越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Stock Code: 123)

(Incorporated in Hong Kong with limited liability)

Announcement of 2005 Results

Chairman's Statement

The Group's major business operations are centered around the Guanghzou Municipality and its vicinity. In 2005, the Group benefited from the sustaining growth in Guangzhou's economy, and achieved satisfactory results in various business operations. Attributable profit to shareholders increased to HK$2.528 billion, representing an increase of 827% compared to 2004. Earnings per share is approximately HK$0.39, an increase of approximately 676% compared to 2004. The Board recommends a dividend of HK$0.08 per share for the year.

On December 21st 2005, the Group obtained approval from The Securities and Futures Commission and The Stock Exchange of Hong Kong Limited to spin-off a portfolio of 4 grade A office and prime commercial investment properties including White Horse Building for an aggregate area of approximately 160,000 in the form of a real estate investment trust. The spin-off of GZI REIT (stock code:405) brought HK$3.3 billion cash to the Group and a HK$2 billion profit, resulting in significant contribution to the Group in terms of cash flow, capital structure, net asset value as well as profit, and realised the market value of the Group's investment properties.

As a result of the changes in Hong Kong accounting standards which requires the change of profit recognition from percentage completion method to recognition upon full completion of the project, the Group's book sales of GFA decreased to approximately 129,200 square meters, and book sales revenue also decreased to HK$1.247 billion; representing a reduction of 58.52% and 37% respectively. However, with the improvement in rental revenue in both Hong Kong and Guangzhou (approximately HK$520 million, an increase of 20% compared to 2004), a revaluation gain of HK$790 million was recorded for the Group's properties .

During the period, profit attributable to shareholders from toll road operations amounted to HK$306 million, representing an increase of 10.4% compared to 2004. Attributable profit to shareholders from Newsprint operation recorded an amount of HK$33.0 million, an increase of 3.09% compared to 2004.

Looking into the future, Guangzhou Municipality in which the Group's major businesses are located, is expected to accelerate the development of various industries such as automobile manufacturing, heavy industry and logistics, exhibitions and conventions, financial and intermediaries, cultural and other services, etc; the object of which is to position Guangzhou Municipality as the economic hub of Southern China . Economic developments take business development opportunities in its stride. In light, the Group's future development strategy will be:

To proactively consider and, when the right opportunity arises, to prepare for the spin- off of the newsprint operation in Hong Kong, rationalizing the Group's segment structure and improving transparency of its business operations, and also providing a platform for the development of the newsprint business.

Focusing on Property business, maximize the advantage in the abundance of land reserve - planned development for 2006 shall increase to 2.6 million square meters, and in response to the keen demand for residential units in the old town area, more high quality residence units shall be delivered. Anticipated supply of GFA available for sale in 2006 would be approximately 550,000 square meters.

Strengthen the operations of commercial properties — with a full understanding on the implications of the Central Government's series of macro economic policies targeting to prevent overheating in the property market, the Group shall accordingly implement a consistent policy to expand its investment property portfolio in line with the market conditions, but fully aware of the operating risks, and take appropriate expansion in commercial property operation, achieving flexibility for sale or lease. After the spin-off of GZI REIT, the Group still maintains a portfolio of approximately 450,000 square meters of investment properties mainly in commercial properties and offices. Commercial properties under development in 2006 shall increase to about 1.1 million square meters, all located in business centers or prosperous districts in Guangzhou. Also, the Group had successfully secured the development right for the West Tower of the Mega Twin Towers in Pearl River New City, the GFA deliverable is approximately 400,000 square meters. The project is expected to become the tallest building of Guangzhou, and is currently under preliminary preparatory work. Over the next few years, the Group is expected to gradually increase its portfolio to approximately 2 million square meters of investment properties. The Group has granted a first right of refusal to GZI REIT when it was listed. We would make full use of the various properties that fits the description of this first right of refusal in interaction with the GZI REIT. We would offer these properties the GZI REIT on a first refusal basis on the same terms and conditions offered to the Group and in compliance with applicable law and regulations, , achieving a win/win situation for both parties.

