GUANGZHOU INVESTMENT COMPANY LIMITED
越秀投資有限公司

(Stock Code: 00123)




2008 ANNUAL REPORT

CONTENTS



Guangzhou International Finance Centre
Construction-in-progress

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 ("Yue Xiu"), 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 (disposed of in 2008) 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 property business, the Group currently has property projects under development and land bank with total gross floor area ("GFA") of approximately 6.02 milllion square metres. 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 324.3 km of toll road and bridge projects in Guangdong and other selective provinces of China. The Group also holds a 35.58% 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.

Corporate Profile

as at 31 December 2008

Guangzhou Investment Company Limited
(Stock Code: 00123)

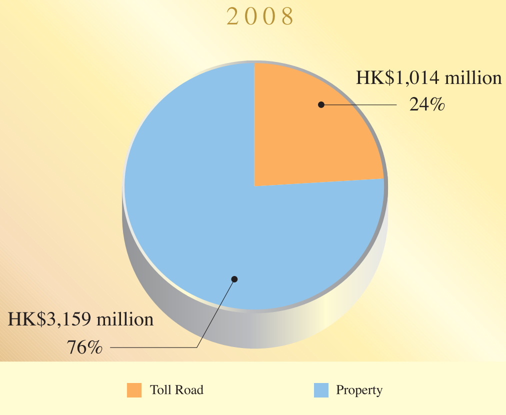
- 45.28% — **GZI Transport Limited** (Stock Code: 01052)
  - **Toll Roads and Bridges** (324.3km)
- **Property**
  - **China Properties**
  - **Hong Kong Properties**
- 35.58% — **GZI Real Estate Investment Trust** (Stock Code: 00405)

	Year ended 31 December		
	2008 HK$'000	As restated 2007 HK$'000	Change
Revenue	4,173,009	5,244,380	↓ 20.4%
Profit before tax	1,376,770	1,756,330	↓ 21.6%
Profit before tax (excluding fair value gains/losses on revaluation of investment properties)	1,648,570	1,394,191	↑ 18.2%
Profit attributable to equity holders of the Company	607,964	1,031,321	↓ 41.0%
Profit attributable to equity holders of the Company (excluding fair value gains/losses on revaluation of investment properties - after taxation and shares by minority interests)	805,461	766,032	↑ 5.1%
Dividend per share			
- Interim, paid (HK cents)	2.60	2.30	↑ 13.0%
- Final, proposed (HK cents)	0.80	2.50	↓ 68.0%
- Total (HK cents)	3.40	4.80	↓ 29.2%
Shareholders' equity per share (excluding minority interests)	HK$2.03	HK$1.94	↑ 4.6%
Gearing Ratio*	31.5%	40%	↓ 21%

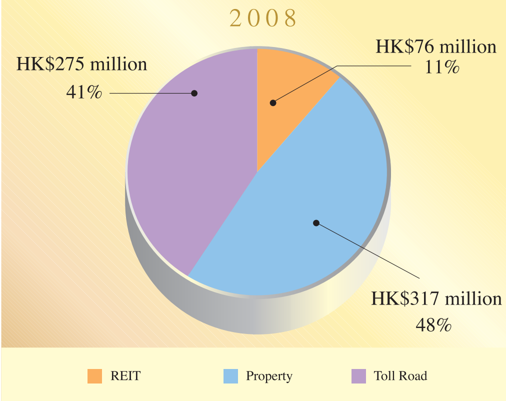
* Total debt less cash over total capitalisation

Financial Highlights

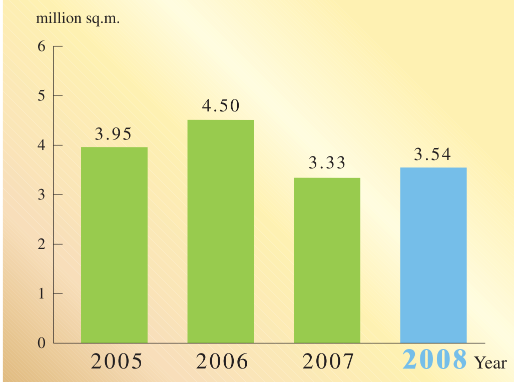
Revenue
(for the year ended 31 December 2008)



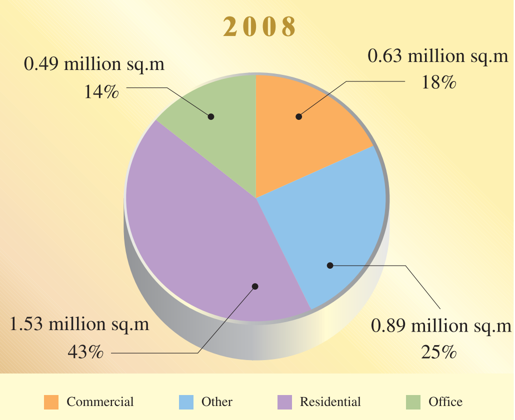
Profit Attributable to Equity Holders (from continuing operations)
(for the year ended 31 December 2008)



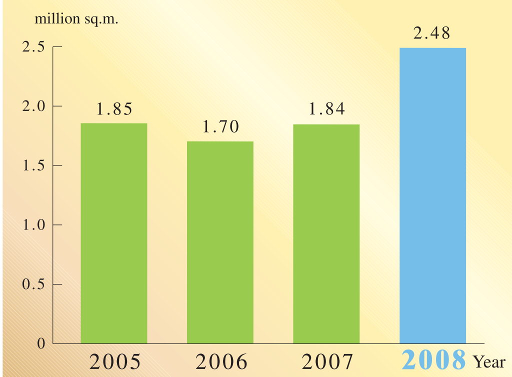
Trend of Land Bank (2005-2008)



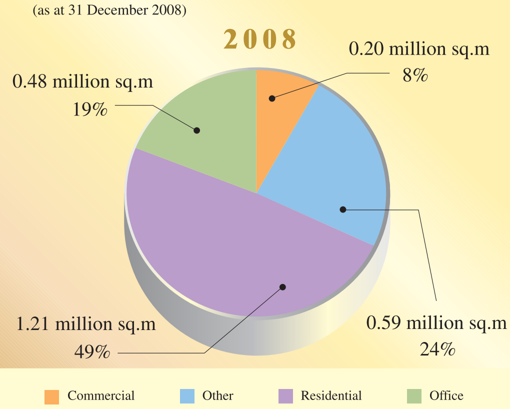
Land Bank - by Land Use
(as at 31 December 2008)



Trend of Properties Under Development (2005-2008)



Properties Under Development - by Land Use
(as at 31 December 2008)



January 2008

Acquired a site (B3711B03) in Jin Sha Zhou, Guangzhou, at a consideration of RMB735 million. The land area of the site amounted to approximately 103,000 square metres with total planned GFA on ground of approximately 160,000 square metres.

January 2008

Disposal of approximately 62,000 square metres of Yue Xiu Neo Metropolis Plaza in the form of a subsidiary to GZI REIT.

April 2008

Yue Xiu City Construction Property, the property business of the Company, was named among the “2008 Top 20 Creditworthy Property Enterprises in Guangdong”.

July 2008

Mr Lu Zhifeng was appointed as Executive Director and Chairman of the Board of the Company; and Mr Zhang Zhaoxing was appointed as Executive Director, Vice Chairman and General Manager of the Company.

November 2008

Disposal of 52.55% equity interest of Guangzhou Paper Co., Ltd. to Yue Xiu Enterprises (Holdings) Limited at a consideration of HK$650 million was announced.

December 2008

Approval by the shareholders in extraordinary general meeting of the disposal of Guangzhou Paper Co., Ltd.

December 2008

GZT, the Company's subsidiary, acquired a 90% equity interest in Guangxi Cangyu Expressway Co., Ltd. at a consideration of approximately HK$145 million.

December 2008

Yue Xiu City Construction Property, the property business of the Company, was named among the "2008 Top 20 Competitive Property Enterprises in Guangdong".

December 2008

Topping out of Guangzhou International Finance Centre with a height of 432 meters, one of the top 10 super-tall buildings in the world.

Mr Lu Zhifeng
Chairman

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

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

MARKET ANALYSIS

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

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

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

LIQUIDITY AND RISKS MANAGEMENT

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

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

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

BUSINESS RESTRUCTURING

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

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

PROPERTY

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

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

Rayon Jardin in demand

- ## Contracted Sales

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

A glimpse of the recreation area at Springland Garden

- ## GFA under Development

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

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

- ## Development Cycle

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

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

TOLL ROADS

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

REIT

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

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

FUTURE PROSPECTS

Property

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

In the first two months of 2009, contracted sales GFA of the Group was approximately 50,600 square metres while contract sales value amounted to approximately RMB454 million, up 163.5% and 125.4% respectively over the same period of the previous year. We are optimistic about 2009, given the manifest firm demand for properties in Guangzhou City Centre despite the onslaught of the global financial tsunami. The Group will monitor closely on the market and remain focused on cash flow management, steady operation and sustainable development.

Our major plans are:

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

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

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

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

TOLL ROADS

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

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

REIT

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

ACKNOWLEDGEMENT

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

Lu Zhifeng
Chairman

Guangzhou International Finance Centre Construction Key-point Map

Commencement of works

Dec 2005

Completion of the foundation floor plate, commencement of the construction of the basement

Dec 2006

Completion of the basement and commencement of the construction of the superstructure

Jun 2007

Trial lifting of the first "X" node

Sep 2007


First lifting of the climbing formwork system of the main tower
Oct 2007
Successful lifting of the first glass curtain wall
May 2008
67-level core tube structure transformation
Jun 2008
Topping out of the main tower
Dec 2008

BUSINESS REVIEW

Property

- **Property Sales**

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

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

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

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

Ling Nan Riverside Site Foundation Laying Ceremony

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

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

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

- **Land Bank**

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

Rayon Jardin

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

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

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

- **Properties Under Development**

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

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

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

Guangzhou International Finance Centre

Total GFA : 451,000 sq. m.
Area under construction : 451,000 sq. m.
Expected next completion date : year 2010
Land use : Office/Apartment/Hotel/Commercial
Description : 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 next 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

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

Springland Garden

Total GFA : 615,000 sq. m.
Completed area: 317,000 sq. m.
Area under construction : 298,000 sq. m.
Expected next completion date : year 2009
Land use : Residential
Description : Located in Hai Zhu District, near the Bao Gang Da Dao, Metro Station

Rayon Jardin (formerly Ke Yi Hao Yuan)

Total GFA : 154,000 sq.m.
Area under construction : 154,000 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

Jiang Nan New Mansion

Total GFA : 405,000 sq. m.
Completed area: 176,000 sq. m.
Area under contruction : 229,000 sq. m.
Expected next completion date : year 2011
Land use : Residential
Description : Located in Hai Zhu District, Guangzhou, near Sun Yat-Sen University and the Zhong Da Metro Station

Ling Nan Riverside

Total GFA : 193,000 sq.m.
Area under construction: 193,000 sq.m.
Expected next completion date : year 2011
Land use : Residential
Description : Located in Li Wan District, Guangzhou, with Ling Nan style design, near the Xi Wan Metro Station

Ling Nan Ya Yuan

Total GFA : 90,000 sq. m.
Area under contruction : 41,000 sq. m.
Expected next completion date : year 2009
Land use : Residential
Description : Located in Bai Yun District, with Ling Nan style design

Southern Le Sand

Total GFA : 2,670,000 sq.m.
Completed area: 302,000 sq.m.
Area under construction : 499,000 sq.m.
Expected next completion date : year 2009
Land use : Villa/Commercial/Office
Description : Located in Nan Sha District, Guangzhou, near the Jin Zhou Metro Station

Cong Hua Glade Village

Total GFA : 507,000 sq. m.
Completed area : 310,000 sq. m.
Area under contruction : 130,000 sq. m.
Expected next completion date : year 2009
Land use : Low-rise Apartment/Villa
Description : Located in Cong Hua, Guangzhou, with natural environmental concept

- **Investment Properties**

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

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

- **Other Businesses**

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

Toll Roads

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

REIT

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

Newsprint

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

Ling Nan Riverside

3. Sound financial and liquidity position

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

4. Stable growth of Shareholders' equity

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

ANALYSIS ON OPERATING RESULTS

Continuing operations

Revenue and gross profit

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

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

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

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

Selling and general administrative expenses

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

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

Gain on disposal of a subsidiary

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

Finance costs

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

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

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

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

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

Taxation expenses

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

Discontinued operation

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

Earnings per share

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

Liquidity and financial resources

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

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

Capital structure

The Group's capital structure is summarised as follow:

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

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

Capital expenditures and investments

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

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

Interest rate exposure

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

Foreign exchange exposure

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

Capital Commitments

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

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

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

Contingent Liabilities

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

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

Pledge of assets

As at 31 December 2008, 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 45 to the financial statements.

