越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

RESULTS HIGHLIGHTS

- Revenue increased 33.3% to HK$3,707 million
- Profit attributable to equity holders of the Company increased 11.6% to HK$465 million
- Basic earnings per share increased 6.7% to HK6.53 cents per share
- Net assets per share increased 7.2% to HK$2.08 per share
- Gearing ratio (measured by net borrowings over total capitalisation) was 40%
- Declared interim dividend of HK2.60 cents per share

UNAUDITED RESULTS

The board of directors (the "Directors" or the "Board") of Guangzhou Investment Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") prepared under Hong Kong Accounting Standard 34 "Interim Financial Reporting" for the six months ended 30 June 2008, as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Unaudited Six months ended 30 June	
	Note	**2008**	2007
		HK$'000	HK$'000
Revenue	3	**3,706,878**	2,780,689
Cost of sales	4	**(2,600,234)**	(2,131,781)
Gross profit		**1,106,644**	648,908
Fair value gains on revaluation of investment properties		**11,653**	91,529
Gain on disposal of a subsidiary		**28,552**	—
Impairment of plant and equipment	4	**(246,263)**	—
Selling and distribution expenses	4	**(105,572)**	(82,985)
General and administrative expenses	4	**(386,757)**	(209,813)
Operating profit		**408,257**	447,639
Interest income		**36,845**	14,808
Net foreign exchange gain on financing activities		**313,381**	1,698
Finance costs		**(229,701)**	(162,002)
Share of profits less losses of			
- jointly controlled entities		**(21,095)**	1,870
- associated entities		**207,204**	196,183
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost		**40,988**	—
Profit before taxation		**755,879**	500,196
Taxation	5	**(116,477)**	95,704
Profit for the period		**639,402**	595,900
Attributable to			
Equity holders of the Company		**465,189**	416,740
Minority interests		**174,213**	179,160
		639,402	595,900
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	6		
- Basic		**6.53**	6.12
- Diluted		**6.49**	6.07
Dividend	7	**185,298**	163,616

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	Note	**As at 30 June 2008 Unaudited HK$'000**	31 December 2007 Audited HK$'000
ASSETS			
Non-current assets			
Intangible operating rights		**7,115,085**	6,795,284
Property, plant and equipment		**5,253,779**	5,222,910
Investment properties		**6,283,379**	5,984,228
Leasehold land and land use rights		**4,453,664**	4,277,157
Interests in jointly controlled entities		**419,355**	419,388
Interests in associated entities		**3,773,106**	3,119,252
Goodwill		**124,334**	119,186
Other non-current assets		**—**	17,375
Available-for-sale financial assets		**1,147,307**	979,903
Deferred tax assets		**140,543**	71,240
		28,710,552	27,005,923
Current assets			
Properties under development		**3,573,442**	2,370,664
Properties held for sale		**833,151**	953,934
Leasehold land and land use rights		**4,498,274**	4,399,341
Prepayments for land use rights		**4,181,090**	3,139,344
Inventories		**363,827**	277,307
Trade receivables	8	**733,314**	477,692
Other receivables, prepayments and deposits		**509,019**	835,558
Taxation recoverable		**155,831**	177,575
Charged bank deposits		**660,781**	96,733
Cash and cash equivalents		**4,182,522**	3,587,607
		19,691,251	16,315,755
Non-current assets held for sale		**—**	822,704
		19,691,251	17,138,459

	Note	As at 30 June 2008 Unaudited HK$'000	As at 31 December 2007 Audited HK$'000
LIABILITIES			
Current liabilities			
Trade payables	9	802,521	577,319
Land premium payable		572,749	1,200,083
Other payables and accrued charges		6,758,915	5,155,391
Borrowings		3,333,972	2,550,115
Taxation payable		530,676	452,928
		11,998,833	9,935,836
Liabilities associated with non-current assets held for sale		—	98,748
		11,998,833	10,034,584
Net current assets		7,692,418	7,103,875
Total assets less current liabilities		36,402,970	34,109,798
Non-current liabilities			
Borrowings		10,911,381	10,075,733
Deferred tax liabilities		3,360,112	3,275,377
		14,271,493	13,351,110
Net assets		22,131,477	20,758,688
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		712,678	712,192
Other reserves		9,561,314	8,853,108
Retained earnings			
- Proposed dividend		185,298	178,113
- Others		4,373,681	4,086,662
		14,832,971	13,830,075
Minority interests		7,298,506	6,928,613
Total equity		22,131,477	20,758,688