Appropriately develop other downstream operations, maintaining long term stable development and return.

Guangdong Province shall continue to expand its highway network over the coming years, and as long as the appropriate rate of return can be achieved, the Group shall actively participate in investments.

The Group shall execute the above series of business development measures, and strive to improve its competitive capabilities, increase operating efficiency, compress costs, seize market opportunities, and thereby bringing better return to shareholders.

I take this opportunity to express our gratitude to all Directors, Senior Management, and all staff members for their contribution to the Group. And I cordially thank all Shareholders and friends in the banking and business community for their support and assistance to the Group.

Ou Bingchang
Chairman

Hong Kong, 25th April 2006

RESULTS

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Note	**2005**	**2004 Restated**
		HK$'000	*HK$'000*
Turnover	2	3,954,998	4,544,209
Cost of sales		(2,901,608)	(3,585,893)
Gross profit		1,053,390	958,316
Gain on disposal of subsidiaries		2,028,993	—
Revaluation surplus on investment properties		798,919	76,750
Other gains		281,718	164,392
Selling and distribution expenses		(190,019)	(178,451)
General and administrative expenses		(809,484)	(406,996)
Operating profit	4	3,163,517	614,011
Interest income		52,107	35,970
Finance costs	5	(301,746)	(112,512)
Share of profits less losses of			
- jointly controlled entities		38,210	(29,228)
- associated companies		202,062	151,942
Profit before taxation		3,154,150	660,183
Taxation	6	(270,477)	(109,605)
Profit for the year		2,883,673	550,578
Attributable to			
Equity holders of the Company		2,527,765	272,736
Minority interests		355,908	277,842
		2,883,673	550,578
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents per share)			
- Basic	7	39.54 cents	4.32 cents
- Diluted		38.94 cents	4.25 cents
Dividend	8	575,439	109,797

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2005

	Note	**2005**	**2004 Restated**
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Interests in toll highways and bridges		1,980,017	2,040,020
Other intangible assets		—	(526,739)
Property, plant and equipment		1,217,567	1,351,352
Investment properties		3,698,437	4,775,305
Leasehold land and land use rights		4,372,994	4,778,439
Interests in jointly controlled entities		685,729	643,435
Interests in associated companies		3,089,126	1,757,991
Deferred tax assets		67,980	56,199
Trade receivables, non-current portion		108,201	104,900
Available-for-sale financial assets		354,912	—
Other investments		—	261,347
		15,574,963	15,242,249
Current assets			
Properties under development		2,668,674	2,343,360
Properties held for sale		682,448	1,304,257
Leasehold land and land use rights		3,190,945	3,429,014
Other assets held for sale		397,000	—
Inventories		319,105	195,288
Amounts due from related companies		1,510	3,234
Trade receivables	9	431,675	457,868
Other receivables, prepayments and deposits		415,744	594,136
Tax recoverable		22,447	—
Charged bank deposits		164,892	70,747
Bank balances and cash		3,226,238	830,910
		11,520,678	9,228,814
LIABILITIES			
Current liabilities			
Trade payables	10	374,190	414,493
Land premium payable		617,319	729,410
Other payables and accrued charges		3,947,608	3,054,229
Amount due to ultimate holding company		148,626	—
Amounts due to related companies		45,333	—
Amounts due to jointly controlled entities		83,559	123,442
Amounts due to associated companies		119,938	112,150
Amounts due to minority shareholders		47,146	186,831
Borrowings		1,535,099	2,046,850
Derivative financial instruments		—	29,021
Taxation payable		78,589	133,798
		6,997,407	6,830,224

	Note	2005	2004 Restated
		HK$'000	HK$'000
Net current assets		4,523,271	2,398,590
Total assets less current liabilities		20,098,234	17,640,839
Non-current liabilities			
Borrowings		3,933,321	4,038,412
Deferred tax liabilities		2,225,426	3,130,532
		6,158,747	7,168,944
Net assets		13,939,487	10,471,895
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		651,894	635,160
Other reserves		5,813,273	5,770,281
Retained earnings			
- Proposed dividend		467,041	57,266
- Others		3,456,553	557,999
		10,388,761	7,020,706
Minority interests		3,550,726	3,451,189
Total equity		13,939,487	10,471,895

NOTES TO THE FINANCIAL STATEMENTS

1 Change of accounting policies

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets

HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases — Incentives
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int 3	Revenue - Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 21, 23, 24, 27, 28, 31, 33, HKAS-Int 15, HKFRS 5 and HK-Int 4 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and jointly controlled entities and other disclosures.