Final dividend

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

The register of members of the Company will be closed from Tuesday, 26 May 2009 to Wednesday, 3 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 25 May 2009.

Employees and remuneration policy

As at 31 December 2008, excluding newsprint business, the Group had approximately 7,280 employees (30 June 2008: 7,100 employees), of whom approximately 6,980 employees (30 June 2008: 6,800 employees) were primarily engaged in the properties and toll roads 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 accordingly 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 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 2008.

Rayon Jardin

EXECUTIVE DIRECTORS

Mr Lu Zhifeng, aged 56, was appointed executive director and Chairman of the Company on 31 July 2008. He is also the Chairman of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the controlling shareholder of the Company. Mr Lu holds a Master of Business Administration degree and the qualification of senior economist in China. He has accumulated nearly forty years of experience in production operation, capital and corporate management. Before taking up his post of Chairman of the Company, Mr Lu was the managing director of Guangzhou Automobile Industry Group Co., Ltd., vice chairman of Guangzhou Automobile Group Co., Ltd., chairman of Guangzhou Honda Automobile Co., Ltd., and vice chairman and executive director of Denway Motors Limited (Stock Code: 203), a company listed on the Stock Exchange. Before that, he had been general manager of Guangzhou Yangcheng Automobile Group Co. and vice chairman and managing director of Guangzhou Yangcheng Automobile Co., Ltd.

Mr Zhang Zhaoxing, aged 45, was appointed executive director, a Vice Chairman and General Manager of the Company on 31 July 2008. He is a vice chairman and general manager of Yue Xiu and the Chairman of GZI Transport Limited ("GZT"), a company listed on the Stock Exchange. Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Vice Chairman and General Manager of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange (Stock Code: 002152).

Mr Liang Yi, aged 56, was appointed executive director of the Company in 2003. He is also a Vice Chairman of the Company, a director of Yue Xiu and an executive director of 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 46, 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.

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.

Ms Zhou Jin, aged 59, was appointed executive director of the Company in 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.

Mr Li Xinmin, aged 57, 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 59, was appointed executive director of the Company in 2006. He is also an executive 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 61, 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 40 years of experience in investment, banking and finance and is a senior advisor of Access Capital Limited.

Mr Lee Ka Lun, aged 54, 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 REXLot Holdings Limited (formerly known as REXCAPITAL Financial Holdings Limited). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 61, 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, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) Limited. The shares of the companies mentioned above are listed on the Stock Exchange. 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).

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.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 below.

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 or external legal advisors, where appropriate, 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 2008 and their respective profiles, please refer to page 45 of the Report of the Directors and the Directors' Profiles.

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

During the year ended 31 December 2008, 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.

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 three years. They have been re-elected.

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years.

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 2008, the Board held 10 meetings. The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2008**
Executive directors	
Lu Zhifeng[1]	6/6
Zhang Zhaoxing[1]	6/6
Ou Bingchang[2]	4/4
Liang Yi	9/10
Tang Shouchun	10/10
Wang Hongtao	9/10
Zhou Jin	9/10
Li Xinmin	10/10
He Zili	10/10
Independent non-executive directors	
Yu Lup Fat Joseph	10/10
Lee Ka Lun	10/10
Lau Hon Chuen Ambrose	9/9
Non-executive director	
Zhang Huaqiao[3]	3/3

Notes:

1. Appointed with effect from 31 July 2008
2. Resigned with effect from 31 July 2008
3. Appointed with effect from 17 April 2008 and resigned with effect from 29 September 2008

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

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Lu Zhifeng while the position of General Manager is held by Mr Zhang Zhaoxing with effect from 31 July 2008.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

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 for inspection by 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 auditor.

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 auditor before submission to the Board.

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

(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 2008 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 2008**
Yu Lup Fat Joseph	3/3
Lee Ka Lun	3/3
Lau Hon Chuen Ambrose	3/3

The Company's annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors and Mr Tang Shouchun, an executive director.

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 19 March 2009 (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 2008.

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 2008.

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 2008 amounted to HK$8.423 million and HK$2.330 million respectively.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets and for review, through its Audit Committee, of the effectiveness of the system. 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. 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 against material errors, loss or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

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.

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 and do not note any material deviation.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

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.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of three major businesses: property, toll roads and newsprint (disposed in 2008). The principal activities of its principal subsidiaries, jointly controlled entities, associated entities are set out in the section headed "Group Structure" on pages 143 to 155.

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 55.

The Directors have declared an interim dividend of HK2.6 cents per ordinary share, totalling HK$185 million which was paid on 26 November 2008.

The Directors recommend the payment of a final dividend of HK0.8 cent per ordinary share, totalling HK$57 million.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 39 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$2 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 16 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 16 to 25.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 37 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				
		As restated		As restated	
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to equity holders of the Company	**607,964**	1,031,321	712,615	2,527,765	272,736

	As at 31 December				
		As restated		As restated	
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**42,932,994**	44,077,753	29,621,544	27,095,641	24,471,063
Total liabilities	**(21,795,492)**	(23,421,853)	(14,645,386)	(13,156,154)	(13,999,168)
Minority interests	**(6,658,384)**	(6,866,145)	(3,839,271)	(3,550,726)	(3,451,189)
Shareholders' equity (excluding minority interests)	**14,479,118**	13,789,755	11,136,887	10,388,761	7,020,706

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$258 million (2007: HK$94 million).

DISTRIBUTABLE RESERVES

As at 31 December 2008, the distributable reserves of the Company available for distribution amounted to HK$2,558 million (2007: HK$2,717 million).

DIRECTORS

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

Mr Lu Zhifeng	(appointed with effect from 31 July 2008)
Mr Zhang Zhaoxing	(appointed with effect from 31 July 2008)
Mr Ou Bingchang	(resigned with effect from 31 July 2008)
Mr Liang Yi	
Mr Tang Shouchun	
Mr Wang Hongtao	
Ms Zhou Jin	
Mr Li Xinmin	
Mr He Zili	
Mr Zhang Huaqiao#	(appointed with effect from 17 April 2008 and resigned with effect from 29 September 2008)
Mr Yu Lup Fat Joseph*	
Mr Lee Ka Lun*	
Mr Lau Hon Chuen Ambrose*	

\# *Non-executive director*
* *Independent non-executive directors*

The Directors' Profiles are set out on pages 35 to 36.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Yu Lup Fat Joseph, Lee Ka Lun and Lau Hon Chuen Ambrose 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. Mr Lu Zhifeng and Mr Zhang Zhaoxing retire in accordance with Article 97 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

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

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 were entered into or continued on normal and commercial terms:

	Date	Connected Party	Relationship with the Company	Nature of Transaction	Consideration	Payment made/ received during the reporting year
1.	24 January 2008	Guangzhou Paper Holdings Limited	Holder of 47.19% equity interest in Guangzhou Paper Co., Ltd.	Lease of certain chemico-thermomechanical pulping facilities for a term of 3 years commencing 1 January 2008 [1, 2, 3]	approximately RMB382,934 per month	RMB321,506,000
	24 January 2008	Guangzhou Paper Holdings Limited	-do -	Lease of certain waste water treatment facilities for a term of 3 years commencing 1 January 2008 [1, 2, 3]	approximately RMB609,114 per month	
	17 October 2002	Guangzhou Paper Holdings Limited	Holder of 49% equity interest in Guangzhou Paper Limited	Contract for supply of utilities for a term of 20 years commencing from 25 November 2002 [1, 2, 3]	electricity at RMB0.5002 per kwh, water at RMB0.4689 per cubic metre and steam at RMB40 per GJ	
2.	24 January 2008	Guangzhou Paper Holdings Limited	Holder of 47.19% equity interest in Guangzhou Paper Co., Ltd.	Supplemental lease for expansion of mill premises to original lease of mill premises dated 17 October 2002 which was for a term of 20 years commencing from 25 November 2002. [1, 2, 3]	approximately RMB1.485 million per month	RMB17,497,000
3	3 November 2008	Yue Xiu	Controlling Shareholder	Sale of entire equity interests in and shareholder's loan to Goldkemp Investment Limited, which in turn held a 52.55% equity interest in Guangzhou Paper Co., Ltd. [4]	HK$650 million [5]	

	Date	Connected Party	Relationship with the Company	Nature of Transaction	Consideration	Payment made/ received during the reporting year
4.	1 January 2008	Yue Xiu Cold Storage & Warehousing Limited	Subsidiary of controlling shareholder	Lease of the property at 16 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong for a term of 1 year commencing 1 January 2008 [6]	HK$250,000 per month exclusive of rates	HK$3,000,000
5.	16 August 2007 & 3 December 2008	Hi-Watt Battery Industry Co. Ltd.	Subsidiary of controlling shareholder	Lease of part of Hi-Watt Industrial Building, 21 Tung Yuen Street, Yau Tong, Kowloon for 163,882 sq.ft. upto 30 November 2008 and then for 34,750 sq.ft. from 1 December 2008 [6]	HK$655,528 per month up to 30 November 2008 and then HK$121,625 from 1 December 2008	HK$7,332,433

Notes:

1. Circular despatched to shareholders on 14 February 2008. Transactions approved by shareholders at extraordinary general meeting on 3 March 2008.

2. Messrs Yu Lup Fat Joseph, Lee Ka Lun and Lau Hon Chuen Ambrose, the independent non-executive directors of the Company have reviewed the conduct of these transactions and confirmed that they were conducted in accordance with the terms of the relevant agreements governing such transactions during the reporting year. The auditor of the Company have performed certain agreed upon procedures in respect of these transactions and reported their findings to the Directors that the transactions (i) have received the approval of the board of directors; and (ii) have been entered into in accordance with the terms of the relevant agreements governing the transactions, and (iii) have not exceeded the caps for the transactions provided in the waiver granted by the shareholders of the Company on 3 March 2008.

3. This transaction ceased to be a connected transaction or any transaction of the Company upon completion of transaction No. 3.

4. Circular despatched to shareholders on 24 November 2008. Transactions approved by the independent shareholders at extraordinary general meeting on 10 December 2008. This transaction was completed on 24 December 2008.

5. As to HK$400 million settled by way of transfer of the entire equity interest in and shareholder loan to Techcon Investment Limited and the remaining balance of HK$250 million in cash.

6. Announcement relating to the acquisition of the Yau Tong Properties, including this lease, was published on 9 July 2007. As the applicable percentages ratios in respect of these transactions contemplated under these leases on an annual basis, when aggregated under Rule 14A.25 of the Listing Rules (including the then existing leases between the Group and Yue Xiu and/or its associates), were less than 2.5%, these 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 shareholder approval requirement pursuant to Rule 14(A).34(1) of the Listing Rules. Lease renewed on exercise of option to renew by the tenant as disclosed in the Announcement and the aggregate annual rental receivable under the leases did not exceed the caps provided in the waiver granted by the Stock Exchange as contained in the Announcement.

Other connected transactions required to be disclosed in accordance with the Listing Rules are disclosed in Note 46(b)(I) to the financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2008, 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 2008	granted during the year (c)	outstanding as at 31 December 2008
Mr Tang Shouchun	23/06/2004(a)	0.630	1,560,000	—	1,560,000
Mr Lau Hon Chuen Ambrose	28/05/2008(b)	1.556	—	2,800,000	2,800,000

Notes:

(a) 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.

(b) The share options are exercisable from 28 May 2008 to 27 May 2018, 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 closing price per share immediately before 28 May 2008, the date of grant, was HK$1.53.

Save as disclosed herein, as at 31 December 2008 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 2008 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	3,346,735,248 (Long position)	46.96

Note:

Yue Xiu is deemed by the SFO to be interested in 3,346,735,248 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	8,386,267
Dragon Year Industries Limited	650,000
Easypower Investments Limited	8,200,000
Leader Power Limited	3,950,000

(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.

SHARE OPTIONS

(i) The Company

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of the 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 other eligible participants (excluding the directors of the Company as disclosed on page 48) were as follows:

Number of share options								
outstanding as at 1 January 2008	exercised during the year	granted during the year	lapsed during the year	outstanding as at 31 December 2008	Exercise price per share HK$	Date of grant	Exercisable period	Weighted average closing price (c) HK$
12,430,000	(560,000)	—	—	11,870,000	0.410	02/05/2003	02/05/2003 - 01/05/2013 (b)	1.59
7,000,000	—	—	—	7,000,000	0.540	02/06/2003	02/06/2003 - 01/06/2013 (b)	N/A
2,620,000	—	—	—	2,620,000	0.814	27/10/2003	27/10/2003 - 26/10/2013 (b)	N/A
11,620,000	(180,000)	—	—	11,440,000	0.846	23/12/2003	23/12/2003 - 22/12/2013 (b)	1.32
43,802,000	(4,190,000)	—	—	39,612,000	0.630	23/06/2004	23/06/2004 - 22/06/2014 (b)	1.64
—	—	3,000,000	(3,000,000)	—	1.556	28/05/2008	28/05/2008 - 27/05/2018 (b)	N/A

Notes:

(a) No options have been cancelled 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.

