—	(11,155)	—	—	—	(11,155)
Change in fair value of financial assets										
– gross	—	—	—	—	—	—	67,778	—	—	67,778
– tax	—	—	—	—	—	—	(22,367)	—	—	(22,367)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	712,615	712,615
Fair value adjustment to loans from minority shareholders of subsidiaries	—	—	—	—	5,703	—	—	—	—	5,703
Transfer	—	—	22,768	—	—	—	—	—	(22,768)	—
Employee share option scheme – value of employee services	—	—	—	—	—	—	—	4,514	—	4,514
Issue of shares net of issuing expenses	162,391	—	—	—	—	—	—	—	—	162,391
Transfer upon exercise of share options	32,985	—	—	—	—	—	—	(32,985)	—	—
Dividends paid	—	—	—	—	—	—	—	—	(597,149)	(597,149)
At 31 December 2006	6,008,649	1,815	133,747	547,522	16,415	(11,155)	179,586	20,688	3,559,266	10,456,533
Representing:										
2006 Final dividend proposed									156,781	
Others									3,402,485	
									3,559,266	

38 RESERVES (cont'd)

(a) Group (cont'd)

Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries, jointly controlled entities and associated entities in China. As stipulated by regulation in China, the Company's subsidiaries, jointly controlled entities and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital only.

The asset revaluation reserve represents the fair value gain which is attributable to the 40 percent equity interest in GNSR Expressway Co., Ltd. previously held by the Group arising from the acquisition of 20 percent additional equity interest in GNSR Expressway Co., Ltd. The balance is transferred to retained profits on a straight-line basis over the remaining operating period of the toll highway.

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	6,008,649	1,815	20,688	2,739,851	8,771,003
Issue of shares net of issuing expenses	512,614	—	—	—	512,614
Transfer	9,320	—	(9,320)	—	—
Profit for the year	—	—	—	297,628	297,628
Dividends paid	—	—	—	(320,597)	(320,597)
At 31 December 2007	**6,530,583**	**1,815**	**11,368**	**2,716,882**	**9,260,648**
Representing:					
2007 Final dividends proposed				178,113	
Others				2,538,769	
				2,716,882	

38 RESERVES (cont'd)

(b) Company (cont'd)

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006	5,813,273	1,815	49,159	3,112,589	8,976,836
Issue of shares net of issuing expenses	162,391	—	—	—	162,391
Employee share option scheme					
– value of employee services	—	—	4,514	—	4,514
Transfer upon exercise of share options	32,985	—	(32,985)	—	—
Profit for the year	—	—	—	224,411	224,411
Dividends paid	—	—	—	(597,149)	(597,149)
At 31 December 2006	6,008,649	1,815	20,688	2,739,851	8,771,003
Representing:					
2006 Final dividend proposed				156,781	
Others				2,583,070	
				2,739,851	

39 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The movements in the deferred tax liabilities/(assets) account are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Beginning of the year	**2,425,232**	2,157,446
Deferred taxation (credited)/charged to income statement *(Note 10(d))*	**(66,609)**	150,044
Acquisition of a subsidiary *(Note 21)*	**622,462**	—
Deferred taxation debited to equity	**93,094**	24,123
Transfer to liabilities associated with non-current assets held for sale *(Note 32)*	**(64,011)**	—
Exchange differences	**193,969**	93,619
End of the year	**3,204,137**	2,425,232

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Group				
	Different bases in reporting expenses with tax authorities HK$'000	**Provision for impairment of properties HK$'000**	**Tax losses HK$'000**	**Others HK$'000**	**Total HK$'000**
At 1 January 2006	106,900	24,117	12,029	—	143,046
Exchange differences	4,122	1,098	122	67	5,409
Credited/(charged) to income statement	48,969	4,884	(2,764)	3,153	54,242
At 31 December 2006	159,991	30,099	9,387	3,220	202,697
At 1 January 2007	**159,991**	**30,099**	**9,387**	**3,220**	**202,697**
Exchange differences	**13,877**	**2,091**	**205**	**496**	**16,669**
Credited/(charged) to income statement	**150,582**	**(22,421)**	**12,279**	—	**140,440**
Transfer to non-current assets held for sale	**(1,617)**	—	—	**(1,013)**	**(2,630)**
At 31 December 2007	**322,833**	**9,769**	**21,871**	**2,703**	**357,176**