— HKASs 2, 7, 8, 10, 23, 27, 28, 31, 33 and HKAS-Int 15 and HK-Int 4 had no material effect on the Group's policies.

— HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

— HKFRS 5 has affected the classification and valuation of non-current assets.

The adoption of HKAS 16 has resulted in a change in the accounting policy relating to the rental income from incidental operations occur before or during the construction of properties. Rental income from incidental operations occur before or during construction were recognised in the income statement. The Group applied this new policy retrospectively and accordingly the 2004 comparative figures had reflected the retrospective effect of the change.

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights to operating leases from properties under development, properties held for sale and property, plant and equipment. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. Lease payments that are incurred during the construction period of properties under development can be considered as qualifying asset and may be capitalised as part of properties under development. In prior years, the leasehold land included in leasehold land and buildings was accounted for at cost less accumulated deprecation and accumulated impairment losses; the land use rights included in properties under development and properties held for sale were accounted for at the lower of cost and net realisable value. The transitional provisions require retrospective application of this new policy and accordingly the 2004 comparative figures had reflected the retrospective effect of the change.

The adoption of HKASs 32, 39 and 39 (Amendment) has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit and loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of investment properties of which the changes in fair values are recorded in the income statement with effect from 1st January 2005. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale. The transitional provisions require retrospective application of this new policy and accordingly the 2004 comparative figures reflected the retrospective effect of the change.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st January 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7th November 2002 and had not yet vested on 1st January 2005 was expensed retrospectively in the income statement of the respective periods.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill and negative goodwill. Until 31st December 2004, goodwill was amortised on a straight-line basis over a maximum period of 20 years and assessed for an indication of impairment at each balance sheet date; negative goodwill not relating to any identifiable future losses or expenses at the date of acquisition and not exceeding the fair value of the non-monetary assets acquired, was recognised in the income statement over the period of utilisation of those assets. The transitional provisions of HKFRS 3 allow retrospective application of this new policy under certain situations, which are not applicable to the Group, and accordingly the 2004 comparative figures had not reflected the effect of this change. In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1st January 2005, with accumulated amortisation as at 31st December 2004 being eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31st December 2005 onwards, goodwill will be tested annually for impairment, as well as when there is indication of impairment; excess of interest of the Group's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition over the cost of an acquisition is recognised in the income statement. Negative goodwill of approximately HK$526,739,000 as at 31st December 2004 has been transferred to retained earnings on 1st January 2005.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38 and no adjustment resulted from this reassessment.

The adoption of HK-Int 3 has resulted in a change in the accounting policy relating to revenue recognition arising from the sale of properties. Such revenue is recognised only upon completion of the related sale agreement, which refers to the time when properties are completed and delivered to the buyers. Until 31st December 2004, revenue from the sale of properties under development was recognised according to the percentage of completion method and the sale of other properties was recognised upon signing of sale and purchase agreements. The transitional provisions allow retrospective application of this new policy. However, the Group has chosen to apply this standard prospectively on 1st January 2005 as the management considered that it is impracticable to reflect the retrospective effect.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

— HKAS 16 under which the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transaction;

— HKAS 21 which requires prospective application for accounting goodwill and fair value adjustments as part of foreign operations;

— HKAS 32 and 39 which does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to other investments for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, if any, are determined and recognised at 1st January 2005;

— HKAS 40 since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property;

— HKAS-Int 15 which does not require the recognition of incentives for leases beginning before 1st January 2005;

— HKFRS 2 which only requires retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005;

— HKFRS 3 which is applied prospectively; and

— HK-Int 3 which allows prospective application.