The fair value of the share options granted during the year with exercise price per share of HK$1.556 is estimated at a weighted average fair value of HK$0.4236 using the Binomial option pricing model. Values are appraised based on the risk-free rate of 3.124% per annum with reference to the rate prevailing on the Hong Kong Exchange Fund Bills & Notes, an approximately 10-year period historical volatility of 46.134%, assuming dividend yield at 2.96% per annum and an expected option life of ten years. Inputs are applied throughout the Binomial option pricing models with different vesting schedules.

The Binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

(ii) GZT

On 25 June 2002, the shareholders of GZT approved the resolutions relating to the termination of the 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 DIRECTOR'S FEES

Three independent non-executive directors of the Company each received HK$180,000 as director's fees for the year ended 31 December 2008.

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 47 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

Lu Zhifeng
Chairman

Hong Kong, 25 March 2009

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

INDEPENDENT AUDITOR'S REPORT
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 55 to 142, which comprise the consolidated and company balance sheets as at 31 December 2008, 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' RESPONSIBILITY 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 2008 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, 25 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	As restated 2007 HK$'000
Revenue	5	**4,173,009**	5,244,380
Cost of sales	6	**(2,336,463)**	(3,450,820)
Gross profit		**1,836,546**	1,793,560
Proceeds from sales of investment properties		**540,717**	210,476
Carrying value of investment properties sold		**(378,129)**	(151,892)
Gain on sales of investment properties	21	**162,588**	58,584
Fair value (losses)/gains on revaluation of investment properties	17	**(271,800)**	362,139
Gain on disposal of a subsidiary	20(a)	**28,552**	—
Selling and distribution expenses	6	**(198,021)**	(144,181)
General and administrative expenses	6	**(685,959)**	(480,320)
Operating profit		**871,906**	1,589,782
Finance income	7	**90,044**	72,809
Finance costs	8	**(242,992)**	(278,432)
Net foreign exchange gain on financing activities		**276,845**	39,352
Share of profit/(loss) of			
- jointly controlled entities	22	**(20,602)**	(18,835)
- associated entities	23	**360,581**	351,654
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost	20(a)	**40,988**	—
Profit before tax		**1,376,770**	1,756,330
Taxation	9	**(225,106)**	(425,041)
Profit for the year from continuing operations		**1,151,664**	1,331,289
Discontinued operations			
(Loss)/profit for the year from discontinued operations	20(b)	**(178,184)**	37,282
Profit for the year	10	**973,480**	1,368,571
Attributable to			
Equity holders of the Company		**607,964**	1,031,321
Minority interests		**365,516**	337,250
		973,480	1,368,571

For the year ended 31 December 2008

	Note	2008 HK$'000	As restated 2007 HK$'000
Earnings/(losses) per share for profit from continuing operations and (loss)/profit from discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)	11		
- Basic			
From continuing operations		**9.38**	14.60
From discontinued operations		**(0.85)**	0.28
		8.53	14.88
- Diluted			
From continuing operations		**9.33**	14.48
From discontinued operations		**(0.84)**	0.28
		8.49	14.76
Dividends	12	**242,313**	341,779

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	As restated 2007 HK$'000
ASSETS			
Non-current assets			
Intangible operating rights	15	**7,048,250**	6,795,284
Property, plant and equipment	16	**633,991**	5,222,910
Investment properties	17	**5,943,845**	5,984,228
Leasehold land and land use rights	18	**4,603,921**	4,277,157
Interests in jointly controlled entities	22	**458,788**	419,388
Interests in associated entities	23	**3,717,392**	3,052,623
Goodwill	24	**125,994**	119,186
Other non-current assets	25	**—**	17,375
Available-for-sale financial assets	26	**976,977**	979,903
Deferred tax assets	40	**90,592**	71,240
		23,599,750	26,939,294
Current assets			
Properties under development	27	**5,463,575**	2,370,664
Properties held for sale		**582,541**	953,934
Leasehold land and land use rights	18	**6,727,380**	4,399,341
Prepayments for land use rights	32	**1,884,375**	3,139,344
Inventories	29	**105,716**	277,307
Trade receivables	30	**66,910**	477,692
Other receivables, prepayments and deposits	30	**465,255**	835,558
Taxation recoverable		**136,951**	177,575
Charged bank deposits	28	**403,994**	96,733
Cash and cash equivalents	31	**3,496,547**	3,587,607
		19,333,244	16,315,755
Non-current assets held for sale	33	**—**	822,704
		19,333,244	17,138,459
LIABILITIES			
Current liabilities			
Trade payables	34	**96,877**	577,319
Land premium payable		**560,046**	1,200,083
Other payables and accrued charges	35	**7,281,585**	5,155,391
Borrowings	36	**5,696,028**	2,550,115
Taxation payable		**595,430**	452,928
		14,229,966	9,935,836
Liabilities associated with non-current assets held for sale	33	**—**	98,748
		14,229,966	10,034,584

	Note	2008 HK$'000	As restated 2007 HK$'000
Net current assets		**5,103,278**	7,103,875
Total assets less current liabilities		**28,703,028**	34,043,169
Non-current liabilities			
Borrowings	36	**4,444,650**	10,075,733
Deferred tax liabilities	40	**3,120,876**	3,311,536
		7,565,526	13,387,269
Net assets		**21,137,502**	20,655,900
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	37	**712,685**	712,192
Other reserves	39	**9,310,663**	8,853,108
Retained earnings			
- Proposed dividends	39	**57,015**	178,113
- Others	39	**4,398,755**	4,046,342
		14,479,118	13,789,755
Minority interests		**6,658,384**	6,866,145
Total equity		**21,137,502**	20,655,900

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**14,783**	13,523
Investment properties	17	**12,440**	12,530
Interests in subsidiaries	19	**13,939,943**	14,272,788
		13,967,166	14,298,841
Current assets			
Other receivables, prepayments and deposits		**3,373**	2,089
Dividend receivables		**556,382**	218,859
Cash and cash equivalents	31	**233,603**	19,562
		793,358	240,510
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	19	**37,215**	35,046
Other payables and accrued charges		**111,917**	78,629
Borrowings	36	**4,121,918**	54,436
		4,271,050	168,111
Net current (liabilities)/assets		**(3,477,692)**	72,399
Total assets less current liabilities		**10,489,474**	14,371,240
Non-current liabilities			
Borrowings	36	**56,207**	4,398,400
Net assets		**10,433,267**	9,972,840
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	37	**712,685**	712,192
Other reserves	39	**7,162,854**	6,543,766
Retained earnings			
- Proposed dividends	39	**57,015**	178,113
- Others	39	**2,500,713**	2,538,769
Total equity		**10,433,267**	9,972,840

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Net cash used in operations	41(a)	**(808,698)**	(1,194,533)
Interest received		**90,044**	75,815
Interest paid		**(242,992)**	(534,260)
Hong Kong profits tax paid		**(4,092)**	(4,772)
China taxation paid		**(457,594)**	(258,027)
Net cash used in operating activities		**(1,423,332)**	(1,915,777)
Investing activities			
Dividends received from jointly controlled entities and associated entities		**123,704**	278,565
Payments of construction costs of toll highways and bridges upgrade services		**(3,818)**	(52,245)
Purchases of property, plant and equipment		**(85,544)**	(2,648,845)
Purchases of investment properties		**(7,387)**	(37,135)
Purchases of available-for-sale financial assets		**(52,658)**	(3,572)
Proceeds from sale of property, plant and equipment		**260,833**	96,187
Proceeds from sale of investment properties		**540,717**	210,476
Proceeds from sale of available-for-sale financial assets		**—**	15,424
Acquisition of a subsidiary	20(d)	**—**	(532,835)
Acquisition of additional interests in a subsidiary		**(20,400)**	(14,696)
Disposal of Metrogold	20(a)	**434,261**	—
Disposal of Goldkemp and acquisition of Techcon	20(c)	**(887,205)**	—
Capital injection in a jointly controlled entity		**(47,624)**	—
Payment for acquisition of additional interest in an associated entity		**(193,514)**	(17,375)
Repayment from associated and jointly controlled entities		**254,793**	228,169
Increase in charged bank deposits		**(307,261)**	(24,124)
Net cash generated from/(used in) investing activities		**8,897**	(2,502,006)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Financing activities		
Issue of ordinary shares	**3,017**	38,162
Capital contribution from minority shareholders of subsidiaries	**6,599**	900,903
New bank loans	**5,305,343**	8,445,854
Repayment of bank loans	**(3,690,474)**	(3,060,391)
New other borrowings	**23,564**	2,783
Repayment of other borrowings	**(25)**	(85,112)
Dividends paid to equity holders of the Company	**(363,461)**	(320,597)
Dividends paid to minority shareholders of subsidiaries	**(211,309)**	(165,301)
Increase/(decease) in amount due to a substantial shareholder	**51,395**	(46,750)
Net cash generated from financing activities	**1,124,649**	5,709,551
(Decrease)/increase in cash and cash equivalents	**(289,786)**	1,291,768
Cash and cash equivalents at the beginning of year	**3,709,023**	2,305,639
Exchange gains on cash and cash equivalents	**76,904**	111,616
	3,496,141	3,709,023
Less: included in non-current assets held for sale	**—**	(121,778)
Cash and cash equivalents at the end of year	**3,496,141**	3,587,245
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**3,496,547**	3,587,607
Bank overdrafts	**(406)**	(362)
	3,496,141	3,587,245

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company			
	Share capital HK$'000	Reserves HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008				
As previously reported	712,192	13,117,883	6,928,613	20,758,688
Effect of adoption of HK(IFRIC) - Int 12	—	(40,320)	(62,468)	(102,788)
	712,192	13,077,563	6,866,145	20,655,900
Currency translation differences	—	698,239	317,825	1,016,064
Share of change in fair value of cash-flow hedges of an associated entity	—	26,266	—	26,266
Change in fair value of available-for-sale financial assets	—	(95,284)	805	(94,479)
Net income recognised directly in equity	—	629,221	318,630	947,851
Profit for the year	—	607,964	365,516	973,480
Transfer to profit and loss upon disposal of subsidiaries	—	(188,887)	—	(188,887)
Total recognised income for the year ended 31 December 2008	—	1,048,298	684,146	1,732,444
Employee share options scheme - value of employee services	—	1,509	—	1,509
Issue of shares net of issuing expenses	493	2,524	—	3,017
Acquisition of additional interests in a subsidiary	—	—	(12,998)	(12,998)
Capital injection to a subsidiary	—	—	6,599	6,599
Disposal of subsidiaries	—	—	(674,199)	(674,199)
Dividends paid	—	(363,461)	(211,309)	(574,770)
	493	(359,428)	(891,907)	(1,250,842)
At 31 December 2008	712,685	13,766,433	6,658,384	21,137,502

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2008

	Attributable to equity holders of the Company			
		As restated	As restated	As restated
	Share capital HK$'000	Reserves HK$'000	Minority interests HK$'000	Total HK$'000
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	—	1,031,321	337,250	1,368,571
Total recognised income for the year ended 31 December 2007	—	2,207,860	709,184	2,917,044
Issue of shares net of issuing expenses	31,838	512,614	—	544,452
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
Dividends paid	—	(320,597)	(165,301)	(485,898)
	31,838	413,170	2,317,690	2,762,698
At 31 December 2007	712,192	13,077,563	6,866,145	20,655,900

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 (disposed in 2008). 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 25 March 2009.

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.

At 31 December 2008, the Company's current liabilities exceed its current assets by HK$3,477,692,000 (2007: Nil) mainly as the bank borrowings of HK$4,121,888,000 fall due within twelve months of the balance sheet date. The directors believe that the Company will continue as a going concern and consequently prepared the financial statements on a going concern basis. This basis assumes that the Company is able to refinance the bank borrowings before or upon the due date.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The adoption of HK(IFRIC)-Int 12 resulted in a retrospective change in accounting policy for the toll highways and bridges of the Group and of its associated and jointly controlled entities. Before the adoption of HK(IFRIC)-Int 12, certain of these toll highways and bridges were recorded as tangible infrastructures. Following the adoption of HK(IFRIC)-Int 12, these tangible infrastructures are recognised as intangible operating rights to the extent that the Group, its associated and jointly controlled entities receive a right (a license) to charge users of the public service. In addition, management applies units-of-usage method as the amortisation method for the intangible operating rights of the Group and of its associated and jointly controlled entities and accounted for the associated deferred tax liabilities, including the effect from the change in the Corporate Income Tax Law of the PRC (the "New CIT Law") in March 2007 (Note 9(b)), retrospectively.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 7 (Amendment)	Cash Flow Statements	1 January 2009
HKAS 16 (Amendment)	Property, Plant and Equipment	1 January 2009
HKAS 19 (Amendment)	Employee Benefits	1 January 2009
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 January 2009
HKAS 28 (Amendment)	Investments in Associates	1 January 2009
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies	1 January 2009
HKAS 31 (Amendment)	Interest in Joint Venture	1 January 2009
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 36 (Amendment)	Impairment of Assets	1 January 2009
HKAS 38 (Amendment)	Intangible Assets	1 January 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 January 2009
HKAS 40 (Amendment)	Investment Property	1 January 2009
HKAS 41 (Amendment)	Agriculture	1 January 2009
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC)-Int 18	Transfers of Assets from Customers	1 July 2009

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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.