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2 Accounting policies

The accounting policies adopted are consistent with those of the Company's audited consolidated financial statements for the year ended 31 December 2007.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

- HK(IFRIC)-Int 11, HKFRS 2 — Group and Treasury Share Transactions;
- HK(IFRIC)-Int 12, Service Concession Arrangements; and
- 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 interpretations do not have significant impact on the Group's condensed consolidated interim financial information.

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 Group's toll highways and bridges. Before the adoption of HK(IFRIC)-Int 12, the construction costs of the Group's toll highways and bridges were recorded as tangible infrastructure. Following the adoption of HK(IFRIC)-Int 12, these construction costs shall be recognised as intangible operating rights to the extent that the Group receives a right (a license) to charge users of the public service. In addition, management applies units-of-usage method as amortisation method for the Group's intangible operating rights retrospectively.

As a toll roads contractor, the Group accounts for revenue and costs relating to toll roads construction or upgrade services in accordance with HKAS 11 "Construction Contracts". During the six months ended 30 June 2007 and 2008, no construction work was in progress in relation to the Group's toll highways and bridges. Accordingly, no construction revenue and cost are recognised for the six months ended 30 June 2007 and 2008.

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

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Balance sheet		
Increase in intangible operating rights	**2,955,923**	2,807,912
Decrease in tangible infrastructure	**(2,932,472)**	(2,807,912)
Increase in deferred tax liabilities	**(5,863)**	—
Increase in minority interests	**(12,811)**	—
Increase in retained earnings	**(4,777)**	—

	Six months ended 30 June 2008 HK$'000	Six months ended 30 June 2007 HK$'000
Income statement		
Decrease in amortisation of intangible operating rights	**23,451**	—
Increase in taxation	**(5,863)**	—
Increase in minority interests	**(12,811)**	—
Increase in basic and diluted earnings per share (expressed in HK cents per share)	**0.07**	—

Other than amounts disclosed above, the adoption of HK(1FRIC)-Int 12 does not have a significant impact to the condensed consolidated interim financial information for the six months ended 30 June 2008.

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

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments/revisions to standards and interpretation 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.

3 Segment information

Revenue and segment results for the period are as follows:

Primary reporting format - business segments

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

— Properties and others - development, selling and management of properties and holding of investment properties and others

— Toll operations - development, operation and management of toll highways and bridges

— Paper - manufacturing and selling of newsprint paper

There are no significant sales between these business segments.

Secondary reporting format - geographical segments

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

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

There are no significant sales between these geographical segments.

Primary reporting format — business segments

	Properties and others		Toll operations		Paper		Group	
	Six months ended 30 June							
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**1,717,734**	1,699,079	**493,695**	348,346	**1,495,449**	733,264	**3,706,878**	2,780,689
Segment results	**343,771**	306,780	**256,549**	176,123	**45,213**	(19,430)	**645,533**	463,473
Unallocated operating costs							**(19,565)**	(15,834)
Gain on disposal of a subsidiary	**28,552**	—	**—**	—	**—**	—	**28,552**	—
Impairment of plant and equipment	**—**	—	**—**	—	**(246,263)**	—	**(246,263)**	—
Interest income							**36,845**	14,808
Net foreign exchange gain on financing activities							**313,381**	1,698
Finance costs							**(229,701)**	(162,002)
Share of profits less losses of:								
- jointly controlled entities	**(2,011)**	—	**(19,084)**	1,870	**—**	—	**(21,095)**	1,870
- associated entities	**61,736**	37,170	**145,468**	159,013	**—**	—	**207,204**	196,183
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost							**40,988**	—
Profit before taxation							**755,879**	500,196
Taxation							**(116,477)**	95,704
Profit for the period							**639,402**	595,900
Capital expenditure	**16,158**	59,761	**2,964**	4,594,755	**42,202**	148,492	**61,324**	4,803,008
Depreciation and amortisation	**74,670**	80,549	**116,603**	93,795	**52,365**	44,441	**243,638**	218,785