2 **Turnover, revenue and segment information**

The Group is principally engaged in development, operation and management of toll highways and bridges, development, selling and management of properties and holding of investment properties and manufacturing and trading of newsprint. Revenues recognised are as follows:

	2005	**2004 Restated**
	HK$'000	*HK$'000*
Turnover		
Toll revenue from toll operations	424,845	400,212
Property management fee income	137,050	114,610
Rental income		
- Properties	408,211	367,050
- Car park	111,550	67,804
Sales revenue		
- Sales of properties	1,247,447	1,987,231
- Sales of newsprint	1,194,252	1,240,693
- Others	431,643	366,609
	3,954,998	4,544,209

Turnover and segment results for the year are as follows:

Primary reporting format - business segments

The Group operates mainly in Hong Kong and Mainland China ("China") and in three main business segments:

- Properties - development, selling and management of properties and holding of investment properties
- Toll operations - development, operation and management of toll highways and bridges
- Paper - manufacturing and selling of newsprint paper

There are no significant sales between the business segments.

Secondary reporting format - geographical segments

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

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

There are no significant sales between the geographical segments.

Primary reporting format - business segments

	For the year ended 31st December							
	Toll operations		**Properties**		**Paper**		**Group**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
		Restated		**Restated**		**Restated**		**Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	424,845	400,212	2,335,901	2,903,304	1,194,252	1,240,693	3,954,998	4,544,209
Segment results	130,479	155,431	3,022,868	413,489	96,820	94,947	3,250,167	663,867
Interest income							52,107	35,970
Loss on deemed disposal of certain interests in a subsidiary							(1,441)	(481)
Unallocated operating costs							(85,209)	(49,375)
Finance costs							(301,746)	(112,512)
Share of profits less losses of:								
- A jointly controlled entity	40,014	13,772	(1,804)	(36,793)	—	—	38,210	(29,228)
- Associated companies	184,414	151,942	17,648	—	—	—	202,062	151,942
Profit before taxation							3,154,150	660,183
Taxation							(270,477)	(109,605)
Profit for the year							2,883,673	550,578
Capital expenditure	300	3,788	474,171	133,368	383,265	68,303	857,736	205,459
Depreciation and amortisation	108,448	113,992	160,977	100,909	68,844	119,015	338,269	333,916

Primary reporting format - business segments

	As at 31st December							
	Toll operations		Properties		Paper		Group	
	2005	2004 Restated	2005	2004 Restated	2005	2004 Restated	2005	2004 Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,488,584	2,418,254	17,398,149	17,934,848	2,127,807	1,553,947	21,994,540	21,907,049
Interests in jointly controlled entities	475,549	422,892	1,196,843	220,545	—	—	1,672,392	643,435
Interests in associated companies	1,686,542	1,671,842	128,800	88,506	—	—	1,813,342	1,760,348
Unallocated assets							1,615,367	160,231
Total assets							27,095,641	24,471,063
Segment liabilities	610,764	732,535	6,743,262	6,588,288	1,014,947	483,538	8,368,973	7,804,361
Unallocated liabilities							4,787,181	6,194,807
Total liabilities							13,156,154	13,999,168

Secondary reporting format - geographical segments

	For the year ended 31st December				As at 31st December	
	Turnover		Capital expenditure		Total assets	
	2005	2004 Restated	2005	2004 Restated	2005	2004 Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	228,702	451,356	2,122	28,253	1,460,136	1,407,288
China	3,724,429	4,066,706	855,614	177,206	23,984,427	22,856,962
Overseas	1,867	26,147	—	—	35,711	46,582
	3,954,998	4,544,209	857,736	205,459	25,480,274	24,310,832
Unallocated assets					1,615,367	160,231
Total assets					27,095,641	24,471,063

4 **Operating Profit**

Operating profit is determined after charging and crediting the following:

	2005	2004 Restated
	HK$'000	*HK$'000*
Crediting:		
Dividend income	—	14,904
Excess of the fair value of additional interests in a subsidiary and an associate over acquisition, cost	198,214	—
Charging:		
Advertising expenses	143,756	129,997
Cost of inventories sold	2,317,346	3,202,685
Depreciation:		
- Owned fixed assets	28,315	148,544
- Leased fixed assets	34	23
Amortisation/depreciation of interests in toll highways and bridges	106,051	104,681
Amortisation of leasehold land and land use rights	103,869	122,475