(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 consolidated 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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(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 consolidated 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.

(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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.4 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 consolidated 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 consolidated 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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(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 consolidated 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 consolidated 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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for periods 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 highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway/bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges and the concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road/bridge services. Intangible assets resulting from the application of HK(IFRIC)-Int 12 are recorded in the consolidated balance sheet as "Intangible operating rights".

Amortisation of intangible operating rights 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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 improvements, 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.

Construction in progress is 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 construction in progress is 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 construction in progress.

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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment properties (continued)

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 consolidated 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 consolidated income statement.

2.9 Non-current assets held for sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction 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 (continued)

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. These 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 consolidated income statement. Financial assets 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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other (losses)/gains – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

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 consolidated income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale and the translation differences on such securities are recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated 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 consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

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 consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. 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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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 consolidated income statement.

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 consolidated 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 consolidated 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 (continued)

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 consolidated 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 (continued)

2.20 Employee benefits (continued)

(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.

2.22 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(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.

2.23 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 consolidated 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 consolidated income statement on a straight-line basis over the period of the lease. Where there is impairment, the impairment loss is charged to the consolidated 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 consolidated 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 consolidated 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 consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.26 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.

2.27 Financial guarantees

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

2.28 Discontinued operation

A discontinued operation is a component of the Group's business that has been disposed of and represents a separate major line of business which operations and cash flow can be distinguished.

2.29 Comparative figures

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

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 2008, 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$230 million (2007: HK$61 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

At 31 December 2008, 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$43 million (2007: HK$62 million) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

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$70 million (2007: HK$67 million).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(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 state-owned banks or 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. Detailed disclosure of these guarantees is made in Note 44.

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 (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 2008						
Borrowings	**362,774**	**6,208,324**	**1,861,055**	**1,805,032**	**2,076,130**	**12,313,315**
Trade payables	—	**96,877**	—	—	—	**96,877**
Land premium payable	—	**560,046**	—	—	—	**560,046**
Other payables and accrued charges	—	**3,771,455**	—	—	—	**3,771,455**
At 31 December 2007						
Borrowings	343,423	3,197,508	6,768,009	1,681,287	2,373,668	14,363,895
Trade payables	—	577,319	—	—	—	577,319
Land premium payable	—	1,200,083	—	—	—	1,200,083
Other payables and accrued charges	—	2,645,713	—	—	—	2,645,713
Company						
At 31 December 2008						
Borrowings	—	**4,237,300**	**2,932**	**64,882**	—	**4,305,114**
Amounts due to subsidiaries	**37,215**	—	—	—	—	**37,215**
Other payables and accrued charges	—	**111,917**	—	—	—	**111,917**
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

3 FINANCIAL RISK MANAGEMENT (continued)

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 2008 and at 31 December 2007 were as follows:

	2008 **HK$'000**	As restated 2007 HK$'000
Total borrowings *(Note 36)*	**10,140,678**	12,625,848
Less: Cash and cash equivalents *(Note 31)*	**(3,496,547)**	(3,587,607)
Net debt	**6,644,131**	9,038,241
Total equity (excluding minority interests)	**14,479,118**	13,789,755
Total capital	**21,123,249**	22,827,996
Gearing ratio	**31%**	40%

The decrease in the gearing ratio during 2008 resulted primarily from the disposal of a subsidiary, Goldkemp Investment Limited (see Note 20).

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 JUDGEMENTS

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) Amortisation of intangible operating rights

Amortisation of intangible operating rights 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 0% to 65%. The wide range of growth rates is due to the fact that traffic volumes of certain toll highways and bridges of the Group have become saturated; while a toll highway owned by the Group's jointly controlled entity commenced operation in late 2006 and it is forecasted that the growth rate of this toll highway would remain at a high level in the coming years.

(b) Impairment of intangible operating rights

The Group tests whether intangible operating rights have suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating rights belong and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise.

As at 31 December 2007 and 2008, management did not identify any impairment indicator for the intangible operating rights.

(c) 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.

(d) 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 JUDGEMENTS (continued)

(e) Fair value of investment properties

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.

(f) 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 land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred 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 tax assets and income tax in the period in which such estimate is changed.

(g) 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 JUDGEMENTS (continued)

(h) 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.

(i) 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.

(j) 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:

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

Revenue and segment results for the year are as follows:

Primary reporting format - business segments

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

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

There are no significant sales between these business segments.

Secondary reporting format - geographical segments

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

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

There are no significant sales between these geographical segments.

Segment assets consist primarily of intangible operating rights, 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, prepayments for land use rights, inventories, trade receivables, other receivables, prepayments and deposits 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 intangible operating rights (Note 15), property, plant and equipment (Note 16), investment properties (Note 17) and leasehold land and land use rights in relation to property, plant and equipment (Note 18), including additions resulting from acquisitions through business combinations.

5 REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format - business segments

	Properties and others		Toll operations		Paper (discontinued opertations)		Group	
	2008 HK$'000	As restated 2007 HK$'000	2008 HK$'000	As restated 2007 HK$'000	2008 HK$'000	As restated 2007 HK$'000	2008 HK$'00	As restated 2007 HK$'000
Revenue	**3,158,523**	4,373,602	**1,014,486**	870,778			**4,173,009**	5,244,380
Segment results	**370,964**	1,295,411	**546,669**	373,513			**917,633**	1,668,924
Gain on disposal of a subsidiary	**28,552**	—	—	—			**28,552**	—
Interest income							**90,044**	72,809
Unallocated operation costs							**(74,279)**	(79,142)
Net foreign exchange gain on financing activities							**276,845**	39,352
Finance costs							**(242,992)**	(278,432)
Share of profits/(loss) of								
- Jointly controlled entities	**(786)**	(6,653)	**(19,816)**	(12,182)			**(20,602)**	(18,835)
- Associated entities	**89,068**	104,057	**271,513**	247,597			**360,581**	351,654
Excess of the share of fair value of net assets of an associated equity acquired over acquisition cost	**40,988**	—	—	—			**40,988**	—
Profit before tax							**1,376,770**	1,756,330
Taxation							**(225,106)**	(425,041)
Profit for the year from continuing operations							**1,151,664**	1,331,289
(Loss)/profit for the year from discontinued operations					**(178,184)**	37,282	**(178,184)**	37,282
							973,480	1,368,571
Capital expenditure	**424,922**	88,768	**11,066**	4,655,774	**60,761**	3,013,305	**496,749**	7,757,847
Depreciation and amortisation	**153,453**	179,409	**169,350**	237,092	**148,964**	44,441	**471,767**	460,942
Impairment losses	**111,143**	23,357	**540**	3,671	**252,637**	—	**364,320**	27,028
Reversal of impairment losses	**(11,740)**	(82,188)	—	—	—	(9,021)	**(11,740)**	(91,209)

5 REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format - business segments (continued)

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

Secondary reporting format - geographical segments

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

6 EXPENSES BY NATURE

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

	2008 HK$'000	As restated 2007 HK$'000
Advertising and promotion expenses	**119,502**	129,626
Cost of inventories/properties sold included in cost of sales	**1,617,738**	2,777,537
Direct operating expenses arising from investment properties		
- that generate rental income	**67,796**	55,994
- that did not generate rental income	**204**	169
Depreciation		
- Owned property, plant and equipments	**42,648**	47,670
- Leased property, plant and equipments	**40**	36
Amortisation of intangible operating rights (included in cost of sales)	**163,771**	235,299
Amortisation of leasehold land and land use rights	**116,344**	85,772
Operating leases - Land and buildings	**2,881**	8,250
Reversal of provision for doubtful debts *(Note 30)*	**—**	(7,165)
Auditor's remuneration	**10,753**	9,530
Employee benefit expenses *(Note 13)*	**678,043**	559,738
Provision for impairment of property, plant and equipment *(Note 16)*	**1,113**	—
Reversal of impairment of available-for-sale financial assets *(Note 26)*	**—**	(2,476)
Provision for/(reversal of) impairment of properties under development and properties held for sale	**3,037**	(1,031)
Provision for impairment of leasehold land *(Note 18)*	**53,333**	23,357
Maintenance expenses of toll highways and bridges	**92,913**	61,159
Provision for impairment of goodwill *(Note 24)*	**540**	3,671
Provision for/(reversal of) provision of other receivables	**41,920**	(71,516)
Others	**207,867**	159,701
	3,220,443	4,075,321

7 FINANCE INCOME

	2008 HK$'000	As restated 2007 HK$'000
Interest income from bank deposits	**84,082**	52,440
Interest income from associated entities	**5,962**	20,369
	90,044	72,809

8 FINANCE COSTS

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

Note: The average interest rate of borrowing costs capitalised for the year ended 31 December 2008 was approximately 5.53 percent per annum (2007: 6.12 percent per annum).

9 TAXATION

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

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

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

Gradual changes of applicable tax rate

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

9 TAXATION (continued)

Corporate withholding income tax on dividend distribution

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

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

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

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

9 TAXATION (continued)

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:

	2008 HK$'000	As restated 2007 HK$'000
Profit before tax less share of profits less losses of associated entities and jointly controlled entities	**1,036,791**	1,423,511
Calculated at China enterprise income tax rate of 25 percent (2007: 33 percent)	**259,198**	469,759
Effect of different taxation rates	**(44,325)**	(89,898)
Impact of change in tax rate	**(1,255)**	(214,800)
Profit of a subsidiary under tax holiday	**(42,027)**	(20,246)
Income not subject to taxation	**(49,970)**	(16,589)
Expenses not deductible for taxation purposes	**38,376**	56,414
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**8,834**	34,733
(Over)/under-provision in prior years	**(8,815)**	56,970
Effect of land appreciation tax deductible for calculation of income tax purposes	**(11,730)**	(73,239)
Withholding tax on undistributed profits of associated entities	**29,900**	—
	178,186	203,104
Land appreciation tax	**46,920**	221,937
Taxation charges	**225,106**	425,041

10 PROFIT FOR THE YEAR

The profit for the year is dealt with in the financial statements of the Company to the extent of HK$203,527,000 (2007: HK$297,628,000).

11 EARNINGS PER SHARE

Basic

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

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

11 EARNINGS PER SHARE (continued)

Diluted

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

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

12 DIVIDENDS

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

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

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	As restated 2007 HK$'000
Wages, salaries and bonus	**503,902**	411,699
Pension costs (defined contribution plans)	**29,811**	33,159
Medical benefits costs (defined contribution plans)	**9,880**	5,458
Social security costs	**38,175**	24,576
Termination benefits	**1,725**	604
Staff welfare	**93,041**	84,242
Share options	**1,509**	—
	678,043	559,738

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.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Pension costs HK$'000	Total HK$'000
LU Zhifeng *(Note (i))*	—	509	1,500	90	2,099
ZHANG Zhaoxing[1] *(Note (i))*	—	779	2,102	83	2,964
OU Bingchang[1] *(Note (ii))*	—	1,180	3,223	187	4,590
LIANG Yi[1]	—	1,696	4,604	284	6,584
TANG Shouchun	—	1,098	2,500	284	3,882
WANG Hongtao	—	827	2,500	—	3,327
ZHOU Jin	—	677	—	—	677
LI Xinmin[1]	—	1,815	4,424	284	6,523
HE Zili[1]	—	1,450	4,104	223	5,777
YU Lup Fat Joseph	180	—	—	—	180
LEE Ka Lun	180	—	—	—	180
LAU Hon Chuen Ambrose[1]	360	—	—	—	360
ZHANG Huaqiao *(Note (iii))*	50	—	—	—	50
Total	770	10,031	24,957	1,435	37,193

Note:

(i) Appointed on 31 July 2008

(ii) Resigned on 31 July 2008

(iii) Appointed on 17 April 2008 and resigned on 29 September 2008

[1] Also acts as director of GZI Transport Limited

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

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]	—	1,661	11,521	163	13,345
LIANG Yi[1]	—	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
ZHOU Jin *(Note (ii))*	—	967	—	—	967
LI Xinmin[1]	—	1,528	9,221	145	10,894
HE Zili[1]	—	1,237	8,850	116	10,203
YU Lup Fat Joseph	125	—	—	—	125
LEE Ka Lun	125	—	—	—	125
LAU Hon Chuen Ambrose[1]	250	—	—	—	250
Total	500	9,508	53,682	716	64,406

Note:

(i) Removed on 10 October 2007

(ii) Appointed on 19 April 2007

1 Also acts as director of GZI Transport Limited

No Directors waived emoluments in respect of the years ended 31 December 2008 and 2007. 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 2008 and 2007 are also Directors whose emoluments are reflected in the analyses presented above.

