越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

RESULTS HIGHLIGHTS

- Revenue increased by approximately 18% to approximately HK$4,658 million (2005: approximately HK$3,955 million)
- Profit for the year increased by approximately 19% (excluding the gain on disposal of subsidiaries[1]) to approximately HK$1,020 million (2005: approximately HK$855 million[1])
- Profit attributable to equity holders of the Company increased by approximately 43% (excluding the gain on disposal of subsidiaries[1]) to approximately HK$713 million (2005: approximately HK$499 million[1])
- Basic earnings per share increased by approximately 36% (excluding the gain on disposal of subsidiaries[1]) to approximately 10.64 HK cents per share (2005: approximately 7.8 HK cents[1])
- Proposed to declare final dividend of 2.3 HK cents per share (2005: 2.0 HK cents), together with the interim dividend of 1.89 HK cents per share (2005: 1.0 HK cent), representing a payout ratio of 39.9% (2005: 39.6%[2])

1 Excluding the gain generated from the spin off of GZI Real Estate Investment Trust in 2005 amounting to approximately of HK$2,029 million through the disposal of subsidiaries

2 Excluding the dividend in specie paid out in connection with the spin off of GZI Real Estate Investment Trust and the special dividend in 2005

Chairman's Statement

The Group's businesses are mainly focused on Guangzhou, the political and economic centre of Pearl River Delta which is fastest growing economic region of the People's Republic of China ("PRC"). In 2006, the economy of Guangzhou grew at a high speed, and according to statistics based on registered resident population, gross domestic product ("GDP") per capita in Guangzhou exceeded USD10,000 for the first time. As a result, revenue of the Group amounted to HK$4.658 billion for the year ended 31 December 2006, an increase of 18% as compared with the previous year. Profit attributable to equity holders reached approximately HK$713 million, representing an increase of 43% as compared with last year on the same basis (note1). Earnings per share (basic) is approximately HK$0.1064, and the recommended total dividend per share is HK$0.0419 for the year.

The Group regards property business as its core business. While striving to satisfy the eager demand for housing of the different walks of life in Guangzhou, the Group fully understands the series of macro economic revision measures targeting at the property market implemented by the Central Government, and adopts the strategy of accelerating property development and further strengthening commercial property portfolio and proactively increase the Group's land bank at the same time, with the aim of ensuring a healthy, stable and sustainable development for the Group.

Gross floor area ("GFA") of properties completed in the year amounted to approximately 734,900 sq. m., of which:

GFA of properties sold, entered into the books in accordance with applicable accounting standards, amounted to approximately 261,600 sq. m., representing an increase of approximately 102.5% as compared with last year's approximately 129,200 sq. m. Relevant sales revenue reached approximately HK$1.967 billion, representing an increase of approximately 58% as compared with last year.

GFA of properties pre-sold but not booked for accounting purposes amounted to approximately 240,300 sq. m., and the corresponding pre-sale proceeds amounted to approximately HK$1.7 billion.

With the addition of properties to replenish its investment property portfolio, the total GFA of the Group's investment property portfolio increased by 233,000 sq. m. to approximately 683,000 sq. m, representing an increase of 51.56% as compared to previous year. Revenue generated from investment properties reached approximately HK$977 million, of which approximately HK$747 million represented gain on revaluation.

Following last year's success in bidding for West Tower of Pearl River New City, the land-mark project in Guangzhou for the construction of a mega tower exceeding 400 m. in height with GFA exceeding 430,000 sq. m., the Group invested approximately an aggregate of approximately Rmb 2.9 billion in the acquisition of a total of 4 new sites, namely, the original Liwan cement plant site, the plot D3-7 at Pearl River New City and two plots NJY-1 and 06NJY-2 at Guangzhou Nansha District; through open auction and as a result increased its land bank by approximately 1.169 million sq. m. in GFA, as to approximately 780,000 sq. m. are earmarked for residential purposes and the balance for commercial and office purposes. The GFA of the total land bank of the Group increased to approximately 5.1 million sq. m.

The toll road business of the Group has achieved significant growth in the reporting year, profit attributable to equity holders amounted to approximately HK$461 million, representing an increase of approximately 50.8% as compared to approximately HK$306 million in last year.

Meantime, the Group acquired an additional 20% equity interest in Guangzhou Northern Second Ring Expressway Company Limited for the consideration of Rmb 667 million, and increased the Group's overall equity interest in that company to 60%, thus securing its first controlling equity interest in an expressway project in Guangdong Province.

Guangzhou Western Second Ring Expressway, in which the Group holds an equity interest, opened for traffic ahead of schedule on 19 December 2006, creating a synergy with the Guangzhou Northern Second Ring Expressway. It is expected that these two projects will become the key growth driver of the Group's toll road business.

Last year, the newsprint business of the Group was affected by the drop of newsprint price in the PRC, while costs of raw materials and energy increased significantly. Furthermore, affected by the building works in progress in relation to PM1 and PM9 during the year, profit attributable to equity holders amounted to only HK$15.39 million despite increases in sales volume and a 13% increase in sales revenue, representing a drop of 53% compared to the profit attributable to equity holders in the previous year.

GZI REIT, in which the Group holds around 31.33% interest, outperformed its profit forecast as stated in its initial public offering circular by 2.8% with profit after taxation amounting to approximately HK$206.7 million, and this brought along profit in excess of HK$70 million to the Group.