5 **Finance costs**

	2005	2004 Restated
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	220,369	135,656
Interests on		
- amount due to a minority shareholder of a subsidiary	66,313	4,643
- loan from the ultimate holding company	—	3,455
- loans from related companies	3,295	1,031
- other loans	45,365	23,126
Total borrowing costs incurred	335,342	167,911
Less: amount capitalised to properties held for/under development	(33,596)	(55,399)
	301,746	112,512

6 **Taxation**

(a) Hong Kong profits tax has been provided at the rate of 17.5 per cent (2004: 17.5 per cent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated companies and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law") at rates ranging from 18 per cent to 33 per cent. Under the China Tax Law, certain of the Group's subsidiaries, associated companies and jointly controlled entities in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years.

(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 expenditures including costs of land and development and construction expenditures.

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

	2005	2004 Restated
	HK$'000	*HK$'000*
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	2,133	1,547
China enterprise income tax	67,187	135,656
China land appreciation tax	12,419	68,295
Under provision in prior years	6,525	5,296
Deferred taxation relating to the charge/(reversal) of temporary differences	182,213	(101,189)
Deferred taxation resulting from an increase in tax rate	—	—
	270,477	109,605

7 **Earnings per share**

Basic

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

	2005	2004 Restated
Profit attributable to equity holders of the Company (HK$'000)	2,527,765	272,736
Weighted average number of ordinary shares in issue ('000)	6,392,162	6,318,186
Basic earnings per share (HK cents)	39.54	4.32

Diluted

Diluted earnings per share is calculated 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 done 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. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005	2004 Restated
Profit attributable to equity holders of the Company (HK$'000)	2,527,765	272,736
Weighted average number of ordinary shares in issue ('000)	6,392,162	6,318,186
Adjustments for - share options ('000)	99,097	106,215
Weighted average number of ordinary shares for diluted earnings per share ('000)	6,491,259	6,424,402
Diluted earnings per share (HK cents)	38.94	4.25

8 **Dividend**

	2005	2004 Restated
	HK$'000	*HK$'000*
Interim, paid, of HK$0.01 (2004: HK$0.0083) per ordinary share	64,028	52,531
Dividend in specie, paid, 16,269,505 units of GZI Real Estate Investment Trust	44,370	—
Final, proposed, of HK$0.02 (2004: HK$0.009) per ordinary share	133,440	57,266
Special proposed, of HK$0.05 (2004: nil) per ordinary share	333,601	—
	575,439	109,797

At a meeting held on 25th April 2006, the directors proposed a final dividend and special dividend of HK$0.02 and HK$0.05 respectively per ordinary share. This proposed dividends are not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.

9 **Trade receivables**

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

	2005	2004 Restated
	HK$'000	*HK$'000*
0 - 30 days	117,983	174,569
31 - 90 days	92,634	76,788
91 - 180 days	40,969	81,345
181 - 365 days	45,295	43,789
Over 1 year	134,794	81,377
	431,675	457,868

10 **Trade payables**

The ageing analysis of the trade payables were as follows:

	2005	2004 Restated
	HK$'000	*HK$'000*
0 - 30 days	103,911	32,433
31 - 90 days	52,172	70,560
91 - 180 days	14,714	24,008
181 - 365 days	41,454	65,755
1 - 2 years	20,047	39,243
Over 2 years	141,892	182,494
	374,190	414,493

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Review

Mainly benefiting from the spin off of approximately 160,000 square meters of investment properties including White Horse Building on 21st December 2005 through the listing of a Real Estate Investment Trust, apart from still owing 31% of the Trust Units, there is also a receipt of HK$3.3 billion in cash; attributable profit to shareholders increased by 827% to HK$2.528 billion; earning per share increased by 676% over last year to HK$0.39 and NAV per share increased by 40% over last year to HK$1.59. The overall financial position of the Group has been substantially improved. There is a recommended dividend for the year at HK$0.08 per share, an increase of 362% compared to last year; of which interim dividend was HK$0.01 and final dividend being HK$0.02 and a special dividend of HK$0.05.