39 DEFERRED TAXATION (cont'd)

The movements in deferred tax liabilities (prior to offsetting of balances within the same jurisdiction), during the year are as follows:

	Group						
	Revaluation of properties HK$'000	Accelerated depreciation HK$'000	Fair value gain on interest in a toll highway arising from acquisition of a subsidiary HK$'000	Revaluation of investments HK$'000	Different bases in reporting revenue with tax authorities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2006	2,083,562	5,985	—	65,836	129,073	16,036	2,300,492
Exchange differences	94,931	—	—	3,458	—	639	99,028
Charged/(credited) to income statement	196,558	15,555	—	—	(10,389)	2,562	204,286
Charged to reserves	—	—	—	24,123	—	—	24,123
At 31 December 2006	2,375,051	21,540	—	93,417	118,684	19,237	2,627,929
At 1 January 2007	**2,375,051**	**21,540**	**—**	**93,417**	**118,684**	**19,237**	**2,627,929**
Exchange differences	**135,625**	**3,948**	**38,153**	**5,005**	**27,740**	**167**	**210,638**
(Credited)/charged to income statement	**(366,061)**	**39,838**	**(17,587)**	**8,279**	**419,437**	**(10,075)**	**73,831**
Charged to reserves	**—**	**—**	**—**	**93,094**	**—**	**—**	**93,094**
Acquisition of a subsidiary	**—**	**56,504**	**565,958**	**—**	**—**	**—**	**622,462**
Transfer to liabilities associated with non-current assets held for sale	**(66,641)**	**—**	**—**	**—**	**—**	**—**	**(66,641)**
At 31 December 2007	**2,077,974**	**121,830**	**586,524**	**199,795**	**565,861**	**9,329**	**3,561,313**

39 DEFERRED TAXATION (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred tax assets		
– Hong Kong profits tax	**6,377**	6,218
– China enterprise income tax	**64,863**	129,471
	71,240	135,689
Deferred tax liabilities		
– Hong Kong profits tax	**27,608**	16,056
– China enterprise income tax	**2,401,034**	1,603,919
– China land appreciation tax	**846,735**	940,946
	3,275,377	2,560,921

Deferred income tax assets are recognised for tax losses carried forward and revaluation of properties to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2007, the Group has unrecognised deferred tax benefit of approximately HK$229 million (2006: HK$224 million) in respect of tax losses of approximately HK$1,309 million (2006: HK$1,280 million) for Hong Kong profits tax purposes with no expiry date and unrecognised deferred tax benefits of approximately HK$44 million (2006: HK$44 million) in respect of provision for impairment of properties of approximately HK$251 million (2006: HK$251 million).

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow generated from operations:

	2007 HK$'000	2006 HK$'000
Operating profit	**1,771,367**	1,036,764
Depreciation and amortisation	**460,942**	300,830
(Gain)/loss on disposal of property, plant and equipment	**(99,190)**	6,016
Loss on partial disposal of an associated entity	**—**	2,656
Fair value gains on investment properties	**(362,139)**	(747,025)
Provision for impairment of goodwill	**3,671**	—
(Reversal of)/provision for doubtful debts and other receivables	**(87,702)**	6,457
(Reversal of)/provision for impairment of properties under development and properties held for sale	**(1,031)**	12,843
(Reversal of)/provision for impairment of available-for-sale financial assets	**(2,476)**	10,982
Provision for impairment of property, plant and equipment	**—**	1,959
Provision for impairment of leasehold land	**23,357**	—
Share-based payments	**—**	4,514
Net (increase)/decrease in properties under development, properties held for sale, leasehold land and land use rights	**(3,016,997)**	299,132
(Increase)/decrease in inventories	**(43,412)**	85,210
Net increase in trade receivables, other receivables, prepayments and deposits	**(78,889)**	(55,183)
Net increase in trade payables, other payables and accrued charges	**304,776**	744,643
Net decrease in balances with related companies	**(21,147)**	(20,894)
Net cash (outflow)/inflow generated from operations	**(1,148,870)**	1,688,904