	Properties and others		Toll operations		Paper		Group	
	As at 30 June 2008	As at 31 December 2007	**As at 30 June 2008**	As at 31 December 2007	**As at 30 June 2008**	As at 31 December 2007	**As at 30 June 2008**	As at 31 December 2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**27,282,027**	24,986,841	**9,767,234**	9,403,559	**6,694,856**	5,918,826	**43,744,117**	40,309,226
Interests in jointly controlled entities	**196,435**	191,515	**222,920**	227,873	**—**	—	**419,355**	419,388
Interests in associated entities	**1,643,279**	1,363,731	**2,129,827**	1,755,521	**—**	—	**3,773,106**	3,119,252
Unallocated assets							**465,225**	296,516
Total assets							**48,401,803**	44,144,382
Segment liabilities	**7,030,587**	6,144,598	**166,768**	144,879	**930,481**	731,351	**8,127,836**	7,020,828
Unallocated liabilities							**18,142,490**	16,364,866
Total liabilities							**26,270,326**	23,385,694

Secondary reporting format — geographical segments

	Revenue		Capital expenditure		Total assets	
	For the six months ended 30 June				**As at 30 June**	As at 31 December
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**44,706**	34,330	**—**	—	**1,926,917**	1,252,508
China	**3,660,184**	2,732,700	**61,324**	4,803,008	**45,965,822**	42,555,820
Overseas	**1,988**	13,659	**—**	—	**43,839**	39,538
	3,706,878	2,780,689	**61,324**	4,803,008	**47,936,578**	43,847,866
Unallocated assets					**465,225**	296,516
Total assets					**48,401,803**	44,144,382

4 Expenses by nature

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

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Amortisation of intangible operating rights	**113,877**	92,001
Amortisation of leasehold land and land use rights	**46,476**	60,959
Depreciation:		
- Owned property, plant and equipment	**83,267**	65,809
- Leased property, plant and equipment	**18**	16
Provision for/(reversal of provision for) doubtful debts	**53,469**	(78,094)
Impairment of plant and equipment	**246,263**	—
Reversal of provision for impairment of properties under development and properties held for sale	**—**	(11,566)

5 Taxation

(a) Hong Kong profits tax has been provided at the rate of 16.5 per cent (2007: 17.5 per cent) on the estimated assessable profit for the period.

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

Gradual changes of applicable tax rate

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

Corporate withholding income tax on dividend distribution

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

(c) China land appreciation tax is levied at progressive rates ranging from 30 per cent to 60 per cent 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/(credited) to the condensed consolidated income statement comprises:

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Company and subsidiaries		
Current taxation		
- Hong Kong profits tax	**3,930**	1,685
- China enterprise income tax	**99,039**	124,418
- China land appreciation tax	**197,817**	30,151
Deferred taxation		
- Origination and reversal of temporary differences	**(201,500)**	(999)
- Effect of change in tax rate	**—**	(250,959)
- Corporate withholding income tax on dividend distribution	**17,191**	—
	116,477	(95,704)

6 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 period.

	Six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**465,189**	416,740
Weighted average number of ordinary shares in issue ('000)	**7,124,566**	6,813,691
Basic earnings per share (HK cents)	**6.53**	6.12

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 period 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.

	Six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**465,189**	416,740
Weighted average number of ordinary shares in issue ('000)	**7,124,566**	6,813,691
Adjustments for share options ('000)	**48,606**	57,220
Weighted average number of ordinary shares for diluted earnings per share ('000)	**7,173,172**	6,870,911
Diluted earnings per share (HK cents)	**6.49**	6.07

7 Interim dividend

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
2008 interim, proposed of HK 2.60 cents (2007: HK 2.30 cents) per share	**185,298**	163,616

8 Trade receivables

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

	As at	
	30 June	31 December
	2008	2007
	HK$'000	HK$'000
0 - 30 days	**398,552**	211,793
31 - 90 days	**206,563**	161,820
91 - 180 days	**43,849**	23,470
181 - 365 days	**37,354**	46,815
Over 1 year	**46,996**	33,794
	733,314	477,692

9 Trade payables

The ageing analysis of trade payables is as follows:

	As at	
	30 June	31 December
	2008	2007
	HK$'000	HK$'000
0 - 30 days	**439,747**	109,559
31 - 90 days	**311,723**	257,029
91 - 180 days	**22,459**	193,915
181 - 365 days	**25,132**	6,831
Over 1 year	**3,460**	9,985
	802,521	577,319

BUSINESS REVIEW

In the first half of 2008, the global economy was highly volatile, with the US subprime crisis continuing to affect the world's financial markets. Although China's economy was not immune from these challenges, to date, the overall economy has been operating under normal conditions as the Chinese government has adopted various macro-economic control measures. During the period, China's GDP saw a year-on-year increase of 10.4% to approximately RMB13,000 billion. Guangzhou GDP saw an increase of approximately 11.9% over the first half of 2007 to RMB373.35 billion, posting an economic growth slightly better than the national average.

During the period, the State adopted various macro-economic control measures to ensure a long-term healthy and stable development of the property market. These measures included raising the bank deposit reserve rate; exercising stringent controls on the credit scale of commercial banks; raising the lending rates for second-time housing purchases; and repossessing idled lands without compensation. Such measures had a deep impact on the property market in China. As a result, certain regions, including Guangzhou where the property business of the Group is mainly located, experienced corrections on a larger scale. In the first half, total area of transaction of commodity housing in Guangzhou saw a year-on-year decrease of 43% to 2.42 million square metres, while the average transaction price stood at a high level, representing a year-on-year surge of 31% to RMB9,925 per square metre. However, such transaction price still represented a downward adjustment of approximately 20% in average as compared to the highest price in October last year.

The Group is mainly engaged in property, toll road and newsprint businesses which are mainly located in Guangzhou, Guangdong Province, China. Since 2002, the core property business of the Group has been charting a healthy development course. In line with the Group's steady and stable investment strategies, and thoroughly taking into consideration the market risks, the Group exercised caution and refrained from substantially increasing its land bank at high prices, particularly in the second half of 2007 when the property market of China was hot. As a result, the current environment of a corrected domestic property market is beneficial to the Group as it will allow the Group to leverage its competitive advantages.

In the first half of 2008, total revenue of the Group amounted to approximately HK$3,707 million, representing a year-on-year increase of 33.3%. Profit attributable to equity holders amounted to HK$465 million, steadily increased by 11.6% over the same period of the previous year. Basic earnings per share increased by 6.7% to approximately HK6.53 cents.

The Board of the Company resolved to declare an interim dividend for 2008 of HK 2.60 cents per share.

The Property Business

Property Sales

In the first half, the Group's sales of property met expected targets amid a plunge in the overall property sales in Guangzhou. The property sales amounted to HK$1,924 million and the corresponding gross floor area ("GFA") posted a slight increase of 3.5% from a year ago to 151,500 square metres, which reflected the fact that the premium quality and location of the Group's properties offset the extent of the slow down in the market.

During the period, recognised sales GFA reached approximately 93,800 square metres with sales revenue of approximately HK$1,054 million. However, recognised average selling price saw a surge of 40% over the first half of 2007 to approximately HK$11,200 per square metre. Gross profit margin amounted to approximately 37%.

Meanwhile, the Group disposed of the remaining portion of Yue Xiu Neo Metropolis Plaza to GZI Real Estate Investment Trust ("GZI REIT") by way of disposal of the property holding subsidiary. The property had a GFA of 61,964.3 square metres. This transaction was completed in June. Taking into account Yue Xiu Neo Metropolis Plaza in calculating the sold area, the property sales GFA of the Group reached 213,500 square metres in the first half, representing an increase of 45.9% over the same period of the previous year; recognised sales GFA reached 155,700 square metres, representing an increase of 4.6% over the same period of the previous year.