Property business

According to the changes in accounting rules in Hong Kong in 2005, the Group's property sales recognition basis was changed from "degree of completion" to "completed delivery". As a result, floor space book sales during the period reduced to 129,200 square meters from 311,500 square meters last year, while sales proceeds reduced to HK$1.247 billion from HK$1.987 billion last year, representing a drop of 58.52% and 37%, respectively.

However, taking into account the un-booked pre-sold floor space of 152,100 square meters and sales proceeds of HK$882 million, as well as the sales to GZI Real Estate Investment Trust (GZI REIT) of 160,000 square meters at a sales proceeds of approximately HK$4.36 billion, actual floor space sold for the period amount to 441,300 square meters and sales proceeds was HK$6.491 billion, representing an increase of 41.67% and 226.67%, respectively.

Starting from last year, the Group had been implementing a policy of "balanced development in residential and commercial property", and appropriately expanded commercial property portfolio, apart from realizing the true value of the investment properties through the spin-off of GZI REIT, rental income also reached HK$520 million, an increase of 20% compared to last year.

Other businesses

During the period, the Group's toll road operation realized a turnover of HK$425 million, an increase of 6.2% compared to last year, the attributable profit in associated companies amounts to HK$184 million, an increase of 20.9% compared to last year; the jointly controlled entity GSNR had outstanding performance, contributing HK$40 million to the Group's attributable profit from the entity, a 295.7% increase compared to last year. The GWSR project which the Group participated 35%, is expected to be in operation by the end of 2006, earlier than expected; by that time the Groups' operating income is expected to further increase.

During the period, despite the competition from increased newsprint production in the country affecting sales to decrease to 275,00 tons, a drop of 11.58% compared to last year, but with the increase in market price and the strengthening of cost control by the Group and improvements made to production, attributable profit to shareholders increased by 3.09% to HK$33.04 million for the period.

Future development strategy and business outlook

In 2005 Guangzhou Municipality where most of the Group's businesses are located, has a GDP reaching RMB511.575 billion, an increase of 13% compared to the previous year. Economic development remained positive, and fixed assets investments continued to be strong; with keen internal demand, overall property price increased 10.7% compared to the previous year, and average transaction price reached RMB5,114 per square meter, a breakthrough of the RMB5,000 ceiling for the first time since 2000.

At the same time, with full awareness of the series of measures implemented by the Central Government to prevent overheating in the property market, the Group shall accordingly implement a consistent business strategy in line with the changes in the market condition. The future strategy shall be: streamlining of organization, increase transparency, and on the basis of mainly developing residential property, making best use of the interaction in commercial properties between the Group and GZI REIT, to purse win/win situation while at the same time paying high attention to operating risk prevention. And looking into the future:

1. the Group is actively investigating to spin-off the newsprint operation in Hong Kong at an appropriate time, allowing the Group to concentrate its attention on property and infrastructure business and improve transparency; at the same time allowing the newsprint operation to have an independent platform, which is advantageous to its own development.

2. the Group will make use of the advantage of the vast land reserve: planned property development floor space for 2006 shall be expanded gradually to 2.6 million square meters. Seizing the opportunity of robust market condition in Guangzhou with a rising property price, and in response to the keen demand for residential properties, appropriate sales expansion plan is adopted to increase sale. The expected floors space sales target would be approximately 550,000 square meters for 2006, mainly on residential units and an appropriate portion of villas. Major projects on sale include: Jiangnan New Mansion, Springland Garden, Xing Hui Ya Yuan (Happy Valley), Binjiang Yiyuan, Glade Village and Southern Le Sand. Between 2006 and 2007, the target is to complete approximately 1.2 million square meters of GFA, and the increase in sales would mainly come from residential projects like Jiang Nan New Mansion Phase 4, sector 1.4 Jiang Nan New Mansion Phase 3 section 7.