(b) Major non-cash transactions

(i) During the year, the Group acquired certain leasehold land and a building in Hong Kong with the purchase consideration by way of cash payment of approximately HK$158,000,000 and issuance of 257,000,000 ordinary shares of the Company (see Note 36 (b)).

(ii) During the year, the Group sold certain property, plant and equipment to a minority shareholder of a subsidiary at a consideration of HK$338,991,000, of which approximately HK$251,300,000 remained outstanding and included in other receivables, prepayments and deposits as at 31 December 2007.

41 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2007, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Not later than one year	**215,180**	199,160
Later than one year and not later than five years	**376,256**	452,897
Later than five years	**78,822**	105,082
	670,258	757,139

In 2006, the Group entered into a fifteen years' lease agreement with a third party, whereby a property is leased to the third party who acts as the head tenant and operates a shopping mall in the property. In return, the Group is entitled to a share of the sub-lease rental income to be received by the third party during the lease period which has been included in the above analysis.

42 OTHER COMMITMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	**669,327**	1,689,775
Authorised but not contracted for	**861,985**	2,082,599
	1,531,312	3,772,374

At 31 December 2007, the Group had financial commitments in respect of equity capital to be injected into a jointly controlled entity and an associated entity of approximately HK$305,600,000 (2006: two jointly controlled entities of approximately HK$637,294,000).

At 31 December 2007, the Group's share of capital commitments of a jointly controlled entity not included in the above amounted to approximately HK$94,242,000 (2006: HK$243,600,000).

The Company did not have any significant capital commitments at 31 December 2007 (2006: Nil).

43 CONTINGENT LIABILITIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note (i))*	**774,723**	494,444	**—**	—
Guarantees for banking and loan facilities granted to subsidiaries	**—**	—	**62,115**	357,115
	774,723	494,444	**62,115**	357,115

Note:

(i) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

44 SECURITIES FOR BANKING FACILITIES

At 31 December 2007, certain banking facilities and loans granted to the Group and the Company were secured by:

(a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with an aggregate carrying value of approximately HK$1,392 million (2006: HK$576 million), HK$180 million (2006: Nil), HK$2,610 million (2006: HK$2,988 million) and HK$13 million (2006: HK$133 million) respectively;

(b) mortgages of certain of the Group's leasehold land and land use rights with an aggregate carrying value of approximately HK$236 million (2006: HK$410 million);

(c) pledge of the Group's investments in certain subsidiaries with net assets value of approximately HK$544 million (2006: HK$390 million);

(d) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately HK$3,974 million (2006: HK$3,410 million);

(e) corporate guarantee provided by a minority shareholder of a subsidiary in the amount of approximately HK$2,388 million (2006: HK$835 million); and

(f) toll fee collection right of a toll highway of the Group.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table below summarises the names of significant related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2007:

Significant related parties	**Relationship with the Company**
Yue Xiu Enterprises (Holdings) Limited ("YXE")	A substantial shareholder
Yue Xiu Finance Company Limited ("YXF")	A subsidiary of YXE
Yue Xiu International Development Limited ("YXIDL")	A subsidiary of YXE
Guangzhou Construction & Development Group Co., Ltd. ("GCDGL")	A minority shareholder of certain subsidiaries
Guangzhou Paper Holdings Limited ("GZPHL")	A minority shareholder of a subsidiary
Guangzhou Xinguang Highways Development Co., Ltd. ("GXHD")	A minority shareholder of a subsidiary
Guangdong Humen Bridge Co., Ltd. ("GHB")	An associated entity
Guangdong Shantou Bay Bridge Co., Ltd. ("GSB")	An associated entity
GZI Real Estate Investment Trust ("GZI REIT")	An associtaed entity