Looking into the future, the Group is well positioned to benefit from the continued economic growth of Guangdong Province, and we are full of confidence for the overall development of the Group's business.

For the property business, the Group will devote greater effort to both development and sales. It is expected that the GFA of properties under development would increase to approximately 2.44 million sq. m. from approximately 1.7 million sq. m. last year. In 2007, total GFA of properties completed is expected to exceed 500,000 sq. m. The Group plans to launch no less than eight projects for sale in the market. In the meantime, the Group will closely monitor the supply of land in the market, and will further increase its land bank whenever suitable projects are identified in terms of price and maturity of location.

For toll road business, the expressways of the Group's portfolio are gradually maturing into the high growth zone, and it is expected that toll revenue would increase substantially. While continuing to properly manage the existing projects, we will take advantage of the excellent growth opportunities afforded by the planned development of the expressway network in Guangdong as outlined in the 11th Five Year Plan, and utilize various ways and means of corporate financing to increase our participation in various projects in order to build a solid foundation for long term development and sustainable growth for our toll road business.

Following the gradual stabilization of PM1 since its trial run from the middle of 2006 and with the construction of PM9 according to schedule, which is expected to be ready for trial production by the end of 2007, performance of our paper business is expected to improve with added production capacity.

It is expected that GZI REIT will proactively work out win-win business transactions with the Group.

The Group insists on focusing on property business, and will further strengthen development of its toll road business. It will continue to increase operating efficiency, further reduce costs and seize market opportunities. We are confident that we will bring forth better return to investors in the coming year.

May I take this opportunity to give a thank you to all the directors, senior management and all the front line officers, for their hard work over the last year, and their contribution to the Group's development. I would also like to thank all the shareholders, relationship banks, partners in the business and the investment community for their continued strong support to our Group.

Ou Bingchang
Chairman

Note 1: Excluding the gain on disposal of subsidiaries in relation to the spin-off and separate listing of GZI REIT in 2005.

AUDITED RESULTS

The board of directors (the "Directors" or the "Board") of Guangzhou Investment Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") prepared under Hong Kong Financial Reporting Standards ("HKFRS") for the year ended 31 December 2006, as follow:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	**2006** **HK$'000**	2005 HK$'000
Revenue	2	**4,657,922**	3,954,998
Cost of sales		**(3,656,141)**	(2,901,608)
Gross profit		**1,001,781**	1,053,390
Gain on disposal of subsidiaries		**—**	2,028,993
Fair value gains on investment properties		**747,025**	798,919
Other gains		**—**	281,718
Selling and distribution expenses		**(193,003)**	(190,019)
General and administrative expenses		**(519,039)**	(809,484)
Profit from operations	3	**1,036,764**	3,163,517
Interest income		**96,557**	52,107
Finance costs	4	**(193,891)**	(301,746)
Share of profits less losses of			
- Jointly controlled entities		**60,431**	38,210
- Associated entities		**375,299**	202,062
Profit before taxation		**1,375,160**	3,154,150
Taxation	5	**(355,191)**	(270,477)
Profit for the year		**1,019,969**	2,883,673

Profit for the year		
- Before gain on disposal of subsidiaries	**1,019,969**	854,680
- After gain on disposal of subsidiaries	**1,019,969**	2,883,673

	Note	**2006**	2005
Attributable to			
- Equity holders of the Company		**712,615**	2,527,765
- Minority interests		**307,354**	355,908
		1,019,969	2,883,673

Profit for the year attributable to equity holders of the Company		
- Before gain on disposal of subsidiaries	**712,615**	498,772
- After gain on disposal of subsidiaries	**712,615**	2,527,765

	Note	**2006**	2005
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents per share)	6		
- Basic		**10.64**	39.54
- Diluted		**10.42**	38.94
Dividends	7	**284,625**	575,439

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Interests in toll highways and bridges		**1,943,681**	1,980,017
Property, plant and equipment		**2,354,331**	1,614,567
Investment properties		**5,625,185**	3,301,437
Leasehold land and land use rights		**4,737,407**	4,372,994
Interests in jointly controlled entities		**898,170**	685,729
Interests in associated entities		**2,995,294**	3,089,126
Deferred tax assets		**135,689**	67,980
Other non-current assets		**324,096**	108,201
Available-for-sale financial assets		**418,269**	354,912
		19,432,122	15,574,963
Current assets			
Properties under development		**2,230,173**	2,668,674
Properties held for sale		**728,951**	682,448
Leasehold land and land use rights		**2,182,789**	3,190,945
Prepayments for land use rights		**1,272,233**	—
Other assets held for sale		**15,000**	397,000
Inventories		**233,895**	319,105
Trade receivables	8	**585,226**	431,675
Other receivables, prepayments and deposits		**420,630**	417,254
Taxation recoverable		**142,062**	22,447
Charged bank deposits		**72,609**	164,892
Bank balances and cash		**2,305,854**	3,226,238
		10,189,422	11,520,678
LIABILITIES			
Current liabilities			
Trade payables	9	**198,428**	374,190
Land premium payable		**637,134**	617,319
Other payables and accrued charges		**5,220,253**	4,380,487
Borrowings		**2,076,346**	1,526,901
Taxation payable		**189,657**	78,589
		8,321,818	6,977,486
Net current assets		**1,867,604**	4,543,192
Total assets less current liabilities		**21,299,726**	20,118,155