During the period, recognised sales GFA and area sold through disposal of a subsidiary are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Victory Plaza (Tower portion)	Office	24,600	Tian He,Guangzhou
Southern Le Sand	Villa/Commercial	19,200	Nan Sha,Guangzhou
Ling Nan Ya Yuan	Residential	11,800	Bai Yun,Guangzhou
Cong Hua Glade Village	Villa	11,100	Cong Hua,Guanghou
Binjiang Yiyuan	Residential	5,700	Hai Zhu,Guangzhou
Springland Garden	Residential	2,900	Hai Zhu,Guangzhou
Other Projects	N/A	18,500	N/A
Sub-total		approx. 93,800	
Yue Xiu Neo Metropolis Plaza	Office/Commercial	61,964	Yue Xiu,Guangzhou
Total		approx. 155,700	

Pre-sold GFA not yet recognised in the income statement amounted to approximately 200,000 square metres, with sales revenue of HK$2,474 million. Details of pre-sold GFA are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Springland Garden	Residential	103,700	Hai Zhu,Guangzhou
Southern Le Sand	Villa	31,800	Nan Sha,Guangzhou
Ke Yi Hao Yuan	Residential	17,000	Hai Zhu,Guangzhou
Cong Hua Glade Village	Villa	15,700	Cong Hua,Guanghou
Ling Nan Ya Yuan	Residential	10,800	Bai Yun,Guangzhou
Other Projects	N/A	21,000	N/A
Total		approx. 200,000	

Land Bank

In January 2008, the Group acquired a residential site in Jin Sha Zhou, Bai Yun District, Guangzhou, at a land auction, with total GFA for development of approximately 160,000 square metres. As a certain amount of land bank was converted to properties under development during the period, the land bank owned by the Group amounted to approximately 3.31 million square metres as at 30 June 2008.

Properties Under Development

During the period, the Group commenced the new development of 180,000 square metres for Block 17 to 22 of Springland Garden, and expected to commence sale in September 2009. On 30 June 2008, properties under development of the Group had a total area of approximately 1.98 million square metres.

Investment Properties

In the first half, the Group sold a portion of investment properties such as commercial properties and car parks amounting to approximately 11,500 square metres. As at 30 June 2008, investment properties owned by the Group amounted to approximately 720,000 square metres. Rental income and revenue from property management business amounted to HK$315 million, representing an increase of 24.3% over the same period of the previous year. During the period, revaluation gain of investment properties amounted to approximately HK$12 million (First half in 2007: HK$92 million).

The Toll Road Business

During the first half of 2008, GZI Transport Limited ("GZI Transport"), the toll road business, overcame various obstacles such as the snowstorms in southern China in early 2008, the devastating earthquakes in Sichuan, surging oil prices and plummets in traffic volumes of Class 1 and Class 2 highways. Profit attributable to equity holders achieved an impressive result and hit a record high of approximately HK$330 million, representing a year-on-year increase of 32%. As the Group holds a 45.28% interest in GZI Transport, its share of profit amounted to HK$149 million.

REIT Business

In the first half of 2008, the Group's interest in units in GZI REIT increased from 31.33% to 35.58% as the Group disposed of the remaining portion of Yue Xiu Neo Metropolis Plaza in the form of a subsidiary to GZI REIT with part of consideration paid by the issue of new units. During the period, GZI REIT saw a steady growth in its operating results. Total distributable income increased by 18.8% to approximately HK$132 million, which brought along distribution of HK$47 million to the Group.

The Newsprint Business

The operation of the newsprint business remained challenging. Despite the Beijing Olympics factors and domestic newsprint prices were raised several times, gross profit margin during the period dipped to 9% as raw material and energy costs continued to rise. During the period of first half in 2008, PM9 with designed annual production capacity of 280,000 tonnes at the Nan Sha Plant proceeded to commercial production successfully. PM5, 6 & 7, with total annual production capacity of 130,000 tonnes at the Hai Zhu Plant, which lacked competitiveness by reason of age, small scale and relative high costs at current circumstance, were considered to be old and underperforming. This lead to an impairment of approximately HK$246 million for the assessment, and resulted in a loss attributable to equity holders of approximately HK$98 million.

BUSINESS OUTLOOK

As China's overall economy maintained its steady growth, we expect such trend may continue in the second half. Meanwhile, as the income of residents continues to grow and the Guangzhou property market will be rationalized, the Group is optimistic in the outlook of the property market in Guangzhou, the third largest city in China.

The Property Business

Currently, total GFA for development owned by the Group amounted to 5.29 million square metres, which were mainly located in Guangzhou. Of such amount, 60% is located in the downtown areas of Guangzhou, which will be the focus of the Group's development in the next two to three years. Due to the prime location of our lands, we stand in a better position to mitigate the impact of adverse market changes and to achieve impressive results amid an overall tough environment in the property market.