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(b) Transactions with related parties

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2007	2006
	HK$'000	HK$'000
(I) Transactions with YXE		
Rental expenses and property management fees paid to YXE	**(1,449)**	(1,690)
Loan interests paid to YXE	**—**	(375)
Service fees paid to YXE	**(600)**	(600)
Purchase of leasehold land and a building from YXE	**(664,275)**	—
(II) Transactions with GZPHL		
Rental and utility expenses paid to GZPHL *(Note (i))*	**(245,012)**	(279,112)
Sale of property, plant and equipment to GZPHL	**338,991**	—
(III) Transactions with YXF		
Management fees paid to YXF	**(362)**	(332)
Service fees paid to YXF	**—**	(90)
(IV) Transaction with YXIDL		
Loan interests paid to YXIDL	**(2,784)**	(3,266)
(V) Transactions with GZI REIT		
Asset management fees received from GZI REIT	**26,163**	23,765
Tenancy service fees received from GZI REIT	**13,407**	12,279
Rental expenses paid to GZI REIT	**(3,042)**	(3,139)
(VI) Transaction with GXHD		
Loan interests paid to GXHD	**(16,627)**	(15,620)
(VII) Transaction with GHB		
Loan interests received from GHB	**20,082**	30,508
(VIII) Transaction with GSB		
Loan interests received from GSB	**287**	572

Note:

(i) The rental and utility expenses paid to GZPHL were conducted in accordance with the terms of the waiver granted by the shareholders in early 2005.

In connection with the Group's acquisition of Guangzhou Construction & Development Holdings (China) Limited, a subsidiary, in 2002, GCDGL agreed to bear any obligations to construct public facilities in excess of those previously agreed with GCDGL.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Balances with related parties

	2007	2006
	HK$'000	HK$'000
Amount due to a substantial shareholder *(Note (i)* and *(vi))*	**(30,174)**	(76,924)
Loan receivables from associated entities *(Note (iv), (vii)* and *(x))*	**149,665**	319,218
Amounts due from associated entities *(Note (ii), (viii)* and *(x))*	**154,045**	160,726
Amounts due to associated entities *(Note (ii)* and *(vi))*	**(112,150)**	(112,150)
Amounts due from jointly controlled entities *(Note (ii), (vii)* and *(x))*	**149,224**	190,590
Amounts due to jointly controlled entities *(Note (ii)* and *(vi))*	**(146,044)**	(130,678)
Amounts due from a minority shareholder of a subsidiary *(Note (ii), (vi)* and *(x))*	**251,300**	—
Amounts due to minority shareholders of subsidiaries *(Note (ii)* and *(vi))*	**(56,182)**	(101,845)
Loans from a related company *(Note (iii)* and *(ix))*	**(54,398)**	(51,615)
Loans from minority shareholders of subsidiaries *(Note (v)* and *(ix))*	**(333,420)**	(449,738)
Amounts due from related companies *(Note (ii), (vi)* and *(x))*	**6,772**	—
Amounts due to related companies *(Note (ii)* and *(vi))*	**(10,064)**	(24,439)

Note:

(i) The balance at 31 December 2007 and 2006 is unsecured, interest free and repayable on demand.

(ii) All balances are unsecured, interest free and have no fixed repayment terms.

(iii) The loan balance at 31 December 2007 is unsecured, interest bearing at Hong Kong Interbank Offerred Rate plus 1 percent per annum and repayable within one year. The loan balance at 31 December 2006 is unsecured, interest bearing at Hong Kong Interbank Offered Rate plus 1 percent per annum and not repayable within the next twelve months.