3. the Group shall accelerate the development of commercial properties. Currently the properties under construction is approximately 1.1 million square meters , including mainly the 2 office towers of Victory Plaza, Yue Xiu City Plaza, Yue Xiu New Metropolis Plaza, Asian Pacific Century Plaza and Nansha Commercial Centre etc. With the securing of the West Tower of the Mega Tower project in Pearl River New City (total GFA under development would amount to approximately 400,000 square meters), together with the Group's current portfolio of investment properties of over 400,000 square meters, over the next few years, the Group is able to own or complete around 2 million square meters of investment commercial properties and offices. At the time of the spin off of GZI REIT, the Group granted a First Right of Refusal to the GZI REIT, and the Group shall consider to make full use of these properties that fulfill the acquisition conditions in interaction with the GZI REIT; under similar terms and conditions, these properties shall be firstly considered by the GZI REIT for acquisition and mutual growth, thus achieving a win/win situation.

4. on the toll road operation: the Group shall continue to focus on the investment on Expressways, and with the high growth in highway network for the Guangdong Province in the coming years, as long as the return is appropriate, the Group shall actively seek to participate in such investments.

5. the Group shall also reorganize some of its businesses with good potentials, such as supermarket operation and car park operations etc., to grow these businesses, and at the appropriate time realize their potential value.

FINANCIAL REVIEW

Analysis of results

For the year ended 31st December, 2005, profits attributable to shareholders of the Group were approximately HK$2,527,765,000, increased by 826.8% from 2004. The significant increase in profits attributable to shareholders was mainly attributable to the fact that the Company established GZI Real Estate Investment Trust by injection of four high quality investment properties, including White Horse Building, and successfully spun off from the Group and separate listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 405) to raise tremendous funds and release a huge amount of profits. Basic earnings per share of the Group were HK$0.39, increased by 676% from 2004.

Turnover

Turnover of the Group for the year ended 31st December, 2005 was approximately HK$3,954,998,000, decreased by 13.0% from 2004. This was mainly attributable to the effect of a change in the accounting policy for recognising revenue from the sales of development properties of the property business.

Pursuant to the new Hong Kong Financial Reporting Standards implemented in 2005, revenue recognition for the sale of properties has been changed from the percentage of completion method to accounting for upon completion. Under the new method, the nominal sales area recognised for the year 2005 was approximately 129,200 square metres and the property sales income recognised was approximately HK$1,247,447,000. For 2004, the sales area recognised based on the percentage of completion method was approximately 311,500 square metres. The property sales income recognised was approximately HK$1,987,231,000. Despite the effect of the change in the accounting policy, property sales income for 2005 increased slightly over 2004. As the Group strengthened the asset enhancement of investment properties to continuously increase the value of investment properties, property rental income increased by 20% to approximately HK$519,761,000 over 2004. This initially reflected the achievement of the successful transformation of the single-line property business into the comprehensive commercial property business.

For the toll road business, through enhancement of toll road services' quality, intensify toll inspection strength, heighten collection effectiveness, exploration of new toll road network in the Guangdong Province and surrounding provinces to partial Class I and II toll highways, the toll road's turnover for 2005 grew 6.2% over 2004 to approximately HK$424,845,000.

For the newsprint business, because of intense competition in the industry, turnover for the newsprint business for the year slightly decreased by 3.7% to HK$1,194,252,000 over 2004.

Gross Profit

The property and newsprint business of the Group have been respectatively affected by the change in new Hong Kong Accounting Standards and the intensive competition in the industry. Nevertheless, through strengthening corporate management and actively and effectively reducing costs, the Group recorded a gross profit of approximately HK$1,053,390,000, increased by 9.9% from 2004.

Sales and Administration Expenses

Sales and administration expenses of the Group for 2005 were approximately HK$999,503,000, increased 70.7% from 2004. The increase was related to the direct recognition of expenses of new projects for the previous period in the profit and loss account and was also affected by an increase in the share option expenses.

Valuation of Investment Properties

In 2005, benefiting from a pickup in the property market, the investment properties of the Group were revalued and recorded a surplus on revaluation of approximately HK$798,919,000.