Approximately 80% of the GFA sold of 151,500 square metres by the Group in the first half was located in downtown areas in Guangzhou, which demonstrated the advantages of our property projects in downtown areas: strong demand from residents, and the tenability of our prices. Based on the sales situation, the Group adjusted its new development plan. While keeping the development plan for downtown areas unchanged, the Group appropriately delayed the development of property projects in suburban areas, cutting the original plan of 1.18 million square metres to 880,000 square metres. Excluding the newly commenced area of 180,000 square metres in the first half, the Group will commence new development of approximately 700,000 square metres in the second half.

Adding the newly commenced area of approximately 700,000 square metres in the previous year, the aggregated development area for the two years reached 1.58 million square metres, accounting for approximately 60% of the total under development area. The gradually accelerated pace of development was mainly due to the implementation by the management of a number of measures in the past few years that strengthened internal management, shortened development cycle and significantly improved the key points control of the construction process.

As at 30 June 2008, the Group had unpaid land premium of only HK$570 million. It is believed that such item imposed no pressure on the cash flow of the Group. Investment properties sold in the first half amounted to approximately 11,500 square metres. The Group will continue to dispose of certain investment properties with high market value but low rental returns in future so that the capital can be used more efficiently. Currently, the Group has considerable amount of cash which is now planned to be used for increasing quality residential sites in downtown areas, so as to ensure a stable development of the Group.

In future, the Group will adhere to a strategy of stable operation by stringently controlling the level of bank borrowings, continuously enhancing management, accelerating development, and providing housings which meet market demands, with a view to bringing better investment returns to shareholders.

The Toll Road Business

The Group will fully capitalise on its over 10 years of professional experience in the toll road business. With a proactive and pragmatic attitude, the Group will strive to seek opportunities in acquisition, investment and development of quality toll highway projects with high profitability and lucrative returns in the areas with great potential and some hot-spot cities.

REIT Business

In future, the Group will actively plan and develop new projects by capitalising on the experience in the disposal of Yue Xiu Neo Metropolis Plaza to GZI REIT in the first half of 2008. The Group will continuously explore new means of capital operation and will create win-win situations through interaction.

The Newsprint Business

The prospects of the newsprint business are expected to remain gloomy in the second half amid severe market conditions. Accordingly, the management will give consideration to the strategic positioning of this business within the Group.

FINANCIAL REVIEW

Total revenue and gross profit

For the six months ended 30 June 2008, total revenue of the Group increased by 33.3% to approximately HK$3,707million over the same period of the previous year. Overall gross profit margin rose to 30% from 23% of the same period in previous year.

Total revenue from property business amounted to approximately HK$1,718 million, which is similar to that of the same period of the previous year. Gross profit margin increased to 39% as compared to same period of previous year of 21%.

Total revenue from toll road business reported a surge of 42% to approximately HK$494 million when compared with same period in 2007. The increase was mainly attributable to GNSR Expressway Co., with its six months' entire revenue of approximately HK$259 million consolidated to the Group in the first half of 2008 (in the first half of 2007 only post acquisition revenue of the second quarter of GNSR Expressway Co. of HK$120 million was consolidated to the Group). Revenue growth in the first half 2008 was also derived from Xian Expressway, Xiang Jiang Bridge II and Guanghua Highway with their respective growth of 12.5%, 25.8% and 16.7%.

For the newsprint business, following the commencement of commercial production of PM9 at the Nan Sha Plant but excluding 130,000 tonnes production capacity of the underperforming PM5, PM6 and PM7, total production capacity amounted to 600,000 tonnes per annum. Sales during the period reached approximately 390,000 tonnes and the revenue amounted to approximately HK$1,495 million, increased by 104% as compared with same period of previous year. However, gross profit margin dipped to approximately 9% due to rising cost.

Gain on disposal of a subsidiary

On 1 June 2008, the Group completed the disposal of a subsidiary to GZI REIT and received cash of approximately HK$472 million and 65,972,687 new units of GZI REIT. The Group recorded a disposal gain of approximately HK$29 million on this transaction.

While the Group's share of equity interest in GZI REIT increased from 31.33% to 35.58%, 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$2.9 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.