(iv) The loan balances are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rates ranging from 7.25 percent to 8.25 percent (2006: 7.50 percent to 8.25 percent) per annum and lending rates of financial institutions in China ranging from 6.12 percent to 7.47 percent (2006: 6.12 percent) per annum.

(v) Except for an amount of HK$137,762,000 (2006: HK$129,000,000) which bears interest at the prevailing The People's Bank of China Renminbi long-term lending rates ranging from 6.84 percent to 7.83 percent (2006: 6.12 percent to 6.84 percent) per annum, the loans from minority shareholders of subsidiaries are interest free and not repayable within the next twelve months.

(vi) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.

(vii) These balances are included in interests in jointly controlled entities or interests in associated entities, as appropriate.

(viii) The balance is included in interests in associated entities except for an amount of approximately HK$15,463,000 as at 31 December 2007 (2006: HK$22,144,000) which is included in other receivables, prepayments and deposits.

(ix) These balances are included in short-term or long-term borrowings.

(x) These balances were not in default or impaired as at 31 December 2007 and 2006, except for a provision for impairment losses of approximately HK$33,179,000 made for an amount due from a jointly controlled entity as at 31 December 2007 and 2006.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(d) Key management compensation

The aggregate amounts of emoluments paid or payable to key management of the Group are as follows:

	2007 HK$'000	2006 HK$'000
Fees	**500**	500
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	**63,190**	44,816
Pension costs	**716**	642
	64,406	45,958

46 EVENTS AFTER THE BALANCE SHEET DATE

On 3 January 2008, the Group entered into an agreement with SDIC Communications Co., to acquire an additional 2.78 percent equity interest in an associated entity, Guangdong Humen Bridge Co., Ltd., for a consideration of RMB194,600,000. A deposit of HK$17,375,000 (equivalent to approximately RMB16,680,000) was paid on 28 September 2007. The acquisition was completed in late January 2008, which was financed by internal funds.

On 14 January 2008, the Group entered into an agreement with GZI REIT, an associated entity of the Group, to dispose of the entire equity interest of Metrogold Development Limited ("Metrogold"), a subsidiary of the Group, at an initial consideration of approximately HK$532,400,000 which will be satisfied by the issuance of GZI REIT's shares equivalent to HK$203,200,000 together with cash of HK$329,200,000, and an adjustment payment which will be determined based on the net assets value of Metrogold at the date of completion. The disposal is expected to complete within 2008.

On 9 April 2008, the Group entered into a letter of intent with Yunnan Provisional Transport Bureau and China Yunnan Road Construction Group Company, for a proposed investment in a toll road project in Kunming, Yunnan, China pursuant to which the parties intend to establish a company upon fulfillment of certain conditions as set out in the letter of intent. The total investment and the registered capital of the company are expected to be approximately HK$6,770 million and HK$2,370 million, respectively, of which the Group is expected to contribute 80 percent of the registered capital.

PRINCIPAL SUBSIDIARIES

As at 31 December 2007, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
Able Step Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HK$7,000,000	—	**100**	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Bright Rise Investment Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Charcon Development Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Charm Smart Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	**100**	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	**100**	—	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Dalian Perfect Base Property Development Co., Ltd.	China, limited liability company	Registered capital US$7,500,000	—	**100**	—	100	Property development
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	100	—	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
Elsburg Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Ever Famous International Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Ever Joint Investment International Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	—	Investment holding
First-Win Group Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	**100**	—	100	Investment holding
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Glory Mission Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	—	Property investment
Glow Bright Investment Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Grand System Development Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Green Park Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	—	**95**	—	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	—	**95**	—	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HK$259,670,000	—	**100**	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	**75**	—	75	Property development