Finance Costs

As affected by continuous increase in interest rates by banks, the finance costs of the Group for 2005 increased by 168.2% to HK$301,746,000 over 2004. However, following the separate listing of the GZI Real Estate Investment Trust on the Hong Kong Stock Exchange, the funds raised were mainly used for repayment of bank borrowings. In December 2005, the Group repaid bank borrowings of HK$1.5 billion, thereby significantly reducing the Group's bank borrowings. The interest expenses saving will be reflected in subsequent years, which would effectively offset the financial pressure created as a result of rising of interest rate.

Share of Results of Associated Companies and Jointly Controlled Entities

During the period, the Group's share of profits of associated companies increased by 33.0% to HK$202,062,000. This was mainly attributable to the toll road business benefiting from an increase in the income from toll road and a reduction in the operating tax rate since June 2005. Because of the positive impact of an improvement in surrounding highway networks on the GNSR Expressway, the Group's share of profits of jointly controlled entities amounted to HK$38,210,000.

Taxation

After the elimination of the taxation impact of the separate listing of GZI Real Estate Investment Trust, the tax expense of the Group increased from approximately HK$109,605,000 in 2004 to approximately HK$270,477,000. This was mainly attributable to the deferred tax provided as a result of the revaluation of investment properties.

Final Dividend

The Directors recommended the payment of final dividend of HK$0.02 (2004: HK$0.009) per share and a special dividend of HK$0.05 to shareholders whose names appear on the register of members of the Company on 15th June 2006. Subject to the approval of shareholders at the Annual General Meeting to be held on 15th June 2006, the final dividend and special dividend will be paid on or about 26th June 2006. Together with the interim dividend of HK$0.01 (2004: HK$0.0083) per share, total dividends for the year ended 31st December 2005 will amount to HK$0.08 (2004: HK$0.0173) per share.

Interest Rate Exposure

Interest expenses accounted for a significant proportion of the Group's total expenses. As a result of this, the Group monitors its interest rate exposures closely and appropriate interest rate hedging measures will be adopted.

Foreign Exchange Exposure

Since the Group's principal operations are in China and most of the income is denominated in Renminbi, the Group is aware of possible currency exchange risk exposure. As such, the Group's hedging strategy is to use as much as practicable re-invested profits and debt financing denominated in Renminbi to match with the Renminbi capital expenditure requirements. Therefore, the Group aims to have minimal mismatches in currency and does not speculate in currency movements. Nevertheless, during the period when interest rate of

Renminbi loan stands higher than foreign currency loan, the Group may consider equity and debt financing denominated in foreign currency as an alternative source of funding investment projects, in which the case, appropriate currency hedging measures will be adopted.

Employees and Remuneration Policy

As at 31st December 2005, the Group employed approximately 7,900 employees (2004: 7,080 employees), of whom approximately 7,800 employees (2004: 6,980 employees) were primarily engaging 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. The Group has also adopted share option schemes, which award it employees according to the performance of the Group and individual employees. Promotion and salary adjustments are based on a performance related basis.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code Provisions") contained in Appendix 14 of the Rules Governing the listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31st December 2005, 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.

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

Code Provisions A.4.1 and A.4.2

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

In order to ensure compliance with Code Provisions A.4.1 and A.4.2, a special resolution will be proposed to amend the Articles of Association of the Company at the forthcoming annual general meeting. Particulars of the proposed amendments are set out in the circular which will be sent to shareholders in due course.

The Audit Committee has reviewed the financial statements for the year ended 31st December 2005, including the accounting principles and practice adopted by the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7th June 2006 to Thursday, 15th June 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 6th June 2006.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The annual report of the Company containing all the information required by the Listing Rules will be published on the website of the Hong Kong Stock Exchange in due course.

By order of the Board
Ou Bingchang
Chairman

Hong Kong, 25th April 2006

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

Executive Directors:	Ou Bingchang, Liang Yi, Li Fei, Chen Guangsong, Tang Shouchun and Wang Hongtao.
Independent Non-executive Directors:	Yu Lup Fat Joseph, Lee Ka Lun and Lau Hon Chuen Ambrose.