Operating profit

For the six months ended 30 June 2008, The Group's operating profit amounted to approximately HK$408 million, reduced by 8.8% over the same period of HK$448 million in 2007. Operating profit for property business amounted to approximately HK$353 million, increased by 21% over the same period in 2007. Operating profit for toll road business increased by 46% over the same period in 2007. For newsprint business, the operating profit recorded a loss of approximately HK$201 million after the impairment of plant and equipment amounted to approximately HK$246 million was recognized during the period.

Finance costs

For the six months ended 30 June 2008, due to the appreciation of RMB, the Group recognized a net foreign exchange gain on financing activities of approximately HK$313 million(mainly from the HKD bank borrowings of the Company). Excluding the effect of net foreign exchange gain, finance costs of the Group amounted to approximately HK$230 million due to the increase of bank borrowings, representing an increase of 42% over the same period of the previous year.

During the period, the interest coverage (measured by the ratio of earnings before interest, tax, depreciation and amortisation to interest expense) was 4.05 times, higher than the 3.26 times reported in same period of 2007.

Share of profits less losses of associated entities

For the six months ended 30 June 2008, share of after tax profits from associated entities amounted to approximately HK$207 million, increased by 6% over the same period of 2007. It was mainly contributed by toll road business. Humen Bridge's net contribution recorded a 26.9% growth and increased to approximately HK$123 million. As normal toll operation was interrupted by the redevelopment work in progress (upgrade from Class I highway into an expressway), Qinglian Highways continued to post negative result. Northern Ring Road experienced a drop of 11.9% in the first half of 2008 mainly due to repairs and maintenance work in progress of the neighboring GS Superhighway (Shenzhen to Guangzhou direction) since February 2008 for a period of approximately four months which prevented vehicles from traveling through to the Northern Ring Road. Shantou Bay Bridge's first half result in 2008 recorded its first time drop of 14.6% when its tax concession period ended in 2007.

During the period, profit attributable to unit holder of GZI REIT recorded a growth of 104.82% with the Group's equity interest in GZI REIT increased from 31.33% to 35.58%, the Group recorded a share of profit of approximately HK$63 million during the period.

Taxation

For the six months ended 30 June 2008, taxation charge of the Group amounted to approximately HK$116 million. For the same period of the previous year, provision for deferred taxation dropped approximately HK$251 million as the income tax rate under China Income Tax Law was lowered. Excluding this reduction by virtue of a drop in the tax rate, the Group recorded a decrease of 25% in taxation charge over the same period of 2007.

Earnings per share

For the period ended 30 June 2008, the Group's basic earnings per share increased by 6.7% to HK6.53 cents (2007: HK6.12 cents).

Interim dividend

The board of directors of the Company resolved to declare an interim dividend for 2008 of HK2.60 cents(2007: HK2.30 cents) per share payable on 26 November 2008 to shareholders whose names appear on the Register of Members of the Company on 5 November 2008. The dividend payout ratio was 39.83% (2007: 39%).

Liquidity and financial resources

As at 30 June 2008, the Group's working capital (current assets less current liabilities) amounted to approximately HK$7,700 million (31 December 2007: approximately HK$7,100 million). Current ratio was 1.64 times (31 December 2007 : 1.7 times). Cash and cash equivalent amounted to approximately HK$4,200 million (31 December 2007: approximately HK$3,600 million). Undrawn committed bank facilities amounted to approximately HK$7,100 million.

The Group's major sources of liquidity are from recurring cash flows of its businesses and committed bank facilities. The Group insists on the importance of maintaining a healthy and stable liquidity position which is required to meet the demand 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 expanding financing channels, lowering financing costs, and monitoring the capital and debt structure from time to time.