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital US$5,000,000	—	**100**	—	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,631,012,700	—	**95**	—	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	—	**98.13**	—	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	—	**98.62**	—	98.62	Decoration and design
Guangzhou City Construction & Development Group Nansha Co. Ltd	China, limited liability company	Registered capital RMB25,000,000	—	**95**	—	95	Property development
Guangzhou City Construction & Development Homecity Supermarket Ltd.	China, limited liability company	Registered capital RMB33,178,900	—	**98.13**	—	98.13	Supermarket operator
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	—	**95**	—	95	Property development
Guangzhou City Construction & Development Property Ltd.	China, limited liability company	Registered capital RMB12,994,800	—	**95**	—	95	Property development and investment

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal Activities
			2007		2006		
			Direct	**Indirect**	Direct	Indirect	
Guangzhou City Construction Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	**—**	**65**	—	65	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	**—**	**80**	—	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	**—**	**52**	—	52	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	**—**	100	—	Investment holding
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	**—**	**95**	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	**—**	**95**	—	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	**—**	**95**	—	95	Property development
GZ City Construction & Development Grandcity Parking Property Management Co., Ltd.	China, limited liability company	Registered capital RMB2,730,600	**—**	**81.26**	—	81.26	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	**—**	**100**	—	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	**—**	**95**	—	95	Property development

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal Activities
			2007		2006		
			Direct	**Indirect**	Direct	Indirect	
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	**95**	—	95	Property development
Guangzhou Investment (China Property) Company Limited	British Virgin Islands	5,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	—	100	—	Financial services
Guangzhou Investment (HK Property) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding
Guangzhou Investment (Macau Property) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding
Guangzhou Investment Property Holdings Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	100	—	Investment Holding
Guangzhou Jieyacheng Properties Co., Ltd.	China, limited liability company	Registered capital HK$92,000,000	—	**92**	—	92	Property development
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	**95**	—	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
[1] Guangzhou Nanxin Highways Development Company Limited	China, limited liability company	Registered capital RMB141,463,000	—	**36.22**	—	27.44	Development and management of Guangshen Highway linking Guangzhou and Shenzhen

PRINCIPAL SUBSIDIARIES (cont'd)

	Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
	Guangzhou Northern Second Ring Expressway Co., Limited	China, limited liability company	Registered capital RMB900,000,000	—	**27.17**	—	13.72	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
	Guangzhou Paper Co., Ltd.	China, limited liability company	Registered capital RMB1,214,020,000	—	**52.55**	—	51	Manufacture and sale of newsprint
	Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	**95**	—	95	Property development
1	Guangzhou Qiaowei Highways Development Company Limited	China, limited liability company	Registered capital RMB12,326,000	—	**45.28**	—	34.30	Investment holding
	Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	**95**	—	95	Property development
	Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
1	Guangzhou Suiqiao Development Company Limited	China, limited liability company	Registered capital RMB1,000,000	—	**45.28**	—	34.30	Investment holding
	Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	**95**	—	95	Property development
1	Guangzhou Taihe Highways Development Company Limited	China, limited liability company	Registered capital RMB155,980,000	—	**36.22**	—	27.44	Development and management of Guangcong Highway Section I linking Guangzhou and Conghua

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
[1] Guangzhou Tailong Highways Development Company Limited	China, limited liability company	Registered capital RMB116,667,000	—	**23.09**	—	17.49	Development and management of Guangcong Highway Section II linking Guangzhou and Conghua, and Provincial Highway 1909 linking Conghua and Longtan
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Tiyu Building Company Limited	China, limited liability company	Registered capital US$26,700,000	—	**100**	—	100	Property development and investment
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd	China, limited liability company	Registered capital RMB19,776,700	—	**95**	—	95	Property development
[1] Guangzhou Weian Highways Development Company Limited	China, limited liability company	Registered capital RMB175,750,000	—	**36.22**	—	27.44	Development and management of Guangshan Highway linking Guangzhou and Shantou