	Note	2006 HK$'000	2005 HK$'000
Non-current liabilities			
Borrowings		**3,762,647**	3,953,242
Deferred tax liabilities		**2,560,921**	2,225,426
		6,323,568	6,178,668
Net assets		**14,976,158**	13,939,487
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**680,354**	651,894
Other reserves		**6,897,267**	6,270,299
Retained earnings			
- Proposed dividends	7	**156,781**	467,041
- Others		**3,402,485**	2,999,527
		11,136,887	10,388,761
Minority interests		**3,839,271**	3,550,726
Total equity		**14,976,158**	13,939,487

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

(a) Effect of adopting new HKFRS

In 2006, the Group adopted the following amendments and interpretation of HKFRS, which are effective in 2006 and are relevant to the Group's operations:

- Amendments to HKAS 39 and HKFRS 4 "Financial Guarantee Contracts"; and
- HK(IFRIC) - INT 4 "Determining whether an Arrangement contains a Lease"

The adoption of the amendments and interpretation does not have any significant impact on the Group's consolidated financial statements.

The following standards, amendments and interpretations of HKFRS are effective in 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment, Employee Benefits;
- HKAS 21 Amendment, Net Investment in a Foreign Operation;
- HKAS 39 Amendment, Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment, The Fair Value Option;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 Amendment, First-time Adoption of International Financial Reporting Standards and HKFRS 6 Amendment, Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC) - INT 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC) - INT 6, Liabilities arising from Participating in a Specific Market-Waste Electronical and Electronic Equipment.

(b) Standards, interpretations and amendments to published standards that are not yet effective.

The following new standards, amendments and interpretation of HKFRS have been issued but are not effective in 2006 and have not been early adopted:

	Effective for accounting periods commencing on or after
HK(IFRIC) - INT 10, Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) - INT 11, HKFRS 2 - Group and Treasury Share Transaction	1 March 2007
HK(IFRIC) - INT 12, Service Concession Arrangements;	1 January 2008
HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures	1 January 2007
HKFRS 8, Operating Segments	1 January 2009

The Group will adopt the above standards, amendments and interpretations of HKFRS when they become effective.

The following interpretations of HKFRS have been issued but are not effective in 2006 and are not relevant to the Group's operations:

- HK(IFRIC) - INT 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies;
- HK(IFRIC) - INT 8, Scope of HKFRS 2; and
- HK(IFRIC) - INT 9, Reassessment of embedded derivatives.

2 Revenue and segment information

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

	2006 HK$'000	2005 HK$'000
Sales revenue		
- Sales of properties	**1,966,685**	1,247,447
- Sales of newsprint	**1,352,070**	1,194,252
	3,318,755	2,441,699
Toll revenue from toll operations	**448,531**	424,845
Property management fee income	**213,388**	137,050
Rental income	**229,727**	519,761
Others	**447,521**	431,643
Total revenue	**4,657,922**	3,954,998

Segment results for the year are as follows:

Primary reporting format - business segments

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

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

There are no significant sales between these business segments.

Secondary reporting format - geographical segments

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

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

There are no significant sales between these geographical segments.

Primary Reporting Format - Business Segments

	For the year ended 31 December							
	Properties		**Toll operations**		**Paper**		**Group**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**2,857,321**	2,335,901	**448,531**	424,845	**1,352,070**	1,194,252	**4,657,922**	3,954,998
Segment results	**816,537**	3,022,868	**184,784**	130,479	**82,360**	96,820	**1,083,681**	3,250,167
Interest income							**96,557**	52,107
Unallocated operation costs							**(46,917)**	(86,650)
Finance costs							**(193,891)**	(301,746)
Share of profits less losses of								
- Jointly controlled entities	**(14,782)**	(1,804)	**75,213**	40,014	**—**	—	**60,431**	38,210
- Associated entities	**134,045**	17,648	**241,254**	184,414	**—**	—	**375,299**	202,062
Profit before taxation							**1,375,160**	3,154,150
Taxation							**(355,191)**	(270,477)
Profit for the year							**1,019,969**	2,883,673
Capital expenditure	**588,034**	475,971	**5,273**	300	**472,044**	383,265	**1,065,351**	859,536
Depreciation and amortisation	**112,041**	160,977	**114,122**	108,448	**74,667**	68,844	**300,830**	338,269

	As at 31 December							
	Properties		**Toll operations**		**Paper**		**Group**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**19,794,688**	17,398,149	**2,530,249**	2,468,584	**3,063,982**	2,127,807	**25,388,919**	21,994,540
Interests in jointly controlled entities	**227,000**	210,180	**671,170**	475,549	**—**	—	**898,170**	685,729
Interests in associated entities	**1,249,478**	1,402,584	**1,745,816**	1,686,542	**—**	—	**2,995,294**	3,089,126
Unallocated assets							**339,161**	1,326,246
Total assets							**29,621,544**	27,095,641
Segment liabilities	**8,731,318**	6,743,262	**507,047**	610,764	**1,907,570**	1,014,947	**11,145,935**	8,368,973
Unallocated liabilities							**3,499,451**	4,787,181
Total liabilities							**14,645,386**	13,156,154