15 INTANGIBLE OPERATING RIGHTS

	Group		
	As restated Intangible operating rights	**As restated Tangible infrastructures**	**As restated Total**
	HK$'000	**HK$'000**	**HK$'000**
Year ended 31 December 2007			
Opening net book amount			
As previously reported	1,612,523	331,159	1,943,682
Effect of adoption of HK(IFRIC)-Int 12	331,159	(331,159)	—
As restated	1,943,682	—	1,943,682
Additions	52,245	—	52,245
Acquisition of a subsidiary	4,592,168	—	4,592,168
Amortisation	(235,299)	—	(235,299)
Exchange differences	442,488	—	442,488
Closing net book amount	6,795,284	—	6,795,284
At 31 December 2007			
Cost	7,905,189	—	7,905,189
Accumulated amortisation	(1,109,905)	—	(1,109,905)
Net book amount	6,795,284	—	6,795,284
Year ended 31 December 2008			
Opening net book amount			
As previously reported	**3,987,372**	**2,807,912**	**6,795,284**
Effect of adoption of HK(IFRIC)-Int 12	**2,807,912**	**(2,807,912)**	**—**
As restated	**6,795,284**	**—**	**6,795,284**
Additions	**3,818**	**—**	**3,818**
Amortisation	**(163,771)**	**—**	**(163,771)**
Exchange differences	**412,919**	**—**	**412,919**
Closing net book amount	**7,048,250**	**—**	**7,048,250**
At 31 December 2008			
Cost	**8,393,290**	**—**	**8,393,290**
Accumulated amortisation	**(1,345,040)**	**—**	**(1,345,040)**
Net book amount	**7,048,250**	**—**	**7,048,250**

At 31 December 2008, a toll highway operating right with net book amount of HK$5,031,181,000 (2007: HK$4,798,164,000) was pledged as collateral for the Group's bank borrowings (Note 45).

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Construction in progress HK$'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 2007						
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
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						
- continuing operations	(33,090)	—	—	(9,062)	(5,554)	(47,706)
- discontinued operations	(7,436)	—	(63,757)	(18,512)	(2,368)	(92,073)
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

16 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Group (continued)

	Buildings HK$'000	Construction in progress HK$'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 2008						
Opening net book amount	427,419	3,245,026	1,416,307	88,592	45,566	5,222,910
Exchange differences	8,819	107,463	171,774	16,732	3,494	308,282
Additions	1,648	58,522	1,497	14,334	9,543	85,544
Disposals	(6,741)	—	—	(2,475)	(224)	(9,440)
Transfer to investment properties	(3,291)	—	—	—	—	(3,291)
Reclassification	—	(3,058,108)	3,050,255	7,853	—	—
Acquisition of a subsidiary *(Note 20)*	76,351	—	—	5,349	—	81,700
Disposal of a subsidiary *(Note 20)*	(36,778)	(252,287)	(4,257,607)	(38,296)	(22,741)	(4,607,709)
Depreciation						
- continuing operations	(24,310)	—	—	(11,379)	(6,999)	(42,688)
- discontinued operations	—	—	(129,589)	(14,623)	(3,355)	(147,567)
Impairment						
- continuing operations	(1,113)	—	—	—	—	(1,113)
- discontinued operations	—	—	(252,637)	—	—	(252,637)
Closing net book amount	442,004	100,616	—	66,087	25,284	633,991
At 31 December 2008						
Cost	665,408	100,616	—	186,078	72,444	1,024,546
Accumulated depreciation and impairment	(223,404)	—	—	(119,991)	(47,160)	(390,555)
Net book amount	442,004	100,616	—	66,087	25,284	633,991

16 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2007				
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
Year ended 31 December 2008				
Opening net book amount	**9,681**	**586**	**3,256**	**13,523**
Additions	**—**	**300**	**3,353**	**3,653**
Disposal	**—**	**(19)**	**—**	**(19)**
Depreciation	**(297)**	**(230)**	**(1,847)**	**(2,374)**
Closing net book amount	**9,384**	**637**	**4,762**	**14,783**
At 31 December 2008				
Cost	**15,613**	**1,751**	**7,531**	**24,895**
Accumulated depreciation	**(6,229)**	**(1,114)**	**(2,769)**	**(10,112)**
Net book amount	**9,384**	**637**	**4,762**	**14,783**

Property, plant and equipment of the Group with an aggregate carrying amount of HK$95 million (2007: HK$13 million) were pledged as collateral for the Group's bank borrowings (Note 45).

17 INVESTMENT PROPERTIES

(a) Group

	2008 HK$'000	2007 HK$'000
Beginning of the year	**5,984,228**	5,625,185
Exchange differences	**309,892**	353,862
Additions	**7,387**	37,135
Transfer from property, plant and equipment	**3,291**	7,230
Transfer from properties held for sale, properties under development, leasehold land and land use rights	**288,976**	444,717
Transfer to non-current assets held for sale *(Note 33)*	**—**	(694,148)
Disposals	**(378,129)**	(151,892)
Fair value (losses)/gains	**(271,800)**	362,139
End of the year	**5,943,845**	5,984,228

(b) Company

	2008 HK$'000	2007 HK$'000
Beginning of the year	**12,530**	10,680
Fair value (losses)/gains	**(90)**	1,850
End of the year	**12,440**	12,530

The investment properties were revalued at 31 December 2008 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 2008, investment properties with an aggregate net book amount of HK$2,979 million (2007: HK$2,610 million) were pledged as collateral for the Group's bank borrowings (Note 45).

17 INVESTMENT PROPERTIES (continued)

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong:				
Leases of between 10 to 50 years	**430,148**	415,550	**—**	—
Leases of over 50 years	**137,390**	135,530	**12,440**	12,530
Outside Hong Kong *(Note)*:				
Leases or land use rights of between 10 to 50 years	**5,376,307**	5,433,148	**—**	—
	5,943,845	5,984,228	**12,440**	12,530

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

18 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:

	2008 HK$'000	2007 HK$'000
Beginning of the year	**8,676,498**	6,920,196
Additions	**2,551,176**	2,451,990
Disposals	**(342,385)**	(724,687)
Transfer to investment properties	**(105,272)**	(208,025)
Amortisation		
- continuing operations	**(116,344)**	(85,772)
- discontinued operations	**(1,397)**	(92)
Amortisation capitalised in properties under development	**(75,298)**	(75,107)
Exchange differences	**532,792**	421,352
Impairment *(Note 6)*	**(53,333)**	(23,357)
Acquisition of a subsidiary *(Note 20)*	**318,300**	—
Disposal of a subsidiary *(Note 20)*	**(53,436)**	—
End of the year	**11,331,301**	8,676,498
Analysed as:		
Non-current		
- in relation to properties held for development	**3,942,287**	3,890,494
- in relation to property, plant and equipment	**661,634**	386,663
	4,603,921	4,277,157
Current		
- in relation to properties under development *(Note (i))*	**6,615,117**	4,095,301
- in relation to properties held for sale	**112,263**	304,040
	6,727,380	4,399,341
	11,331,301	8,676,498

Note:

(i) Included in the balance is an amount of approximately HK$347 million (2007: HK$340 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.

18 LEASEHOLD LAND AND LAND USE RIGHTS (continued)

The Group's leasehold land and land use rights at their net book values are analysed as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
In China:		
Land use rights of over 50 years	**6,962,210**	3,834,327
Land use rights of between 10 to 50 years	**3,231,002**	3,946,823
In Hong Kong:		
Leases of over 50 years	**239,124**	244,665
Leases of between 10 to 50 years	**898,965**	650,683
	11,331,301	8,676,498

Land use rights with an aggregate net book amount of approximately HK$1,073 million (2007: HK$236 million) as at 31 December 2008 were pledged as collateral for the Group's bank borrowings (Note 45).

19 INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Investments in unlisted shares, at cost	**67,710**	60,480
Amounts due from subsidiaries *(Note (a))*	**13,872,233**	14,212,308
	13,939,943	14,272,788
Amounts due to subsidiaries *(Note (b))*	**(37,215)**	(35,046)

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for a total amount of approximately HK$10,530 million (2007: approximately HK$11,723 million) which are interest free, all amounts due from subsidiaries are interest bearing at 2.92 to 5.92 percent (2007: 4.25 to 7.29 percent) per annum.

These balances were not in default or impaired as at 31 December 2008 and 2007, except for an amount due from a subsidiary of approximately HK$111 million which had been fully provided as at 31 December 2008 (2007: Nil).

Majority of the Company's amount due from subsidiaries are denominated in the following currencies:

	Company	
	2008	2007
	HK$'000	HK$'000
Hong Kong dollar	**7,653,038**	8,943,508
Renminbi	**5,921,124**	4,968,800
Others	**298,071**	300,000
	13,872,233	14,212,308

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

Majority of the Company's amount due to subsidiaries are denominated in the following currencies:

	Company	
	2008	2007
	HK$'000	HK$'000
Hong Kong dollar	**43**	—
Renminbi	**37,172**	35,046
	37,215	35,046

(c) Details of the principal subsidiaries of the Group as at 31 December 2008 are set out on pages 143 to 153.

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES

(a) Disposal of Metrogold

On 1 June 2008, the Group disposed of the entire equity interest in Metrogold Development Limited ("Metrogold"), a subsidiary of the Group which is principally engaged in property development, to GZI Real Estate Investment Trust ("GZI REIT"), an associated entity of the Group, in exchange for cash and additional units in GZI REIT.

Details of the assets and liabilities of Metrogold disposed of and the gain on disposal are as follows:

	2008 HK$'000
Assets and liabilities disposed of	
Investment properties	730,255
Goodwill	7,402
Other receivables, prepayments and deposits	9,955
Cash and cash equivalents	29,439
Other payables and accrued charges	(29,935)
Taxation payable	(728)
Deferred tax liabilities	(69,587)
Net assets disposed of	676,801
Purchase consideration:	
Cash received	472,201
Fair value of additional units in GZI REIT *(see below)*	191,320
Total consideration	663,521
Direct costs attributable to the disposal	(8,501)
Less: Net assets disposed of	(676,801)
	(21,781)
Less: Unrealised portion	8,267
Add: Release of exchange reserve	42,066
Gain on disposal of a subsidiary	28,552
Inflow of cash arising from disposal of a subsidiary:	
Cash consideration	472,201
Direct costs attributable to the disposal	(8,501)
Cash and cash equivalents in the subsidiary disposed of	(29,439)
Net cash inflow from disposal of a subsidiary	434,261

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(a) Disposal of Metrogold (continued)

Details of the additional share of GZI REIT's net assets acquired and the resulting negative goodwill are as follows:

	2008
	HK$'000
Share of the fair value of GZI REIT's net assets acquired *(Note (i))*	**232,308**
Purchase consideration - Fair value of additional units in GZI REIT received	**(191,320)**
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost *(Note (ii))*	**40,988**

Notes:

(i) The share of the fair value of GZI REIT's net assets acquired represents the share of the net assets value of GZI REIT attributable to the additional units in GZI REIT as at 1 June 2008.

(ii) The amount is recognised in the consolidated income statement.

(b) Disposal of Goldkemp

On 24 December 2008, the Group disposed of the entire equity interest in Goldkemp Investment Limited ("Goldkemp"), a subsidiary of the Group, to Yue Xiu Enterprises (Holdings) Limited, a substantial shareholder of the Group, in exchange for cash and equity interests in Techcon Investment Limited ("Techcon"), a company incorporated in Hong Kong.

Goldkemp, through Pacific Max Industrial Limited, is beneficially interested in approximately 52.55% in Guangzhou Paper Co., Ltd. which is principally engaged in newsprint business whilst Techcon owns and operates the South China Hotel in Hong Kong.