Capital structure

The Group's capital structure is summarized as follow:

	30 June 2008 HK$'000	31 December 2007 HK$'000
Bank borrowings (floating rate)		
Denominated in RMB	**7,810,617**	6,633,992
Denominated in Euro dollars and other currencies	**1,224,280**	1,135,994
Denominated in United States dollars	**108,971**	66,088
Denominated in Hong Kong dollars	**4,253,500**	4,401,494
Total bank borrowings	**13,397,368**	12,237,568
Unsecured other borrowings	**847,709**	387,818
Finance lease	**80**	100
Overdrafts	**196**	362
Total debts	**14,245,353**	12,625,848
Ageing analysis:		
Repayable within one year	**3,333,972**	2,550,115
In the second year	**5,484,546**	6,280,623
In the third to fifth year	**1,494,294**	1,217,196
Over five year	**3,576,731**	2,244,494
With no fixed repayment terms	**355,810**	333,420
Total debts	**14,245,353**	12,625,848
Less: Bank balances and cash	**(4,182,522)**	(3,587,607)
Net borrowings	**10,062,831**	9,038,241
Shareholders' equity(excluding minority interests)	**14,832,971**	13,830,075
Total capitalisation	**24,895,802**	22,868,316
Gearing ratio	**40%**	40%

During the period, bank borrowings increased by approximately HK$1,300 million, mainly for financing the Group's property projects development. Of which approximately HK$6,100 million of the Group's bank borrowings were secured while 24% of the bank borrowings will be due for repayment within one year.

Capital expenditures and investments

During the first six months of 2008, an acquisition of an additional 2.78% equity interest in Humen Bridge Co. was completed with capital expenditure amounting to appromixately HK$194 million being the balance consideration of the said acquisition (a deposit of approximately HK$17 million was paid in late 2007).

Apart from the aforesaid, the capital expenditures on property, plant and equipment, intangible operating rights and investment properties amounted to approximately HK$61 million.

Interest rate exposure

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

Foreign exchange exposure

As the business operations of the Group are mainly based in Mainland China, income and cash flows are primarily (excluding GZI Transport) denominated in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings. The Group's financing strategy is to raise funding in HK dollars or other currencies, and further invest in RMB-denominated assets in Mainland China, thereby reducing the Group's overall borrowing costs and at the same time enjoying the leverage provided by the appreciation of RMB. Currently RMB is keeping a continued stable trend, and the currency exposure is therefore considered to be minimal for the Group. 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 commitment

As at 30 June 2008, the Group had financial commitments in respect of equity capital to be injected into a jointly controlled entity and an associated entity of approximately HK$119 million (31 December 2007: HK$306 million).

Other than the above, the Group also had capital commitments in respect of property, plant and equipment amounted to approximately HK$1,473 million as at 30 June 2008 (31 December 2007: HK$1,531 million).

Contingent liabilities

The Group provided guarantees in respect of mortgage facilities granted by certain bank 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 purchaser, 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. As at 30 June 2008, total contingent liabilities relating to these guarantees amounted to HK$881 million (31 December 2007: 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 indemnity GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately HK$88 million. The Deed of Indemnity will expire on 30 May 2014.

Employees and remuneration policy

As at 30 June 2008, the Group had approximately 9,500 employees (31 December 2007: 9,350 employees), of whom approximately 9,180 employees (31 December 2007: 9,020 employees) were primarily engaged in the properties, toll roads and newsprint business. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees 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 GZI Transport, 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 GZI Transport. These obligations have been duly complied with for the period ended 30 June 2008.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2008, except for the following deviations:

Code Provision A.2.1

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

As at 30 June 2008, Mr. Ou Bingchang was then the Chairman and General Manager of the Company. The Chairman is responsible for overseeing the operation of the Board and providing leadership and direction towards achieving the Company's objectives. In contrast the General Manager of the Company is responsible for the operation of the business under the direction of the Board and the implementation of the policies and strategies set by the Board. The combination of the roles of the Chairman and the General Manager in one person is intended to ensure that the Board is in full control of the affairs of the Company and that the policies and strategies set by the Board would be efficiently and effectively implemented.

At the board meeting of the Company held on 31 July 2008, Mr. Ou Bingchang resigned as Chairman and General Manager of the Company with effect from 31 July 2008. On the same date, Mr. Lu Zhifeng was appointed as Chairman of the Company and Mr. Zhang Zhaoxing was appointed as Vice Chairman and General Manager of the Company. Accordingly, the deviation ceased to apply upon the appointment of the new Chairman and the new General Manager.

Code Provision A.4.1

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

The Audit Committee and the Company's auditor, PricewaterhouseCoopers, have reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3 November 2008 to Wednesday, 5 November 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 4:00 p.m. on Friday, 31 October 2008.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

By order of the Board
Lu Zhifeng
Chairman

Hong Kong, 17 September 2008

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

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