Secondary Reporting Format - Geographical Segments

	For the year ended 31 December				As at 31 December	
	Revenue		Capital expenditure		Total assets	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**611,097**	228,702	**2,168**	2,122	**991,199**	1,460,136
Mainland China	**4,044,409**	3,724,429	**1,063,183**	857,414	**28,252,008**	23,984,427
Overseas	**2,416**	1,867	**—**	—	**39,176**	35,711
	4,657,922	3,954,998	**1,065,351**	859,536	**29,282,383**	25,480,274
Unallocated assets					**339,161**	1,615,367
Total assets					**29,621,544**	27,095,641

3 Profit from operations

The following items have been charged to the profit from operations:

	2006	2005
	HK$'000	HK$'000
Cost of inventories/properties sold	**3,106,855**	2,317,346
Depreciation		
- Owned property, plant and equipment	**108,875**	128,315
- Leased property, plant and equipment	**36**	34
Amortisation/depreciation of interests in toll highways and bridges (included in cost of sales)	**111,624**	106,051
Amortisation of leasehold land and land use rights	**80,295**	103,869
Provision for doubtful debts	**6,457**	19,676
Provision for impairment of available-for-sale financial assets	**10,982**	46,949
Provision for impairment of properties under development and properties held for sale	**12,843**	66,208
Provision for impairment of property, plant and equipment	**1,959**	69,539

4 **Finance costs**

	2006	2005
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**244,620**	307,921
Interest on		
- loans from minority shareholders of subsidiaries	**15,620**	15,620
- loan from a substantial shareholder	**375**	8,506
- loans from related companies	**3,266**	3,295
Total finance costs incurred	**263,881**	335,342
Less: amount capitalised as properties under development	**(69,990)**	(33,596)
	193,891	301,746

5 **Taxation**

(a) Hong Kong profits tax has been provided at the rate of 17.5 percent (2005: 17.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, jointly controlled entities and associated entities in Mainland 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 percent to 33 percent. Under the China Tax Law, certain of the Group's subsidiaries, jointly controlled entities and associated entities in Mainland China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 percent reduction in income tax for the next three to five years.

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

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

	2006	2005
	HK$'000	HK$'000
Current taxation		
- Hong Kong profits tax	**2,547**	2,133
- China enterprise income tax	**126,982**	67,187
- China land appreciation tax	**75,618**	12,419
Under-provision in prior years	**48,266**	6,525
Deferred taxation	**101,778**	182,213
	355,191	270,477

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 year.

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**712,615**	2,527,765
Weighted average number of ordinary shares in issue ('000)	**6,698,470**	6,392,162
Basic earnings per share (HK cents)	**10.64**	39.54

Diluted

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

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**712,615**	2,527,765
Weighted average number of ordinary shares in issue ('000)	**6,698,470**	6,392,162
Adjustments for share options ('000)	**139,365**	99,097
Weighted average number of ordinary shares for diluted earnings per share ('000)	**6,837,835**	6,491,259
Diluted earnings per share (HK cents)	**10.42**	38.94

7 Dividends

	2006 HK$'000	2005 HK$'000
Interim, paid, of HK$0.0189 (2005: HK$0.01) per ordinary share	**127,844**	64,028
Dividend in specie, paid, 16,269,505 units of GZI Real Estate Investment Trust	**—**	44,370
Final, proposed, of HK$0.023 (2005: HK$0.02) per ordinary share	**156,781**	133,440
Special, proposed, of Nil (2005: HK$0.05) per ordinary share	**—**	333,601
	284,625	575,439

At a meeting held on 19 April 2007, the directors proposed a final dividend HK$0.023 per ordinary share. This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained profits in the year ending 31 December 2007.

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:

	2006 HK$'000	2005 HK$'000
0 - 30 days	**123,068**	117,983
31 - 90 days	**113,451**	92,634
91 - 180 days	**83,952**	40,969
181 - 365 days	**102,683**	45,295
Over 1 year	**162,072**	134,794
	585,226	431,675

9 **Trade payables**

The ageing analysis of the trade payables is as follows:

	2006 HK$'000	2005 HK$'000
0 - 30 days	**61,916**	103,911
31 - 90 days	**69,648**	52,172
91 - 180 days	**49,640**	14,714
181 - 365 days	**7,965**	41,454
1 - 2 years	**8,741**	20,047
Over 2 years	**518**	141,892
	198,428	374,190

10 **Events after the balance sheet date**

(a) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law changes the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33 percent (15 percent to 24 percent) to 25 percent with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items has yet to be issued by the State Council. Consequently, the Company is not in a position to assess the impact, if any, to the carrying value of deferred assets and liabilities as at 31 December 2006. The Company will continue to evaluate the impact as more detailed regulations are announced.

(b) On 20 November 2006, the Group entered into an agreement with Guangzhou Development Infrastructure Investments Co., Ltd., to acquire an additional 20 percent equity interest in a jointly controlled entity, Guangzhou Northern Second Ring Expressway Co., Ltd., for a consideration of RMB666,200,000. A deposit of HK$132,580,000 (equivalent to approximately RMB133,906,000) was paid on 20 November 2006. The acquisition was completed in March 2007 and was financed by a 5-year unsecured bank loan and internal funds.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded total revenue of approximately HK$4.658 billion in the year, representing an increase of 18% as compared to same period last year. Attributable profit to equity holders amounted to HK$718 million, representing an increase of 43% as compared to last year on the same basis (note 1). Earnings per share (basic) amounted to approximately HK$0.1064, and recommended total dividend per share amounted to HK$0.0419 for the whole year.