(Loss)/profit for the year from discontinued operations of Goldkemp comprised:

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

20 DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES (continued)

(b) Disposal of Goldkemp (continued)

(i) Details of the assets and liabilities of Goldkemp disposed of and the gain on disposal are as follows:

	2008 HK$'000
Assets and liabilities disposed of:	
Property, plant and equipment	**4,607,709**
Leasehold land and land use right	**53,436**
Deferred tax assets	**31,815**
Inventories	**555,374**
Trade and other receivables	**507,224**
Cash and cash equivalents	**1,140,337**
Trade and other payables	**(724,085)**
Borrowings	**(4,807,999)**
Minority interests	**(674,199)**
Net assets disposed of	**689,612**
Purchase consideration:	
Cash received	**250,000**
Fair value of net identifiable assets acquired *(Note (c))*	**385,049**
Total consideration	**635,049**
Direct costs attributable to the disposal	**(1,879)**
Less: Net assets disposed of	**(689,612)**
Add: Release of exchange reserve	**146,821**
Gain on disposal of a subsidiary	**90,379**

(ii) Analysis of the result of discontinued operations and the result recognised on the remeasurement of assets of disposal group, are as follows:

	2008 HK$'000	2007 HK$'000
Revenue	**2,852,711**	1,609,717
Expenses	**(3,156,325)**	(1,541,268)
(Loss)/profit before tax of discontinued operations	**(303,614)**	68,449
Taxation	**35,051**	(31,167)
(Loss)/profit from discontinued operations	**(268,563)**	37,282
Operating cash flows	**59,057**	83,700
Investing cash flows	**(60,752)**	(2,874,702)
Financing cash flows	**1,316,076**	1,898,110
	1,314,381	(892,892)

20 DISPOSAL AND ACQUISITION OF SUBSIDIARIES (continued)

(c) Acquisition of Techcon

(i) Details of assets and liabilities arising from the acquisition of Techcon are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	81,700	75,842
Leasehold land	318,300	191,264
Inventories	127	127
Other receivables, prepayments and deposits	3,652	3,652
Cash and cash equivalents	5,011	5,011
Trade payables	(1,813)	(1,813)
Deferred tax liabilities	(21,928)	—
Net identifiable assets acquired	385,049	274,083

(ii) Outflow of cash arising from disposal of Goldkemp and acquisition of Techcon:

Cash consideration	250,000
Direct costs attributable to the disposal	(1,879)
Cash and cash equivalents in the subsidiary disposed of	(1,140,337)
Cash and cash equivalents in the subsidiary acquired	5,011
Net cash outflow	(887,205)

Techcon contributed revenue of approximately HK$1,101,000 and loss attributable to equity holders of the Company of approximately HK$289,000 for the period from the date of acquisition to 31 December 2008. If the acquisition had occurred on 1 January 2008, the revenue contributed by Techcon to the Group would have been approximately HK$23,237,000 and profit attributable to equity holders of the Company would have been approximately HK$8,171,000.

20 DISPOSAL AND ACQUISITION OF SUBSIDIARIES (continued)

(d) Acquisition of GNSRE

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., ("GNSRE") 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 GNSRE became a subsidiary of the Group.

GNSRE 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 GNSRE to the Group would have been approximately HK$489 million and profit attributable to equity holders of the Company would have been approximately HK$52 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 interests in GNSRE.

20 DISPOSAL AND ACQUISITION OF SUBSIDIARIES (continued)

(d) Acquisition of GNSRE (continued)

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
Intangible operating rights	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

21 GAIN ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately HK$541 million (2007: HK$210 million) and a total net gain of approximately HK$163 million (2007: HK$59 million).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**308,732**	270,164
Amounts due from jointly controlled entities *(Note 46(c))*	**185,285**	182,403
Less: provision for impairment of amounts due from jointly controlled entities	**(35,229)**	(33,179)
	458,788	419,388
Amounts due to jointly controlled entities *(Note 46(c))*	**(154,976)**	(146,044)

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

	2008	2007
	HK$'000	HK$'000
Revenue	**41,106**	80,400
Expenses	**(61,708)**	(102,401)
Taxation	**—**	3,166
Loss for the year	**(20,602)**	(18,835)
Assets:		
Non-current assets	**1,102,956**	1,031,753
Current assets	**180,715**	257,490
	1,283,671	1,289,243
Liabilities:		
Non-current liabilities	**(776,405)**	(696,921)
Current liabilities	**(198,534)**	(322,158)
	(974,939)	(1,019,079)
Net assets	**308,732**	270,164

Details of the Group's jointly controlled entities are set out on page 154.

At 31 December 2008, the Group's share of capital commitments of a jointly controlled entity is disclosed in note 43.

23 INTERESTS IN ASSOCIATED ENTITIES

	Group	
		As restated
	2008	2007
	HK$'000	HK$'000
Share of net assets	**3,646,580**	2,764,376
Loans receivable from associated entities *(Note 46(c))*	**1,973**	149,665
Amounts due from associated entities *(Note 46(c))*	**68,839**	138,582
	3,717,392	3,052,623
Amounts due to associated entities *(Note 46(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 approximately HK$1,439 million (2007: HK$1,107 million) which is listed on The Stock Exchange of Hong Kong Limited. The fair value of the interests in this associated entity amounted to approximately HK$679 million as at 31 December 2008 (2007: HK$965 million).

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

		As restated
	2008	2007
	HK$'000	HK$'000
Revenue	**590,323**	678,748
Profit after tax	**360,581**	351,654
Assets	**6,336,628**	4,604,553
Liabilities	**(2,690,048)**	(1,840,177)
Net assets	**3,646,580**	2,764,376

Details of the Group's associated entities are set out on page 155.

The Group's associated entities did not have any significant capital commitments at 31 December 2008 (2007: Nil).

24 GOODWILL

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**119,186**	—
Acquisition of a subsidiary *(Note 20(d))*	**—**	115,043
Exchange differences	**7,348**	7,814
Impairment losses *(Note 6)*	**(540)**	(3,671)
End of the year	**125,994**	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 Guangzhou Northern Second Ring Expressway Co., Ltd., a subsidiary of the Group.

25 OTHER NON-CURRENT ASSETS

	Group	
	2008	2007
	HK$'000	HK$'000
Prepayment for acquisition of additional interest in a jointly controlled entity	**—**	17,375

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**979,903**	418,269
Additions	**52,658**	3,572
(Decrease)/increase in fair value	**(116,068)**	527,532
Reversal of impairment losses *(Note 6)*	**—**	2,476
Disposals	**—**	(424)
Exchange differences	**60,484**	28,478
End of the year	**976,977**	979,903

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 2008, the Group's properties under development of approximately HK$5,166 million (2007: HK$1,392 million) were pledged as collateral for the Group's bank borrowings (Note 45).

28 CHARGED BANK DEPOSITS

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and settlement of construction fee of the relevant property projects. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.

29 INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**293**	116,361
Work-in-progress	**57,238**	55,535
Finished goods	**48,185**	105,411
	105,716	277,307

The cost of inventories recognised as expense and included in 'cost of sales' for continuing operations amounted to HK$530,155,000 (2007: HK$420,260,000).

30 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**155,891**	580,260
Less: provision for impairment of trade receivables	**(88,981)**	(102,568)
	66,910	477,692

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	
	2008	2007
	HK$'000	HK$'000
0 - 30 days	**35,385**	211,793
31 - 90 days	**6,219**	161,820
91 - 180 days	**539**	23,470
181 - 365 days	**15**	65,581
Over 1 year	**113,733**	117,596
	155,891	580,260

As at 31 December 2008, trade receivables of approximately HK$41,604,000 (2007: HK$373,613,000) were fully performing.

As at 31 December 2008, trade receivables of approximately HK$25,306,000 (2007: HK$104,079,000) 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	
	2008	2007
	HK$'000	HK$'000
Up to 3 months	**539**	23,470
Over 3 months	**24,767**	80,609
	25,306	104,079

30 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

As at 31 December 2008, trade receivables of approximately HK$88,981,000 (2007: HK$102,568,000) were impaired. The amount of the provision was HK$88,981,000 as at 31 December 2008 (2007: HK$102,568,000). 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	
	2008	2007
	HK$'000	HK$'000
Over 3 months	**88,981**	102,568

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

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**102,568**	118,754
Reversal of impairment in continuing operations	**—**	(7,165)
Reversal of impairment in discontinued operations	**—**	(9,021)
Exchange difference	**6,651**	—
Disposal of subsidiaries	**(20,238)**	—
End of the year	**88,981**	102,568

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

An impairment of HK$53,660,000 has been provided for other receivables as at 31 December 2008. The remaining other receivables and deposits do not contain impaired assets.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong dollar	**—**	71,268
Renminbi	**155,891**	508,992
	155,891	580,260

31 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank	**1,598,524**	1,603,312	**168,443**	2,166
Short-term bank deposits	**1,898,023**	1,984,295	**65,160**	17,396
	3,496,547	3,587,607	**233,603**	19,562

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**2,057,686**	2,115,082	**166,802**	15,900
Renminbi	**1,190,854**	1,215,351	**90**	1,024
United States dollar	**246,129**	190,633	**65,327**	2,638
Others	**1,878**	66,541	**1,384**	—
	3,496,547	3,587,607	**233,603**	19,562

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 3.13 percent (2007: 3.48 percent).

The Group's bank deposits are placed with major state-owned financial institutions.

32 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 46(b) except for the commitment disclosed in Note (i) below) as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Not later than one year *(Note (i))*	**458,044**	433,807
Later than one year and not later than five years	**95,948**	126,721
Later than five years	**44,491**	230,412
	598,483	790,940

Note:

(i) Included in this amount were commitments totaling approximately HK$429 million as at 31 December 2008 (2007: HK$372 million) relating to certain land use rights in China ranging from 50 to 75 years for which ownership certificates have not yet been obtained. As at 31 December 2008, total consideration for these land use rights amounted to approximately HK$2,313 million (2007: HK$3,511 million) for which the Group has prepaid approximately HK$1,884 million (2007: HK$3,139 million).

The Company did not have any significant commitments under operating leases at 31 December 2008 (2007: Nil).

33 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, a subsidiary, to GZI REIT, 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 2007. The disposal was completed on 1 June 2008 (see Note 20).

Non-current assets classified as held for sale

	Group
	2007
	HK$'000
Investment property *(Note 17)*	694,148
Available-for-sale financial assets	—
Other receivables, prepayments and deposits	6,778
Cash and cash equivalents	121,778
	822,704

33 NON-CURRENT ASSETS HELD FOR SALE/LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE (continued)

Liabilities associated with non-current assets held for sale

	Group
	2007
	HK$'000
Deferred tax liabilities *(Note 40)*	64,011
Other payables and accrued charges	34,737
	98,748

34 TRADE PAYABLES

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

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

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

35 OTHER PAYABLES AND ACCRUED CHARGES

	Group	
	2008	2007
	HK$'000	HK$'000
Accrual for construction related costs	**3,192,698**	2,515,552
Advance receipts from customers	**2,395,953**	1,399,372
Accrued employee benefits costs	**174,435**	159,703
Amounts due to related parties *(Note 46 (c))*	**876,862**	354,614
Other payables	**641,637**	726,150
	7,281,585	5,155,391

36 BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Long-term bank borrowings				
– Secured	**2,653,248**	3,977,940	**—**	2,915,000
– Unsecured	**1,379,975**	5,764,311	**—**	1,483,338
Obligations under finance leases	**45**	62	**45**	62
Loans from a related company *(Note 46(c))*	**56,162**	—	**56,162**	—
Loans from minority shareholders of subsidiaries *(Note 46(c))*	**355,220**	333,420	**—**	—
	4,444,650	10,075,733	**56,207**	4,398,400
Current				
Bank overdrafts	**406**	362	**—**	—
Short-term bank borrowings				
– Secured	**158,748**	165,528	**—**	—
– Unsecured	**56,696**	848,233	**—**	—
Current portion of long-term bank borrowings				
– Secured	**3,362,995**	812,687	**2,197,500**	—
– Unsecured	**2,117,153**	668,869	**1,924,388**	—
Loans from a related company *(Note 46(c))*	**—**	54,398	**—**	54,398
Obligations under finance leases	**30**	38	**30**	38
	5,696,028	2,550,115	**4,121,918**	54,436
Total borrowings	**10,140,678**	12,625,848	**4,178,125**	4,452,836

36 BORROWINGS (continued)

The maturity of borrowings is as follows:

Group

	Bank borrowings and overdrafts		Other loans	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,695,998**	2,495,679	**30**	54,436
In the second year	**1,572,626**	6,280,599	**29**	24
In the third to fifth year	**1,338,021**	1,217,158	**56,178**	38
Over five years	**1,122,576**	2,244,494	**—**	—
With no fixed repayment terms *(Note (i))*	**—**	—	**355,220**	333,420
	9,729,221	12,237,930	**411,457**	387,918

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 5.31 percent (2007: 7.47 percent) per annum.