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	**100**	—	100	Property Investment
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	**95**	—	95	Property Investment
[1] Guangzhou Xinguang Highways Development Company Limited	China, limited liability company	Registered capital RMB143,333,000	—	**18.87**	—	18.87	Development and management of Guanghua Highway linking Guangzhou and Huadu
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB3,403,700	—	**85.68**	—	85.68	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
[1] Guangzhou Yue Peng Information Ltd.	China, limited liability company	Registered capital RMB260,000,000	—	**45.28**	—	34.30	Investment holding
Guangzhou Yuecheng Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	—	**100**	—	—	Investment holding
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	—	**100**	—	—	Investment holding
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	—	**100**	—	—	Investment holding
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	—	**100**	—	—	Investment holding

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.	China, limited liability company	Registered capital RMB2,000,000,000	—	**99**	—	99	Property development
Guangzhou Yue Xiu Property Management Company Limited	China, limited liability company	Registered capital RMB1,000,000	—	**60**	—	60	Property management
Guangzhou Ziwei City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB59,618,800	—	**95**	—	95	Property development
GZI REIT Asset Management Limited	Hong Kong	10,000,000 Ordinary shares of HK$1 each	**100**	—	100	—	Asset management
GZI Transport (Holdings) Limited	British Virgin Islands	1,848,497,550 Ordinary shares of HK$1 each	—	**51**	—	51	Investment holding
[1] GZI Transport Limited	Bermuda	1,673,162,295 Ordinary shares of HK$0.1 each	**0.01**	**45.27**	0.01	34.29	Investment holding
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	**100**	—	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	—	Property investment
[1] Hunan Yue Tung Highway and Bridge Development Company Limited	China, limited liability company	Registered capital RMB21,000,000	—	**33.96**	—	25.73	Development and management of Xiang Jiang Bridge II in Hunan Province
Intro-Win Development Limited	Hong Kong	5,000,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Jamsin Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	—	100	—	Property holding

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
Jankon International Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Jumbo King Development Limited	Hong Kong, Singapore	2 Ordinary shares of HK$1 each	**100**	—	100	—	Property investment
Kam Hon Investment Company Limited	Hong Kong	10,000 Ordinary shares of HK$100 each	—	**100**	—	100	Investment holding
Kingswell Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
[1] Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HK$1 each	—	**45.28**	—	34.30	Investment holding
Light Home Development Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Long Grace Holdings Limited	Hong Kong	1 Ordinary share of HK$1 each	**100**	—	—	—	Investment holding
Lucken Limited	Hong Kong	3 Ordinary shares of HK$1 each	—	**100**	—	—	Property investment
Merry Growth Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Pacific Max Industrial Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Perfect Base Development Limited	Hong Kong	1,000,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Profit Link Investment International Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	—	Investment holding

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal Activities
			2007		2006		
			Direct	**Indirect**	Direct	Indirect	
Round Table Holdings Limited	British Virgin Islands	100 Ordinary shares of HK$1 each	**100**	**—**	100	—	Investment holding
San Bright Holdings Limited	Hong Kong	1 Ordinary share of HK$1 each	**—**	**100**	—	—	Investment holding
[1] Shaanxi Jinxiu Transport Co., Limited	China, limited liability company	Registered capital RMB100,000,000	**—**	**45.28**	—	34.30	Development and management of Xian-Lintong Expressway in Shaanxi Province
Sino Peace Development Limited	Hong Kong	1 Ordinary share of HK$1 each	**—**	**100**	—	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	**—**	**100**	—	100	Property investment
[1] Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HK$1 each	**—**	**45.28**	—	34.30	Property holding
Sociedade de Fomento Predial Codo (Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	**—**	**100**	—	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares of HK$1 each	**—**	**100**	—	100	Property investment
Star Noble Enterprises Limited	Hong Kong	1,000,000 Ordinary shares of HK$1 each	**—**	**100**	—	100	Investment holding
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HK$1 each	**—**	**100**	—	100	Investment holding
Superland Development Ltd.	British Virgin Islands	10,000 Ordinary shares of HK$1 each	**—**	**100**	—	100	Investment holding
Takwill International Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	**—**	**100**	—	100	Investment holding

PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal Activities
Top Health International Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Treasure House Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	—	—	Investment holding
Viclong Company Limited	Hong Kong	100 Ordinary shares of HK$100 each	—	**100**	—	100	Property investment
Winston Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Worldbest Development Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares of HK$1 each and 500,000 Non-voting deferred shares of HK$1 each	—	**100**	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Building management services
廣州白馬物業管理有限公司	China, limited liability company	Registered capital RMB5,000,000	—	**96.75**	—	96.75	Property management

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

1 These are subsidiaries as the Group's interests in these companies are held through subsidiaries which in turn hold more than 50 percent of the issued voting share capital in these companies.

PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 31 December 2007, the Group held the following principal jointly controlled entities:

Name of jointly controlled entity	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/ profit sharing				Principal activities
			2007		2006		
			Direct	**Indirect**	Direct	Indirect	
Hainan China City Property Development Co., Ltd.	China	57.14	—	**52**	—	52	Property development
Guangdong Xinshidai Real Estate Ltd.	China	33.33	—	**45** **44**	—	45 44	Property development
Guangzhou South House Property Industry Co., Ltd	China	28.57	—	**30**	—	30	Property development and management
Guangzhou Western Second Ring Expressway Co., Ltd.	China	33	—	**15.85**	—	12.01	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2007, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/ voting power/profit sharing 2007 Direct	2007 Indirect	2006 Direct	2006 Indirect	Principal activities
Companhia de Investimento Predial San Chee Lee, Limitada	Macau	**—**	**25**	—	25	Investment holding
Country Calm Investment and Development Company Limited	Macau	**—**	**50**	—	50	Property development
[1] Guangdong Humen Bridge Co., Ltd.	China	**—**	**11.32**	—	8.58	Development and management of Humen Bridge in Humen
[1] Guangdong Qinglian Highway Development Co., Ltd.	China	**—**	**10.69**	—	8.09	Development and management of National Highway 107 linking Qingyuan and Lianzhou
[1] Guangdong Shantou Bay Bridge Co., Ltd.	China	**—**	**13.58**	—	10.29	Development and management of Shantou Bay Bridge in Shantou
[1] Guangzhou Northring Freeway Co., Ltd.	China	**—**	**11.00**	—	8.33	Development and management of Guangzhou City Northern Ring Road
Guangzhou Xin Yue Real Estate Development Co. Ltd	China	**—**	**28.20**	—	28.20	Property development
GZI Real Estate Investment Trust	Hong Kong	**—**	**31.33**	—	31.33	Property investment

1 These are associated entities as the Group's interests in these companies are held through subsidiaries which in turn hold more than 20 percent of the issued voting share capital in these companies.

Corporate and Investor Relations Information

BOARD OF DIRECTORS

Executive directors

Mr Ou Bingchang *(Chairman)*
Mr Liang Yi
Mr Tang Shouchun
Mr Wang Hongtao
Mr Li Xinmin
Mr He Zili
Ms Zhou Jin

Non-executive director

Mr Zhang Huaqiao
(appointed with effect from 17 April 2008)

Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph
Mr Lee Ka Lun
Mr Lau Hon Chuen Ambrose

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISORS

Baker & McKenzie
Jones Day

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITES TO ACCESS COMPANY INFORMATION

http://www.gzinvestment.com.hk
http://www.irasia.com/listco/hk/gzinvestment
http://www.hkex.com.hk

REGISTERED OFFICE

26th Floor
Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

SHARE REGISTRAR

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

SHARE LISTING

The Company's shares are listed on:
The Stock Exchange of Hong Kong Limited
Singapore Exchange Securities Trading Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited – 123
Reuters – 123.HK
Bloomberg – 123 HK

INVESTOR RELATIONS

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ADR DEPOSITARY BANK

The Bank of New York
American Depositary Receipts
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