Property Business

Total GFA of properties sold that can be booked for Revenue for the current year, together with GFA of properties pre-sold but not booked and property allocated to the investment property portfolio amounted to approximately 734,900 sq. m., of which:

GFA of properties sold and booked for revenue for the current year amounted to 261,600 sq. m., and revenue so booked amounted to approximately HK$1.967 billion. Major projects sold include Springland Garden, Xinghui Qing Xuan, Nansha Southern Le Sand, Glade Village, Yue Xiu New Metropolis Plaza and two warehouses in Tsuen Wan, Hong Kong. Compared to last year's GFA of properties sold and booked for revenue of approximately 129,200 sq. m., there is an increase of 102.5%, reflecting the diminishing impact imparted by the change in accounting standards in relation to the booking of property sales from degree of completion accounting basis to completion basis in 2005.

GFA of properties pre-sold but not yet booked for accounting purposes amounted to approximately 240,300 sq. m., and the revenue of such pre-sold properties amounted to approximately HK$1.7 billion. Major projects include Towers B1 and B2 of Jiang Nan New Mansion, Xinghuai Ya Yuan, Blocks 5-8 of Springland Garden and East Tower of Victory Plaza, etc.

With the addition of properties, including Guangzhou Eastern Train Terminal underground shopping mall, Yue Xiu New Metropolis, etc., to replenish its investment property portfolio, total GFA of the Group's investment property portfolio increased by 233,000 sq. m., to approximately 683,000 sq. m., representing an increase of 51.56% compared to last year. Revenue generated the investment property portfolio amounted to approximately HK$977 million, of which approximately HK$747 million represented gain on property revaluation.

As a result of the increase in its investment property portfolio, property management income amounted to approximately HK$213 million in the current year, representing an increase of 56% as compared with last year.

The increases in GFA of its investment property portfolio and property management fee income brought along stable revenue stream and a good foundation for interaction with GZI REIT.

Following last year's success in bidding for West Tower of Pearl River New City, the land-mark project in Guangzhou for the construction of a mega tower exceeding 400m in height and GFA exceeding 430,000 sq. m., the Group invested a total of approximately RMB 2.9 billion in the acquisition of a total of 4 new sites, namely, the site of the original Guangzhou cement plant in Liwan, plot D3-7 at Pearl River New City and two plots NJY-1 and 06NJY-2 at Nansha District, Guangzhou, through open auction and as a result increased its land bank by approximately 1.169 million sq. m. in GFA, as to approximately 780,000 sq. m. are earmarked for residential purposes with the balance for commercial and office purposes. The GFA of the total land bank of the Group increased to approximately 5.1 million sq. m., which is expected to provide adequate supply for development for the next 3 to 5 years.

Toll road business

The toll road business of the Group had achieved impressive results in the reporting year. Total revenue generated from jointly controlled entities and associated companies amounted to approximately HK$765 million, representing an increase of 17.70% as compared to approximately HK$650 million recorded last year. Profit attributable to equity holders amounted to approximately HK$461 million, representing an increase of 50.8% as compared to last year's performance of approximately HK$306 million.

The Group acquired an additional 20% interest in Guangzhou Northern Second Ring Expressway Company Limited for the consideration of Rmb 667 million on 20 November 2006, and increased the Group's overall equity interest in that company to 60%, thus securing its first controlling equity interest in an expressway project in Guangdong Province. As the current level of traffic volume is still substantially below the designed capacity, we are confident that there is great growth potential in Guangzhou Northern Second Ring Expressway in the coming years despite the expressway has already recoded double-digit growth rates for the last 2 years.

Guangzhou Western Second Ring Expressway, which connects with Guangzhou Northern Second Ring Expressway and in which the Group holds a 35% equity interest, opened for traffic ahead of schedule on 19 December 2006, created a synergy with the Guangzhou Northern Second Ring Expressway for increased traffic flow and revenue. It is expected that these two expressways will become a key growth driver for the Group's toll road business.

In 2006, the newsprint business of the Group was affected by the drop in newsprint price in the PRC, while costs of raw materials and energy cost soared significantly. Furthermore, with the building work of PM1 and PM9 in progress during the year, profit attributable to equity holders amounted to only HK$15.39 million approximately despite an increase in sales volume and a 13% increase in revenue, indicating a drop of 53% as compared to the profit attributable to equity holders in the previous year.

REIT business

As a result of an increase in occupancy rate of its 4 properties from 95.5% at the end of 2005 to 98.8% at the end of 2006, GZI REIT, in which the Group holds around a 31.33% equity interest, outperformed its profit forecast as stated in the initial public offering circular by 2.8%, and recorded a full year profit after taxation of approximately HK$206.7 million. According to the distribution policy of GZI REIT, 100% of this income is to be distributed to Unit Holders for the year 2006, 2007 and 2008, and this will contribute approximately HK$70 million profit to the Group.