Company

	Bank borrowings and overdrafts		Other loans	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,121,888**	—	**30**	54,436
In the second year	**—**	4,398,338	**29**	24
In the third to fifth year	**—**	—	**56,178**	38
	4,121,888	4,398,338	**56,237**	54,498

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

	2008				2007			
	HK$	**RMB**	**USD**	**EUR**	HK$	RMB	USD	EUR
Bank overdrafts	**6.66%**	**—**	**—**	**—**	7.47%	—	—	—
Bank borrowings	**2.73%**	**7.08%**	**4.17%**	**6.27%**	3.71%	6.29%	6.28%	5.23%
Other loans	**5.16%**	**—**	**—**	**—**	5.39%	—	—	—

36 BORROWINGS (continued)

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**4,178,530**	4,456,353	**4,178,125**	4,452,836
Renminbi	**5,962,148**	6,967,413	**—**	—
Euro	**—**	1,135,994	**—**	—
United States dollar	**—**	66,088	**—**	—
	10,140,678	12,625,848	**4,178,125**	4,452,836

The fair values of borrowings approximate their carrying amounts.

37 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 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
At 1 January 2008	7,121,918	712,192
Issue of shares upon exercise of share options *(Note a)*	4,930	493
At 31 December 2008	7,126,848	712,685

Notes:

(a) During the year, 4,930,000 (2007: 61,380,000) ordinary shares of HK$0.1 each were issued upon the exercise of share options (Note 38).

(b) During 2007, 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.

38 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options '000
At 1 January 2007	140,412
Exercised during the year	(61,380)
At 31 December 2007	79,032
At 1 January 2008	79,032
Granted during the year	5,800
Exercised during the year	(4,930)
Lapsed during the year	(3,000)
At 31 December 2008	**76,902**

Particulars of share options as at 31 December 2008 and 2007 are as follows:

			Number of outstanding share options	
Date of grant	**Exercise period**	**Exercise price HK$**	**2008 '000**	2007 '000
2 May 2003	2 May 2003 - 1 May 2013	0.4100	**11,870**	12,430
2 June 2003	2 June 2003 - 1 June 2013	0.5400	**7,000**	7,000
27 October 2003	27 October 2003 - 26 October 2013	0.8140	**2,620**	2,620
23 December 2003	23 December 2003 - 22 December 2013	0.8460	**11,440**	11,620
23 June 2004	23 June 2004 - 22 June 2014	0.6300	**41,172**	45,362
28 May 2008	28 May 2008 - 27 May 2018	1.5560	**2,800**	—
			76,902	79,032

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 2008, 74,942,000 (2007: 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.

39 RESERVES

(a) Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Statutory reserves (Note a) HK$'000	Exchange fluctuation reserve HK$'000	Cash-flow hedging reserve HK$'000	Asset revaluation reserve (Note a) HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008, as previously reported	6,530,583	1,815	208,693	1,335,130	(26,266)	211,625	580,160	11,368	4,264,775	13,117,883
Effect of adoption of HK (IFRIC)-Int 12	—	—	—	—	—	—	—	—	(40,320)	(40,320)
At 1 January 2008, as restated	6,530,583	1,815	208,693	1,335,130	(26,266)	211,625	580,160	11,368	4,224,455	13,077,563
Currency translation differences	—	—	—	668,188	—	—	30,051	—	—	698,239
Share of change in fair value of cash-flow hedges of an associated entity	—	—	—	—	26,266	—	—	—	—	26,266
Change in fair value of financial assets										
- gross	—	—	—	—	—	—	(122,560)	—	—	(122,560)
- tax	—	—	—	—	—	—	27,276	—	—	27,276
Profit attributable to shareholders	—	—	—	—	—	—	—	—	607,964	607,964
Disposal of subsidiaries	—	—	(54,716)	(188,887)	—	—	—	—	54,716	(188,887)
Transfer	—	—	69,550	—	—	(866)	—	—	(68,684)	—
Employee share options scheme - value of employee services	—	—	—	—	—	—	—	1,509	—	1,509
Issue of shares net of issuing expenses	2,524	—	—	—	—	—	—	—	—	2,524
Transfer upon exercise of share options	721	—	—	—	—	—	—	(721)	—	—
Transfer upon lapse of share options	—	—	—	—	—	—	—	(780)	780	—
Dividends paid	—	—	—	—	—	—	—	—	(363,461)	(363,461)
At 31 December 2008	6,533,828	1,815	223,527	1,814,431	—	210,759	514,927	11,376	4,455,770	13,766,433
Representing:										
2008 Final dividend proposed									57,015	
Others									4,398,755	
									4,455,770	

39 RESERVES (continued)

(a) Group (continued)

	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 compensation 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	—	—	—	—	—	—	—	—	—	1,031,321	1,031,321
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	4,224,455	13,077,563
Representing:											
2007 Final dividend proposed										178,113	
Others										4,046,342	
										4,224,455	

39 RESERVES (continued)

(a) Group (continued)

Note a

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 regulations 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 attributable to the 40% equity interest in GNSRE previously held by the Group arising from the acquisition of 20% additional equity interest in GNSRE.

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	**6,530,583**	**1,815**	**—**	**11,368**	**2,716,882**	**9,260,648**
Currency translation differences	**—**	**—**	**615,835**	**—**	**—**	**615,835**
Issue of shares net of issuing expenses	**2,524**	**—**	**—**	**—**	**—**	**2,524**
Employee share options scheme						
- value of employee services	**—**	**—**	**—**	**1,509**	**—**	**1,509**
Transfer upon exercise of share options	**721**	**—**	**—**	**(721)**	**—**	**—**
Transfer upon lapse of share options	**—**	**—**	**—**	**(780)**	**780**	**—**
Profit for the year	**—**	**—**	**—**	**—**	**203,527**	**203,527**
Dividends paid	**—**	**—**	**—**	**—**	**(363,461)**	**(363,461)**
At 31 December 2008	**6,533,828**	**1,815**	**615,835**	**11,376**	**2,557,728**	**9,720,582**
Representing:						
2008 Final dividends proposed					**57,015**	
Others					**2,500,713**	
					2,557,728	

39 RESERVES (continued)

(b) Company (continued)

	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 upon exercise of share options	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	

40 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 2008 **HK$'000**	As restated 2007 HK$'000
Beginning of the year, as previously reported	**3,204,137**	2,425,232
Effect of adoption of HK(IFRIC)-Int 12	**36,159**	—
As restated	**3,240,296**	2,425,232
Deferred taxation (credited)/charged to income statement		
- Continuing operations *(Note 9(d))*	**(385,635)**	(57,536)
- Discontinued operations	**(34,799)**	27,086
Acquisition of a subsidiary *(Note 20)*	**21,928**	622,462
Disposal of a subsidiary *(Note 20)*	**31,815**	—
Deferred taxation debited to equity	**(21,589)**	93,094
Transfer to liabilities associated with non-current assets held for sale *(Note 33)*	—	(64,011)
Exchange differences	**178,268**	193,969
End of the year	**3,030,284**	3,240,296

40 DEFERRED TAXATION (continued)

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 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					
- continuing operations	172,913	(22,421)	12,279	—	162,771
- discontinued operations	(22,331)	—	—	—	(22,331)
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
At 1 January 2008	**322,833**	**9,769**	**21,871**	**2,703**	**357,176**
Exchange differences	**15,064**	**523**	**1,229**	**3,552**	**20,368**
Credited/(charged) to income statement					
- continuing operations	**(19,473)**	**(2,466)**	**7,555**	**6,247**	**(8,137)**
- discontinued operations	**31,815**	—	—	—	**31,815**
Disposal of a subsidiary	**(31,815)**	—	—	—	**(31,815)**
At 31 December 2008	**318,424**	**7,826**	**30,655**	**12,502**	**369,407**

40 DEFERRED TAXATION (continued)

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	Undistributed profits of associates HK$'000	Total HK$'000
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								
- continuing operations	(366,061)	75,997	(17,587)	8,279	414,682	(10,075)	—	105,235
- discontinued operations	—	—	—	—	4,755	—	—	4,755
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	157,989	586,524	199,795	565,861	9,329	—	3,597,472
At 1 January 2008								
As previously reported	**2,077,974**	**121,830**	**586,524**	**199,795**	**565,861**	**9,329**	**—**	**3,561,313**
Effect of adoption of HK(IFRIC)-Int 12	**—**	**36,159**	**—**	**—**	**—**	**—**	**—**	**36,159**
As restated	**2,077,974**	**157,989**	**586,524**	**199,795**	**565,861**	**9,329**	**—**	**3,597,472**
Exchange differences	**121,583**	**6,029**	**36,031**	**10,960**	**22,343**	**1,690**	**—**	**198,636**
(Credited)/charged to income statement								
- continuing operations	**(141,728)**	**49,456**	**(12,295)**	**—**	**(317,111)**	**(1,994)**	**29,900**	**(393,772)**
- discontinued operations	**—**	**—**	**—**	**—**	**(2,984)**	**—**	**—**	**(2,984)**
Charged to reserves	**—**	**—**	**—**	**(21,589)**	**—**	**—**	**—**	**(21,589)**
Acquisition of a subsidiary	**—**	**21,928**	**—**	**—**	**—**	**—**	**—**	**21,928**
At 31 December 2008	**2,057,829**	**235,402**	**610,260**	**189,166**	**268,109**	**9,025**	**29,900**	**3,399,691**

40 DEFERRED TAXATION (continued)

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	
	2008	2007
	HK$'000	HK$'000
Deferred tax assets		
- Hong Kong profits tax	**12,278**	6,377
- China enterprise income tax	**78,314**	64,863
	90,592	71,240
Deferred tax liabilities		
- Hong Kong profits tax	**43,694**	27,608
- China enterprise income tax	**2,345,361**	2,381,144
- China land appreciation tax	**731,821**	902,784
	3,120,876	3,311,536

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 2008, the Group has unrecognised deferred tax benefits of approximately HK$333 million (2007: HK$229 million) in respect of tax losses of approximately HK$2,020 million (2007: HK$1,309 million)and unrecognised deferred tax benefits of approximately HK$41 million (2007: HK$44 million) in respect of provision for impairment of properties of approximately HK$251 million (2007: HK$251 million) for Hong Kong profits tax purposes with no expiry date.

41 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash used in operation:

	2008 HK$'000	As restated 2007 HK$'000
Operating profit	**871,906**	1,589,782
Depreciation and amortisation	**322,803**	444,268
Gain on disposal of property, plant and equipment	**(93)**	—
Gain on disposal of investment properties	**(162,588)**	(58,584)
Fair value losses/(gains) on revaluation of investment properties	**271,800**	(362,139)
Provision for impairment of goodwill	**540**	3,671
Gain on disposal of a subsidiary	**(28,552)**	—
Provision for/(reversal of) doubtful debts and other receivables	**41,920**	(78,681)
Provision for/(reversal of) impairment of properties under development and properties held for sale	**3,037**	(1,031)
Reversal of impairment of available-for-sale financial assets	**—**	(2,476)
Provision for impairment of property, plant and equipment	**1,113**	—
Provision for impairment of leasehold land	**53,333**	23,357
Employee share option scheme	**1,509**	—
Net increase in properties under development, properties held for sale, leasehold land and land use rights	**(4,426,820)**	(2,958,413)
Increase in inventories	**(426,913)**	(43,412)
Net increase in trade receivables, other receivables, prepayments and deposits	**(27,824)**	(78,889)
Net increase in trade payables, other payables and accrued charges	**2,158,898**	311,124
Net movement in balances with related companies	**18,510**	(21,147)
Increase/(decrease) in amounts due to minority shareholders of subsidiaries	**459,666**	(45,663)
Net cash used in continuing operation	**(867,755)**	(1,278,233)
Net cash generated from discontinued operation	**59,057**	83,700
Net cash used in operation	**(808,698)**	(1,194,533)

(b) Major non-cash transactions

(i) During 2007,the Group acquired certain leasehold 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 (Note 37(b)).

(i) During 2007, 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.

42 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2008, the Group and the Company had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**221,429**	215,180	**685**	1,522
Later than one year and not later than five years	**390,049**	376,256	**7**	692
Later than five years	**61,620**	78,822	**—**	—
	673,098	670,258	**692**	2,214

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 share a portion 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.

43 OTHER COMMITMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	**226,809**	669,327
Authorised but not contracted for	**401,049**	861,985
	627,858	1,531,312

At 31 December 2008, the Group had total financial commitments in respect of equity capital to be injected into a jointly controlled entity and an associated entity of approximately HK$238,632,000 (2007: HK$305,600,000).

At 31 December 2008, the Group did not have any significant share of capital commitments of a jointly controlled entity (2007: HK$94,242,000).

The Company did not have any significant capital commitments at 31 December 2008 (2007: Nil).

44 CONTINGENT LIABILITIES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note (a))*	**883,068**	774,723	—	—
Guarantees for banking and loan facilities granted to subsidiaries *(Note (b))*	—	—	**40,152**	62,115
	883,068	774,723	**40,152**	62,115

Notes:

(a) 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.