Future Outlook and Strategy

The Group's businesses are mainly located in Guangzhou, the political and economic centre of Guangdong Province. In 2006, GDP of Guangdong Province amounted to approximately Rmb2,600 billion, accounting for approximately 12.4% of the corresponding national total of Rmb20,940 billion. Guangzhou, with its GDP amounting to approximately Rmb600 billion, approximately 23.4% of that of Guangdong Province, is regarded as the region of strongest economic growth in the PRC. For the coming year, we believe that Guangzhou, as well as the whole of Guangdong Province, will continue to develop and grow in a healthy manner. With the continued improvement in the standard of living, there is growing demand for residential property, shopping mall and office buildings. In recent years, the number of privately owned vehicle increased substantially, from 6.3 vehicle per 100 households in 2005 to 10 vehicles per 100 households last year. Rapid growth in outbound tourism would continue to increase the use of highways. On this basis, we are fully confident about the development of our property and toll road businesses. Our operating emphasis is as follows:

For the property business, we will devote greater effort to both development and sales. It is expected that the GFA of properties under construction would increase to approximately 2.44 million sq. m. from approximately 1.7 million sq. m. in 2006. Total GFA of properties completed would exceed 500,000 sq. m. The Group plans to launch no less than 8 projects for sale in the market, including Xinghui Ya Yuan, Springland Garden, Binjiang Yiyan phase 2, Fu Hai Garden, Yue Xiu Building, East Tower of Victory Plaza, Nansha Southern Le Sand and Grande Village, and revenue should increase significantly. In the meantime, the Group will closely monitor the supply of land in the market, and will further increase its land bank whenever suitable projects are identified in terms of price and maturity of location to ensure a sustainable development.

For toll road business, our strategy is to focus on expressway projects. The expressways of the Group's portfolio are gradually maturing into the high growth phase and it is expected that revenue would increase substantially. While continuing to properly manage the existing projects, we will take advantage of the excellent opportunities afforded by planned development of the new expressway network of up to 2700 km by 2010 in Guangdong as outlined in the 11th Five Year Plan. When these new expressways are completed, Guangdong Province will have total expressway mileage of over 5,000 km, basically forming a well-developed expressway network. The Group considers this a good investment opportunity not to be missed. The Group will strive to seize this opportunity, and utilize various ways and means of corporate financing to increase our participation in various projects in order to build a solid foundation for long term development and sustainable growth for our toll road business.

Following the gradual stabilization of PM1 since trial run began in the middle of 2006 with the construction of PM9 according to schedule, which is expected to be ready for trial operation by the end of 2007, and performance of our paper business is expected to improve with substantial added production capacity.

GZI REIT is expected to aggressively seek a win-win situation with the Group through business interaction.

The Group insists on focusing on property business, and will further strengthen development of its toll road business. It will continue to increase operating efficiency, further reduce costs and seize market opportunities, with the aim of securing better return for all shareholders in the coming year.

Note 1: Excluding the gain on disposal of subsidiaries in relation to the spin-off and separate listing of GZI REIT in 2005.

Financial Review

Analysis of results

Benefiting from the continued strong fixed assets investment and general economic development in the PRC and rebounce of the Hong Kong economy, the Group capitalised on the growing momentum and secured promising results for the year 2006.

Profit for the year of the Group amounted to approximately HK$1,020 million, representing a decrease of approximately 65% as compared with 2005. The substantial decrease in profit for the year was affected by the gain of approximately HK$2,029 million on disposal of subsidiaries that held 4 investment properties by way of a spin-off and separate listing of GZI Real Estate Investment Trust ("GZI REIT") last year. Excluding such gain, the Group achieved a promising growth of approximately 19% in profit for the year. For the same reason, the profit attributable to equity holders of the Company amounted to approximately HK$713 million, representing a decrease of approximately 72% as compared with 2005. Excluding such gain, the Group achieved a cheering growth of approximately 43% in profit attributable to equity holders of the Company. Total assets of the Group and shareholders' equity increased to approximately HK$29,622 million and HK$11,137 million respectively, representing a growth of approximately 9% and 7% respectively.

Revenue

Revenue of the Group for the year ended 31 December 2006 was approximately HK$4,658 million, increased by approximately 18% as compared with 2005. This was mainly attributable to the effect of an increase of revenue from properties business and paper business.

The nominal property sales area recognised for the year 2006 was approximately 262,000 square meters (2005: approximately 129,200 square meters) and the property sales revenue recognised was approximately HK$1,967 million, representing an increase of approximately 58% as compared with 2005. As several large property estates/commercial buildings of the Group were delivered to customers during the year such as Springland Garden, Glade Village District C, Southern Le Sand Phase 2, Yue Xiu New Metropolis Plaza and Yue Xiu City Plaza, the portfolio size of the properties engaging our property management services increased accordingly. On the other hand, the Group strengthened the asset enhancement of investment properties to continuously increase or retain the value of the investment properties which enhance the significant growth of the property management income by approximately 56% to approximately HK$213 million. The decrease in rental income for the year by approximately 56% to approximately HK$230 million was caused by the decrease in the portfolio size of investment properties through the spin off and separate listing of GZI REIT in last year.

Despite traffic diversion and surging oil prices affecting traffic volume and toll revenue of certain Class I and II highways, expressways such as Xian Expressway and Xiang Jiang Bridge II both performed remarkably. Toll revenue for 2006 grew by approximately 6% over 2005 to approximately HK$449 million.

For the paper business, sales revenue from the paper business for the year increased by approximately 13% to approximately HK$1,352 million over 2005. Sales tonnage of newsprint increased by approximately 31% to 310,000 tonnes.

Gross profit

Although there was an increase in the overall revenue of the Group for the year 2006, the decrease in rental income of the Group has netted off the growing trend and led to a small decrease in the overall gross profit of the Group to approximately HK$1,002 million, decreased by approximately 5% as compared to last year. Overall profit margin has decreased by 5 percentage points as compared to last year.

Operating expenses

Operating expenses of the Group for 2006 were approximately HK$712 million, representing a decrease of 29% from 2005. Excluding certain specific provisions for impairment of certain assets in last year which amounted to approximately HK$202 million, operating expenses in the current year generally decreased by approximately 11% as a result of tighter cost control.

Valuation of investment properties

In 2006, the Group proactively replenishes and maintains a balance level of portfolio of investment properties. In 2006, the Group revalued its investment properties and recorded a revaluation surplus of approximately HK$747 million (2005: HK$799 million), mainly from the newly replenished properties.

Finance costs

The decrease in finance costs of approximately 36% to approximately HK$194 million was mainly resulted from the decrease in average balance of borrowings over the year. Furthermore, finance costs capitalised as properties under development during the year have increased to approximately HK$70 million.

Share of results of jointly controlled entities and associated entities

During the year, the Group's share of results of jointly controlled entities and associated entities have increased by approximately 81%, which is mainly attributable from the toll road business. Owing to the rapid economic development in Guangdong Province as well as an increase in cargo and passenger turnover, the share of results from jointly controlled entities and associated entities of toll business grew by approximately 41%. Furthermore, there was contribution from GZI REIT of approximately HK$77 million.

Taxation

As the overall taxable profits for the year were more than last year, taxation for the year increased to approximately HK$355 million.

Final dividend

The Directors recommended the payment of final dividend of HK$0.023 per share (2005: HK$0.02) per share to shareholders whose names appear on the register of members of the Company on 21 June 2007. Subject to the approval of shareholders at the Annual General Meeting to be held on 21 June 2007, the final dividend will be paid on 28 June 2007. Together with the interim dividend of HK$0.0189 per share (2005: HK$0.01), total dividends for the year ended 31 December 2006 will amount to HK$0.0419 per share (2005: HK$0.08, excluding dividend in specie).

Liquidity and financial resources

The Group recognises the importance of healthy liquidity position to sustainability of the operations of the Group. The Group's major sources of liquidity are from recurring cash flow of the business and committed banking facilities.

Cash flow

The following table summaries the Group's cash flows for each of the two years ended 31 December 2006:

	2006	2005
	HK$'000	HK$'000
Net cash inflow from operating activities	**1,209,701**	1,079,930
Net cash (outflow)/inflow from investing activities	**(2,134,006)**	1,853,281
Net cash outflow from financing activities	**(38,577)**	(540,405)
Net (decrease)/increase in cash and cash equivalents	**(962,882)**	2,392,806
Cash and cash equivalents at year end	**2,305,639**	3,198,953

Net cash inflow from operating activities

During 2006, the net cash inflow from operating activities was approximately HK$1,210 million, representing an increase of approximately HK$130 million. This increase was in line with the Group's operating profit before gain on disposal of subsidiaries and mainly the result of healthy cash flow management.

Net cash (outflow)/inflow from investing activities

During 2006, the net cash outflow from investing activities was approximately HK$2,134 million. The change in cash outflow was mainly used for the purchase of property, plant and equipment and leasehold land and land use rights and prepayments for land use rights.

Net cash outflow from financing activities

During 2006, the net cash outflow from financing activities was approximately HK$39 million. The decrease in net cash outflow was resulted from the new borrowings exceed the repayment of borrowings and dividend paid.

During the year, the decrease in cash and cash equivalents was mainly used for the capital expenditure in relation to the purchase of property, plant and equipment and the prepayments for land use rights.

Working capital

As at 31 December 2006, the Group's working capital (current assets minus current liabilities) amounted to approximately HK$1,868 million which was decreased by approximately 59% as compared to the end of 2005. The decrease was mainly attributable to a decrease in bank balances and cash and significant increase in receipt-in-advance in relation to pre-sold properties included in other payables. As at 31 December 2006, the Group's cash and cash equivalents amounted to approximately HK$2,306 million.

Indebtedness

The indebtedness as at 31 December 2006 and 2005 was as follows:

	2006 HK$'000	2005 HK$'000
Secured bank borrowings	**2,844,093**	3,371,645
Unsecured bank borrowings	**2,493,196**	1,571,725
Unsecured other borrowings	**501,353**	509,396
Obligations under finance leases	**136**	92
Bank overdrafts	**215**	27,285
Total indebtedness	**5,838,993**	5,480,143

	2006 HK$'000	2005 HK$'000
Repayable:		
Within one year	**2,076,346**	1,526,901
In the second year	**1,142,596**	812,512
In the third to fifth year	**2,170,313**	2,718,866
Other period but not repayable within one year	**449,738**	421,864
	5,838,993	5,480,143

By the end of 2006, the Group's total indebtedness was approximately HK$5,839 million, representing an increase of approximately 6.5% compared to 2005. Most of the new loans raised were used to finance the new production plant for paper business and new property projects. Since majority of the new loans were drawn-down only near the end of the year while the average borrowings balance for the year has decreased, finance costs for the year have reduced.