(b) The Company provided guarantees in respect of certain banking and loan facilities granted to subsidiaries.

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

45 SECURITIES FOR BANKING FACILITIES

At 31 December 2008, 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 aggregate carrying values of approximately HK$5,166 million (2007: HK$1,392 million), Nil (2007: HK$180 million), HK$2,979 million (2007: HK$2,610 million) and HK$95 million (2007: HK$13 million) respectively;

(b) mortgages of certain of the Group's leasehold land and land use rights with an aggregate carrying value of approximately HK$1,073 million (2007: HK$236 million);

(c) pledge of the Group's investments in certain subsidiaries with net asset value of HK$544 million in 2007 and the subsidiaries were disposed of during the year.

(d) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately HK$3,529 million (2007: HK$3,974 million); and

(e) toll operating right of a toll highway of the Group with net book amount of HK$5,031 million (2007: HK$4,798 million).

46 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 2008:

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
Yue Xiu Cold Storage and Warehousing Limited ("YXCSWL")	A subsidiary of YXE
Yue Xiu Securities Co., Ltd. ("YXSEC")	A subsidiary of YXE
Hi-Watt Battery Industry Company Limited ("HWB")	A subsidiary of YXE
Guangzhou Construction & Developmentt Group Co., Ltd. ("GCDGL")	A minority shareholder of certain subsidiaries
Guangzhou Paper Holdings Limited ("GZPHL")	A minority shareholder of a subsidiary disposed of in 2008
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 associated entity

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(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:

	2008 HK$'000	2007 HK$'000
(I) Transactions with YXE		
Rental expenses and property management fees paid to YXE	**(2,213)**	(1,449)
Rental income received from YXE	**24**	120
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))*	**(372,858)**	(245,012)
Sale of property, plant and equipment to GZPHL	**—**	338,991
(III) Transactions with YXF		
Service fees paid to YXF	**(362)**	(362)
Rental income received from YXF	**80**	80
(IV) Transaction with YXIDL		
Loan interests paid to YXIDL	**(1,763)**	(2,784)
(V) Transactions with GZI REIT		
Asset management fees received from GZI REIT	**32,158**	26,163
Tenancy service fees received from GZI REIT	**16,944**	13,407
Rental expenses paid to GZI REIT	**(3,129)**	(3,046)
(VI) Transaction with GXHD		
Loan interests paid to GXHD	**(25,560)**	(16,627)
(VII) Transaction with GHB		
Loan interests received from GHB	**5,829**	20,082
(VIII) Transaction with GSB		
Loan interests received from GSB	**133**	287
(IX) Transaction with YXCSWL		
Rental income received from YXCSWL	**3,048**	3,048
(X) Transaction with YXSEC		
Rental income received from YXSEC	**28**	—
(XI) Transaction with HWB		
Rental income received from HWB	**7,332**	2,950

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 2008.

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

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.

(c) Balances with related parties

	Group	
	2008	2007
	HK$'000	HK$'000
Amount due to a substantial shareholder *(Note (i) and (vi))*	**(81,569)**	(30,174)
Loan receivables from associated entities *(Note (iv), (vii) and (x))*	**1,973**	149,665
Amounts due from associated entities *(Note (ii), (viii) and (x))*	**89,245**	154,045
Amounts due to associated entities *(Note (ii) and (vi))*	**(112,150)**	(112,150)
Amounts due from jointly controlled entities *(Note (ii), (vii) and (x))*	**185,285**	182,403
Amounts due to jointly controlled entities *(Note (ii) and (vi))*	**(154,976)**	(146,044)
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))*	**(515,848)**	(56,182)
Loans from a related company *(Note (iii) and (ix))*	**(56,162)**	(54,398)
Loans from minority shareholders of subsidiaries *(Note (v) and (ix))*	**(355,220)**	(333,420)
Amounts due from related companies *(Note (ii), (vi) and (x))*	**2,915**	6,772
Amounts due to related companies *(Note (ii) and (vi))*	**(12,319)**	(10,064)

	Company	
	2008	2007
	HK$'000	HK$'000
Amount due to a substantial shareholder *(Note (i) and (vi))*	**(80,318)**	(29,002)
Loan from a related company *(Note (iii) and (ix))*	**(56,162)**	(54,398)

Except for the amount due to a substantial shareholder and loans from a related company which are denominated in Hong Kong dollars, all others related party balances are denominated in Renminbi.

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

Note:

(i) The balance at 31 December 2008 and 2007 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 2008 and 2007 is unsecured, interest bearing at Hong Kong Interbank Offerred Rate plus 1 percent per annum. The balance in 31 December 2007 is repayable within one year and the balance in 31 December 2008 is not repayable within the next twelve months.

(iv) The loan receivables are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rate of 3.25 percent (2007: 7.25 percent) per annum or the lending rates of financial institutions in mainland China of 5.31 percent (2007: 7.47 percent) per annum.

(v) Except for an amount of HK$146,275,000 (2007: HK$137,762,000) which bears interest at the prevailing The People's Bank of China Renminbi long-term lending rates of 5.94 percent (2007: 7.83 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$20,406,000 as at 31 December 2008 (2007: HK$15,463,000) which is included in other receivables, prepayments and deposits.

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

(x) These balances were not in default or impaired as at 31 December 2008 and 2007, except for a provision for impairment losses of approximately HK$35,229,000 (2007: HK$33,179,000) made for an amount due from a jointly controlled entity as at 31 December 2008 and 2007 respectively.

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

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

	2008 HK$'000	2007 HK$'000
Fees	**770**	500
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	**34,988**	63,190
Pension costs	**1,435**	716
	37,193	64,406

47 POST BALANCE SHEET EVENTS

(a) On 10 December 2008, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 90 percent equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd. whose principal asset is the toll operating right of Cangyu Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition and the additional registered capital contribution amounted to RMB128.1 million (approximately HK$145.2 million) and RMB19.4 million (approximately HK$22.0 million) respectively, of which RMB62.7 million and RMB3.9 million were paid respectively on 19 January 2009. On the same date, the acquisition was approved by the Guangxi government and the transaction was completed.

(b) In view of the continual integration of Changsha, Zhuzhou and Xiangtan and the proposed introduction of the annual travel pass system for the merging districts, the Group entered into an agreement with Xiangtan Municipal Government in January 2009 for the disposal of the operating right of Xian Jiang Bridge II, for an aggregate cash consideration of RMB271,000,000. The consideration was negotiated with reference to the Group's projected revenues and returns from 1 January 2009 until the end of the concessionary period, i.e. 30 November 2021 and was to be paid by 26 half yearly installments commencing from 30 May 2009 with the final payment due on 30 November 2021. The discounted value of the installments/receivables as valued by an independent valuer amounted to RMB169.6 million (equivalent to approximately HK$192.4 million). As at 31 December 2008, the carrying value of Xiang Jiang Bridge II is approximately HK$122 million.

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

(d) On 24 March 2009, the Group signed a new syndicated loan agreement of RMB1,900 million with five financial institutions in China to finance the development of Fortune World Plaza, a new property project in Guangzhou. The loan is secured by certain leasehold land and land use rights of the Group and the maturity date is over five years.

Group Structure

PRINCIPAL SUBSIDIARIES

As at 31 December 2008, 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				Principal Activities
			2008		2007		
			Direct	**Indirect**	Direct	Indirect	
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
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 (continued)

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
			2008		2007		
			Direct	**Indirect**	Direct	Indirect	
Elsburg Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	**—**	**100**	—	100	Property investment
Ever Joint Investment International Limited	Hong Kong	1 Ordinary share of HK$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**	—	100	Property investment
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
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

PRINCIPAL SUBSIDIARIES (continued)

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
			2008		2007		
			Direct	**Indirect**	Direct	Indirect	
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
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

PRINCIPAL SUBSIDIARIES (continued)

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
			2008		2007		
			Direct	**Indirect**	Direct	Indirect	
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
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

PRINCIPAL SUBSIDIARIES (continued)

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 2008 Direct	2008 Indirect	2007 Direct	2007 Indirect	Principal Activities
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**	—	36.22	Development and management of Guangshen Highway linking Guangzhou and Shenzhen
[1] Guangzhou Northern Second Ring Expressway Co., Limited	China, limited liability company	Registered capital RMB900,000,000	—	**27.17**	—	27.17	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	**95**	—	95	Property development
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**	—	45.28	Investment holding
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	**95**	—	95	Property development

PRINCIPAL SUBSIDIARIES (continued)

	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
				2008		2007		
				Direct	**Indirect**	Direct	Indirect	
1	Guangzhou Taihe Highways Development Company Limited	China, limited liability company	Registered capital RMB155,980,000	**—**	**36.22**	—	36.22	Development and management of Guangcong Highway Section I linking Guangzhou and Conghua
1	Guangzhou Tailong Highways Development Company Limited	China, limited liability company	Registered capital RMB116,667,000	**—**	**23.09**	—	23.09	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

PRINCIPAL SUBSIDIARIES (continued)

	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 2008 Direct	2008 Indirect	2007 Direct	2007 Indirect	Principal Activities
1	Guangzhou Weian Highways Development Company Limited	China, limited liability company	Registered capital RMB175,750,000	—	**36.22**	—	36.22	Development and management of Guangshan Highway linking Guangzhou and Shantou
	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	—	**24.90**	—	24.90	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**	—	45.28	Investment holding
	Guangzhou Yuecheng Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	—	**100**	—	100	Investment holding

PRINCIPAL SUBSIDIARIES (continued)

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
			2008		2007		
			Direct	**Indirect**	Direct	Indirect	
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	**—**	**100**	—	100	Investment holding
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	**—**	**100**	—	100	Investment holding
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	**—**	**100**	—	100	Investment holding
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	45.27	Investment holding
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of US$1 each	**—**	**100**	—	100	Investment holding
[1] Hunan Yue Tung Highway and Bridge Development Company Limited	China, limited liability company	Registered capital RMB21,000,000	**—**	**33.96**	—	33.96	Development and management of Xiang Jiang Bridge II in Hunan Province

PRINCIPAL SUBSIDIARIES (continued)

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 2008 Direct	2008 Indirect	2007 Direct	2007 Indirect	Principal Activities
Hoover (China) Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
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
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
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**	—	45.28	Investment holding
Long Grace Holdings Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding
Lucken Limited	Hong Kong	3 Ordinary shares of HK$1 each	—	**100**	—	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
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**	—	100	Investment holding
Round Table Holdings Limited	British Virgin Islands	100 Ordinary shares of HK$1 each	**100**	—	100	—	Investment holding

PRINCIPAL SUBSIDIARIES (continued)

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 2008 Direct	2008 Indirect	2007 Direct	2007 Indirect	Principal Activities
San Bright Holdings Limited	Hong Kong	1 Ordinary share of HK$1 each	**—**	**100**	—	100	Investment holding
[1] Shaanxi Jinxiu Transport Co., Limited	China, limited liability company	Registered capital RMB100,000,000	**—**	**45.28**	—	45.28	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**	—	45.28	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
Takwill International Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	**—**	**100**	—	100	Investment holding
Techcon Investment Limited	Hong Kong	1,000 Ordinary shares of HK$1 each	**—**	**100**	—	—	Hotel operations
Treasure House Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	**—**	100	—	Investment holding
Viclong Company Limited	Hong Kong	100 Ordinary shares of HK$100 each	**—**	**100**	—	100	Property investment

PRINCIPAL SUBSIDIARIES (continued)

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 2008 Direct	2008 Indirect	2007 Direct	2007 Indirect	Principal Activities
Winston Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
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.

Note 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 2008, 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
			2008		2007		
			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**	—	15.85	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2008, 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 2008 Direct	2008 Indirect	2007 Direct	2007 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	—	**12.58**	—	11.32	Development and management of Humen Bridge in Humen
[1] Guangdong Qinglian Highway Development Co., Ltd.	China	—	**10.69**	—	10.69	Development and management of National Highway 107 linking Qingyuan and Lianzhou
[1] Guangdong Shantou Bay Bridge Co., Ltd.	China	—	**13.58**	—	13.58	Development and management of Shantou Bay Bridge in Shantou
[1] Guangzhou Northring Freeway Co., Ltd.	China	—	**11.00**	—	11.00	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	—	**35.58**	—	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 Lu Zhifeng *(Chairman)*
Mr Zhang Zhaoxing
Mr Liang Yi
Mr Tang Shouchun
Mr Wang Hongtao
Ms Zhou Jin
Mr Li Xinmin
Mr He Zili

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 Bank of East Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Industrial and Comercial Bank of China (Asia) Limited
Wing Lung Bank Limited

WEBSITES TO ACCESS COMPANY INFORMATION

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

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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 – 00123
Reuters – 123.HK
Bloomberg – 123 HK

INVESTOR RELATIONS

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