Capital structure

The Group's capital structure as at 31 December 2006 and 2005 are summarised below:

	2006		2005	
	HK$'000	%	HK$'000	%
Bank borrowings (floating rates):				
Denominated in Renminbi	4,388,349		3,077,170	
Denominated in Euro	204,253		—	
Denominated in United States dollars	37,242		37,205	
Denominated in Hong Kong dollars	707,660		1,856,280	
Total bank borrowings	5,337,504		4,970,655	
Less: Charged bank deposits	(72,609)		(164,892)	
Bank balances and cash	(2,305,854)		(3,226,238)	
Net bank borrowings	2,959,041	21	1,579,525	13
Shareholders' funds (excluding minority interests)	11,136,887	79	10,388,761	87
Total capitalisation	14,095,928	100	11,968,286	100
Gearing ratio	21%		13%	

As a result of expansion of the Group's business and the increase in the required working capital, total net bank borrowings share larger portion of the total capitalisation of the Group as at 31 December 2006, which increased from 13% to 21%. As at 31 December 2006, total net bank borrowings has increased by approximately 87% to approximately HK$2,959 million. The ratio of net borrowings to total capitalisation (gearing ratio) has increased to 21% from 13% in 2005.

As at 31 December 2006, shareholders' fund excluding minority interests amounted to approximately HK$11,137 million and accounted for about 79% of the Group's total capitalisation. The increase in shareholders' funds by approximately 7%, or approximately HK$748 million, was mainly represented by the net profit retained for the year after appropriation of 2005 final dividend and the increase in exchange fluctuation reserve.

Capital expenditure commitments

As at 31 December 2006, the Group had a committed equity capital balance payable to a jointly controlled entity, GWSR Expressway Co., of RMB105 million (equivalent to approximately HK$105 million). This balance would be paid by stages in such amount and by such date as to be determined by the board of directors of GWSR Expressway Co.

On 20 November 2006, the Group had entered into an Equity Transfer Agreement with an independent third party, Guangzhou Development Infrastructure Investments Co., Ltd. (the

"Vendor") to acquire an additional 20% equity interest in a jointly controlled entity, GNSR Expressway Co. for a consideration of RMB666 million. On the same date as the Equity Transfer Agreement was signed, i.e. on 20 November 2006, the Group had remitted the deposit of HK$132,580,000 (equivalent to approximately RMB133,906,000) from its internal funds to the Vendor. As at 31 December 2006, the balance of the consideration of this acquisition was approximately RMB532 million which will be payable in the equivalent HK dollars at the prevailing exchange rate within five days of attaining the relevant authority's approval of the equity transfer. On 9 March 2007, the Group has obtained a bank loan facility of HK$400 million to finance a part of the consideration of the acquisition. On 15 March 2007, the acquisition was approved by the relevant authority. On 19 March 2007, the Group has remitted HK$543.8 million to settle the balance of the consideration of which HK$143.8 million was from internal funds.

At 31 December 2006, the Group's share of capital commitments of a jointly controlled entity not included in the above amounted to approximately HK$244 million (2005: HK$599 million).

Other than the above, capital expenditure committed on the purchase of non-current assets amounted to approximately HK$2,238 million (2005: HK$266 million). Except for the aforementioned capital commitments, the Group has no other material capital commitments as at 31 December 2006.

Contingent liabilities

During the year, the Group had arranged bank financing for certain buyers of the Group's properties and provided guarantees to secure obligations for repayment of loans. As at 31 December 2006, the total contingent liabilities exposure amounted to approximately HK$494 million (2005: HK$264 million).

Treasury policies

The Group's overall treasury and funding policy is that of risk management and liquidity control. The Group has centralised surplus fund and financing requirements to achieve better treasury control and lower cost of funds. Cash at banks are generally placed as short-term fixed rate deposits in bank accounts in Hong Kong and Mainland China. The Group has neither placed fund in non-bank financial institutions nor invested in trading of marketable securities.

Interest rate exposure

Interest expenses accounted for a significant proportion of the Group's finance costs. The Group's policy on interest rate management involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise. Interest rate swaps to hedge exposure to floating rates are used when appropriate.

Foreign exchange exposure

Since the business of the Group is mainly operated in Mainland China, revenue and cash flows are primarily denominated in Renminbi. Financing arranged by the Group in Hong Kong was mainly denominated in Hong Kong dollars. In respect of the Group's business activities in Mainland China that are conducted through its PRC subsidiaries, borrowings were mainly denominated in Renminbi to fund their operation in Mainland China during the period under review. In order to mitigate any possible foreign exchange exposure on borrowings arising from Renminbi appreciation, the Group will proactively consider new foreign currency borrowings while maintaining an appropriate level of gearing in anticipation of new investments in Mainland China. At present, the trend of the change in the rate of exchange between Renminbi and Hong Kong dollar is relatively forthright and the Group's currency exposure is therefore minimal. The Group will review and monitor the risks relating to foreign exchange from time to time and will employ currency swaps when appropriate to manage its currency exposure.

Employees and remuneration policy

As at 31 December 2006, the Group employed approximately 8,450 employees (31 December 2005: 8,080 employees), of whom approximately 8,310 employees (31 December 2005: 7,950 employees) were primarily engaged in the properties, toll roads and newsprint business. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees according to their performance. Promotion and salary adjustments are based on performance.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

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

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 31 December 2006, 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 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.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 14 June 2007 to Thursday, 21 June 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 13 June 2007.

By order of the Board
Ou Bingchang
Chairman

Hong Kong, 19 April 2007

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

Executive Directors:	OU Bingchang (Chairman), LIANG Yi, LI Fei, TANG Shouchun, WANG Hongtao, LI Xinmin and HE Zili
Independent Non-executive Directors:	YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose