



Guangdong Investment Limited

粵海投資有限公司

Stock Code : 270



Interim Report  
**2011**

# Contents

---

<b>2</b>	<b>Corporate Information</b>
<b>3</b>	<b>Report on Review of Interim Financial Information</b>
	<b>Unaudited Interim Financial Information</b>
4	Condensed Consolidated Income Statement
5	Condensed Consolidated Statement of Comprehensive Income
6	Condensed Consolidated Statement of Financial Position
8	Condensed Consolidated Statement of Changes in Equity
10	Condensed Consolidated Statement of Cash Flows
11	Notes to Interim Financial Information
<b>33</b>	<b>Business Review, Discussion and Analysis, and Prospects</b>
<b>40</b>	<b>Directors' Interests and Short Positions in Securities</b>
<b>45</b>	<b>Substantial Shareholders' Interests</b>
<b>46</b>	<b>Share Options of the Company</b>
<b>47</b>	<b>Corporate Governance and Other Information</b>

# Corporate Information

as at 29 August 2011

## Board of Directors

### Executive Directors

Mr. HUANG Xiaofeng (Chairman)  
Mr. ZHANG Hui (Managing Director)  
Mr. TSANG Hon Nam (Chief Financial Officer)

### Non-Executive Directors

Dr. CHENG Mo Chi, Moses, *GBS, OBE, JP*  
Mr. WU Jianguo  
Ms. XU Wenfang  
Mr. LI Wenyue  
Mr. LI Wai Keung  
Mr. SUN Yingming

### Independent Non-Executive Directors

Dr. CHAN Cho Chak, John, *GBS, JP*  
Dr. the Honourable LI Kwok Po, David, *GBM, GBS, OBE, JP*  
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*

## Audit Committee

Dr. the Honourable LI Kwok Po, David  
(Committee Chairman)  
Dr. CHAN Cho Chak, John  
Mr. FUNG Daniel Richard  
Dr. CHENG Mo Chi, Moses

## Remuneration Committee

Dr. CHAN Cho Chak, John (Committee Chairman)  
Dr. the Honourable LI Kwok Po, David  
Mr. FUNG Daniel Richard  
Dr. CHENG Mo Chi, Moses

## Company Secretary

Mrs. HO LAM Lai Ping, Theresa

## Auditors

Ernst & Young

## Principal Bankers

Bank of China (Hong Kong) Limited  
Bank of China, Shenzhen Branch  
China Merchants Bank  
China CITIC Bank, Guangzhou Branch  
DBS Bank Ltd., Hong Kong Branch  
Goldman Sachs Capital Markets, L.P.  
The Hongkong and Shanghai Banking Corporation Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Industrial and Commercial Bank of China, Shenzhen Branch  
Standard Chartered Bank  
Wing Hang Bank  
Malayan Banking Berhad

## Registered Office

28/F. and 29/F.  
Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong  
Telephone : (852) 2860 4368  
Facsimile : (852) 2528 4386  
Website : <http://www.gdi.com.hk>

## Share Registrar

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

## Share Information

Place of Listing	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code	270
Board Lot	2,000 shares
Financial Year End	31 December

## Shareholders' Calendar

Closure of Register of Members	10 October 2011 and 11 October 2011
Interim Dividend Payable	7.0 HK cents per ordinary share 26 October 2011

# Report on Review of Interim Financial Information

---



18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

**To the directors of Guangdong Investment Limited**

## **INTRODUCTION**

We have reviewed the interim financial information set out on pages 4 to 32 which comprises the condensed consolidated statement of financial position of Guangdong Investment Limited as at 30 June 2011 and the related interim condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
29 August 2011

# Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	3	<b>3,597,977</b>	3,271,801
Cost of sales		<b>(1,127,762)</b>	(1,024,075)
Gross profit		<b>2,470,215</b>	2,247,726
Other income and gains/(losses)		<b>51,602</b>	(70,166)
Changes in fair value of investment properties		<b>347,480</b>	47,694
Selling and distribution costs		<b>(60,918)</b>	(47,605)
Administrative expenses		<b>(384,316)</b>	(270,265)
Other operating expenses, net		<b>(9,134)</b>	(55,594)
Finance costs	4	<b>(80,421)</b>	(90,825)
Share of profit of a jointly-controlled entity		<b>42,147</b>	40,808
Share of profits less losses of associates		<b>50,594</b>	30,527
PROFIT BEFORE TAX	5	<b>2,427,249</b>	1,832,300
Income tax expense	6	<b>(542,602)</b>	(543,414)
PROFIT FOR THE PERIOD		<b>1,884,647</b>	1,288,886
Attributable to:			
Owners of the Company		<b>1,616,943</b>	1,124,985
Non-controlling interests		<b>267,704</b>	163,901
		<b>1,884,647</b>	1,288,886
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<b>25.95 HK cents</b>	18.10 HK cents
Diluted		<b>25.86 HK cents</b>	18.02 HK cents

Details of the dividends proposed for the period are disclosed in note 7 to the financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Note	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD		<b>1,884,647</b>	1,288,886
Fair value gains on items of property, plant and equipment		<b>538</b>	—
Exchange differences on translation of foreign operations		<b>209,911</b>	61,339
Cash flow hedges:			
Net movement on cash flow hedges	10	<b>43,541</b>	46,505
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<b>253,990</b>	107,844
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>2,138,637</b>	1,396,730
Attributable to:			
Owners of the Company		<b>1,823,266</b>	1,214,011
Non-controlling interests		<b>315,371</b>	182,719
		<b>2,138,637</b>	1,396,730

# Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,191,635</b>	3,165,098
Investment properties		<b>6,472,952</b>	5,934,101
Prepaid land lease payments		<b>101,649</b>	101,986
Goodwill		<b>266,146</b>	266,146
Investment in a jointly-controlled entity		<b>823,351</b>	859,406
Investments in associates		<b>1,280,808</b>	1,087,102
Intangible assets		<b>15,465,578</b>	15,862,440
Deferred tax assets		<b>23,218</b>	22,099
<b>Total non-current assets</b>		<b>27,625,337</b>	27,298,378
<b>CURRENT ASSETS</b>			
Available-for-sale investments		<b>228,499</b>	23
Tax recoverable		<b>2,582</b>	2,582
Inventories		<b>63,274</b>	59,749
Receivables, prepayments and deposits	9	<b>990,042</b>	596,158
Derivative financial instruments	10	<b>98,797</b>	122,958
Cash and cash equivalents		<b>4,713,457</b>	3,840,628
<b>Total current assets</b>		<b>6,096,651</b>	4,622,098
<b>CURRENT LIABILITIES</b>			
Payables, accruals and other liabilities	11	<b>(1,744,369)</b>	(1,838,458)
Tax payable		<b>(260,026)</b>	(323,438)
Derivative financial instruments	10	<b>(362,301)</b>	(425,064)
Due to non-controlling shareholders of subsidiaries		<b>(426,695)</b>	(401,770)
Interest-bearing bank borrowings	12	<b>(727,682)</b>	(720,249)
Other liabilities — current portion	13	<b>(118,200)</b>	(118,200)
Dividend payable		<b>(623,090)</b>	—
<b>Total current liabilities</b>		<b>(4,262,363)</b>	(3,827,179)
<b>NET CURRENT ASSETS</b>		<b>1,834,288</b>	794,919
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>29,459,625</b>	28,093,297

## Condensed Consolidated Statement of Financial Position (Continued)

30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>29,459,625</b>	28,093,297
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments	10	(49,347)	(94,704)
Due to non-controlling shareholders of subsidiaries		(5,212)	(4,973)
Interest-bearing bank borrowings	12	(3,222,000)	(3,222,000)
Other liabilities	13	(1,555,376)	(1,566,278)
Deferred tax liabilities		(1,477,838)	(1,296,960)
<b>Total non-current liabilities</b>		<b>(6,309,773)</b>	(6,184,915)
<b>Net assets</b>		<b>23,149,852</b>	21,908,382
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	14	3,115,449	3,115,449
Reserves	16	16,777,668	15,377,962
Proposed dividend		436,163	623,090
<b>Non-controlling interests</b>		<b>20,329,280</b>	19,116,501
		<b>2,820,572</b>	2,791,881
<b>Total equity</b>		<b>23,149,852</b>	21,908,382

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company													
	Issued capital (Unaudited) HK\$'000	Ordinary share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Expansion fund reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2010	3,106,719	2,421,477	13,217	14,247	1,430,009	(258,981)	734,088	840,346	—	8,356,085	372,806	17,030,023	2,420,879	19,450,902
Profit for the period	—	—	—	—	—	—	—	—	—	1,124,985	—	1,124,985	163,901	1,288,886
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	47,599	—	—	—	47,599	13,740	61,339
Net movement on cash flow hedges	—	—	—	—	—	41,427	—	—	—	—	—	41,427	5,078	46,505
Total comprehensive income	—	—	—	—	—	41,427	—	47,599	—	1,124,985	—	1,214,011	182,719	1,396,730
Share options exercised, net of share issue expenses	250	1,451	—	—	—	—	—	—	—	—	—	1,701	—	1,701
Acquisition of non-controlling interests	—	—	—	17	—	—	—	—	88	—	—	105	(313)	(208)
Equity-settled share option arrangements	—	495	3,504	—	—	—	—	—	—	—	—	3,999	—	3,999
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(37,394)	(37,394)
Final 2009 dividend paid	—	—	—	—	—	—	—	—	(30)	—	(372,806)	(372,836)	—	(372,836)
Interim 2010 dividend declared (note 7)	—	—	—	—	—	—	—	—	—	(310,697)	310,697	—	—	—
At 30 June 2010	3,106,969	2,423,423	16,721	14,264	1,430,009	(217,554)	734,088	887,945	88	9,170,343	310,697	17,877,003	2,565,861	20,442,894

## Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2011

	Attributable to owners of the Company													
	Issued capital (Unaudited) HK\$'000	Ordinary share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Expansion fund reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2011	3,115,449	2,456,561	11,638	14,281	1,430,009	(183,595)	927,978	1,070,945	1,683	9,648,562	623,090	19,116,501	2,791,881	21,908,382
Profit for the period	-	-	-	-	-	-	-	-	-	1,616,943	-	1,616,943	267,704	1,884,647
Other comprehensive income for the period:														
Fair value gains on items of property, plant and equipment	-	-	-	409	-	-	-	-	-	-	-	409	129	538
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	167,127	-	-	-	167,127	42,784	209,911
Net movement on cash flow hedges	-	-	-	-	-	38,787	-	-	-	-	-	38,787	4,754	43,541
Total comprehensive income	-	-	-	409	-	38,787	-	167,127	-	1,616,943	-	1,823,266	315,371	2,138,637
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	11,397	-	-	11,397	(227,972)	(216,575)
Equity-settled share option arrangements	-	-	1,206	-	-	-	-	-	-	-	-	1,206	-	1,206
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(68,708)	(68,708)
Final 2010 dividend	-	-	-	-	-	-	-	-	-	-	(623,090)	(623,090)	-	(623,090)
Interim 2011 dividend declared (note 7)	-	-	-	-	-	-	-	-	-	(436,163)	436,163	-	-	-
At 30 June 2011	3,115,449	2,456,561	12,844	14,690	1,430,009	(144,808)	927,978	1,237,972	13,080	10,829,342	436,163	20,329,280	2,820,572	23,149,852

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	<b>1,785,797</b>	1,781,490
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(567,835)</b>	(459,718)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<b>(195,016)</b>	(1,585,620)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>1,022,946</b>	(263,848)
Cash and cash equivalents at beginning of period	<b>2,107,978</b>	2,487,702
Effect of foreign exchange rate changes, net	<b>71,168</b>	24,578
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>3,202,092</b>	2,248,432
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>1,451,377</b>	965,126
Non-pledged bank deposits with original maturity of less than three months when acquired	<b>1,750,715</b>	1,283,306
	<b>3,202,092</b>	2,248,432

# Notes to Interim Financial Information

30 June 2011

## 1. GENERAL INFORMATION AND ACCOUNTING POLICIES

Guangdong Investment Limited (the “Company”) is a limited company incorporated and domiciled in Hong Kong whose shares are publicly traded. The principal activities of the Company and its subsidiaries (collectively known as the “Group”) are described in note 3.

The unaudited interim financial information of the Group for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2010.

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) as disclosed in note 2 to the interim financial information.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

The principal effects of adopting these new and revised HKFRSs are as follows:

### **Amendment to HKAS 34 *Interim Financial Reporting* included in *Improvements to HKFRSs 2010***

Amendment to HKAS 34 emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy results in additional disclosures in note 20.

## Notes to Interim Financial Information (Continued)

30 June 2011

---

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

- (i) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development of properties in Mainland China. This segment also provides property management services for certain commercial properties;
- (ii) The toll roads and bridges segment invests in various road and bridge projects in Mainland China;
- (iii) The water distribution segment operates a water supply project in Mainland China supplying natural water to Hong Kong, Dongguan and Shenzhen;
- (iv) The electric power generation segment operates coal-fire power plants supplying electricity and steam in the Guangdong Province, Mainland China;
- (v) The hotel operations and management segment operates the Group's hotels and manage third parties' hotels in Hong Kong and Mainland China;
- (vi) The department stores segment operates department stores in Mainland China; and
- (vii) The "others" segment provides credit facilities in Hong Kong and engages in the provision of corporate services to other segments.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) before tax, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, other unallocated losses and share of profits less losses of a jointly-controlled entity and associates are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. Intersegment sales are eliminated on consolidation.

## Notes to Interim Financial Information (Continued)

30 June 2011

**3. OPERATING SEGMENT INFORMATION (Continued)**

The following table presents revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2011 and 2010.

	Property investment and development		Toll roads and bridges		Water distribution	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	450,985	422,288	17,705	17,136	2,337,271	2,172,760
Intersegment sales	49,229	46,563	—	—	—	—
Other revenue from external sources (note)	1,995	5,002	74	19	1,712	3,618
Other revenue from intersegment (note)	—	—	—	—	—	—
Exchange gains/(losses), net	719	228	867	337	(5,122)	(2,787)
<b>Total</b>	<b>502,928</b>	<b>474,081</b>	<b>18,646</b>	<b>17,492</b>	<b>2,333,861</b>	<b>2,173,591</b>
<b>Segment results</b>	<b>707,171</b>	<b>381,230</b>	<b>7,558</b>	<b>9,246</b>	<b>1,458,887</b>	<b>1,402,841</b>
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	—	—	42,147	40,808	—	—
Associates	—	—	2,298	3,500	—	—
Profit before tax						
Income tax expense						
Profit for the period						

Note: Excluding exchange gains/(losses), net

## Notes to Interim Financial Information (Continued)

30 June 2011

**3. OPERATING SEGMENT INFORMATION (Continued)**

	Electric power generation		Hotel operations and management		Department stores	
	For the six months ended 30 June		For the six months ended 30 June		For the six month ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	241,901	215,043	190,576	160,120	359,539	284,454
Intersegment sales	—	—	—	—	—	—
Other revenue from external sources (note)	5,778	6,633	240	218	18,201	16,509
Other revenue from intersegment (note)	—	—	—	—	—	—
Exchange gain/(losses), net	(257)	(100)	39	169	—	—
<b>Total</b>	<b>247,422</b>	<b>221,576</b>	<b>190,855</b>	<b>160,507</b>	<b>377,740</b>	<b>300,963</b>
<b>Segment results</b>	<b>28,552</b>	<b>38,221</b>	<b>36,112</b>	<b>37,977</b>	<b>178,975</b>	<b>135,297</b>
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	—	—	—	—	—	—
Associates	20,163	9,112	—	—	28,133	17,915
Profit before tax						
Income tax expense						
Profit for the period						

Note: Excluding exchange gains/(losses), net

## Notes to Interim Financial Information (Continued)

30 June 2011

**3. OPERATING SEGMENT INFORMATION (Continued)**

	Others		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	—	—	—	—	<b>3,597,977</b>	3,271,801
Intersegment sales	—	—	<b>(49,229)</b>	(46,563)	—	—
Other revenue from external sources (note)	<b>767</b>	765	—	—	<b>28,767</b>	32,764
Other revenue from intersegment (note)	<b>1,763</b>	1,747	<b>(1,763)</b>	(1,747)	—	—
Exchange gain/(losses), net	<b>8,609</b>	2,615	—	—	<b>4,855</b>	462
<b>Total</b>	<b>11,139</b>	5,127	<b>(50,992)</b>	(48,310)	<b>3,631,599</b>	3,305,027
<b>Segment results</b>	<b>(25,161)</b>	(50,092)	—	—	<b>2,392,094</b>	1,954,720
Interest income					<b>34,361</b>	23,018
Other unallocated losses, net					<b>(11,526)</b>	(125,948)
Finance costs					<b>(80,421)</b>	(90,825)
Share of profits less losses of:						
A jointly-controlled entity	—	—	—	—	<b>42,147</b>	40,808
Associates	—	—	—	—	<b>50,594</b>	30,527
Profit before tax					<b>2,427,249</b>	1,832,300
Income tax expense					<b>(542,602)</b>	(543,414)
Profit for the period					<b>1,884,647</b>	1,288,886

Note: Excluding exchange gains/(losses), net

## Notes to Interim Financial Information (Continued)

30 June 2011

**4. FINANCE COSTS**

An analysis of finance costs is as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings wholly repayable <sup>(1)</sup> :		
Within five years	<b>14,392</b>	16,502
Over five years	<b>3,664</b>	3,274
Total interest expense on financial liabilities not at fair value through profit or loss	<b>18,056</b>	19,776
Finance charges on cash flow hedges, net (note 10)	<b>62,365</b>	71,049
Total finance costs for the period	<b>80,421</b>	90,825

<sup>(1)</sup> Net of government grants of HK\$6,167,000 (six months ended 30 June 2010: HK\$10,540,000) in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of Dongshen Water Supply Phase IV Renovation Project (the "Phase IV Renovation Project"). There are no unfulfilled conditions or contingencies relating to these grants.

**5. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	Note	<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Interest income**		<b>(34,361)</b>	(23,018)
Changes in fair value of derivative financial instruments not qualified as hedges, net**	10	<b>11,526</b>	125,948
Cost of inventories sold*		<b>224,752</b>	192,358
Depreciation		<b>83,915</b>	81,209
Recognition of prepaid land lease payments		<b>2,301</b>	2,469
Amortisation of intangible assets*		<b>406,188</b>	404,567
Changes in fair value of investment properties		<b>(347,480)</b>	(47,694)
Impairment of items of property, plant and equipment <sup>^</sup>		<b>—</b>	7,167

\* These costs and expenses are included in "Cost of sales" on the face of the condensed consolidated income statement.

\*\* Included in "Other income and gains/(losses)" on the face of the condensed consolidated income statement.

<sup>^</sup> Included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

## Notes to Interim Financial Information (Continued)

30 June 2011

**6. INCOME TAX EXPENSE**

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current — Hong Kong	9,052	5,144
Current — Mainland China	379,138	318,866
Deferred	154,412	219,404
<b>Total tax charge for the period</b>	<b>542,602</b>	<b>543,414</b>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

**7. DIVIDENDS**

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interim — 7.0 HK cents (2010: 5.0 HK cents) per ordinary share	436,163	310,697

At a meeting of the board of directors held on 29 August 2011, the directors resolved to pay to shareholders an interim dividend of 7.0 HK cents (2010: 5.0 HK cents) per ordinary share for the six months ended 30 June 2011.

## Notes to Interim Financial Information (Continued)

30 June 2011

**8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculations of the basic and diluted earnings per share for the six months ended 30 June 2011 and 2010 are based on:

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	<b>1,616,943</b>	1,124,985
	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>Number of shares</b>	
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>6,230,898,071</b>	6,213,672,878
Effect of dilution — weighted average number of ordinary shares assumed to have been issued:		
Share options	<b>20,935,662</b>	30,808,622
For the purpose of diluted earnings per share calculation	<b>6,251,833,733</b>	6,244,481,500

## Notes to Interim Financial Information (Continued)

30 June 2011

**9. RECEIVABLES, PREPAYMENTS AND DEPOSITS**

		<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
	Note		
Trade receivables, net of impairment		<b>640,246</b>	251,270
Other receivables, prepayments and deposits		<b>348,324</b>	344,733
Due from an immediate holding company	19(b)	<b>448</b>	—
Due from fellow subsidiaries	19(b)	<b>1,024</b>	155
		<b>990,042</b>	596,158

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables related principally to the water distribution and electricity supply businesses, giving rise to a certain concentration of credit risk whereby 47% (31 December 2010: 18%) of the total trade receivables was due from one of the Group's major customers.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 3 months	<b>594,802</b>	247,877
3 months to 6 months	<b>43,347</b>	2,190
6 months to 1 year	<b>1,121</b>	310
More than 1 year	<b>11,016</b>	11,535
	<b>650,286</b>	261,912
Less: Impairment	<b>(10,040)</b>	(10,642)
	<b>640,246</b>	251,270

## Notes to Interim Financial Information (Continued)

30 June 2011

**10. DERIVATIVE FINANCIAL INSTRUMENTS****Assets**

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Interest rate swap agreements	<b>98,797</b>	122,958

**Liabilities**

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Interest rate swap agreements:		
Current portion	<b>362,301</b>	425,064
Non-current portion	<b>49,347</b>	94,704
	<b>411,648</b>	519,768

The Group entered into certain interest rate swap agreements to hedge the interest rate risk arising from the Refinancing Facility A and the Refinancing Facility B (collectively, the "Refinancing Facilities").

The carrying amount of interest rate swap agreements is the same as their fair value. The fair value of interest rate swap agreements is the estimated amount that the Group would receive or pay to terminate the swap agreements at the end of the reporting period, taking into account current market conditions and the current creditworthiness of the swap counterparties. The above transactions involving derivative financial instruments are conducted with creditworthy banks with no recent history of default.

**Cash flow hedges**

At 30 June 2011, the Group had certain interest rate swap agreements with a total notional amount of HK\$2,950 million (31 December 2010: HK\$2,950 million) designated and qualified as hedges in respect of the Group's Refinancing Facilities, whereby the Group receives interest at Hong Kong Inter Bank Offered Rates ("HIBOR") per annum and pays interest at a range of fixed rates per annum on the notional amounts. The swap agreements converted the rate of interest obligation arising from the Refinancing Facilities from the floating rate of HIBOR to a range of fixed interest rates per annum for the periods from the effective dates of the respective contracts to 2012.

## Notes to Interim Financial Information (Continued)

30 June 2011

**10. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)****Cash flow hedges (Continued)**

The terms of these swap agreements have been negotiated to match the respective terms of the Refinancing Facilities. The cash flow hedges of the Refinancing Facilities were assessed to be highly effective and the net fair value gain on cash flow hedges of HK\$38,787,000 (six months ended 30 June 2010: HK\$41,427,000) included in the hedging reserve was as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Total fair value losses included in the hedging reserve	<b>(18,824)</b>	(89,581)
Interest expense on cash flow hedges charged to finance costs		
upon realisation of certain interest rate swap agreements (note 4)	<b>62,365</b>	71,049
Reclassified from other comprehensive income to the income statement*	<b>—</b>	65,037
Net movement on cash flow hedges	<b>43,541</b>	46,505
Portion shared by non-controlling interests	<b>(4,754)</b>	(5,078)
Net movement attributable to the owners of the Company for the six months ended 30 June	<b>38,787</b>	41,427

\* HK\$65,037,000 was included in other income and gains/(losses) upon revocation of designation of certain interest rate swap agreements for hedge accounting during the six months ended 30 June 2010.

**Derivatives not qualified for hedge accounting**

At 30 June 2011, the Group had various other interest rate swap agreements which did not meet the criteria for hedge accounting. The net loss in the fair value of these derivatives not qualified for hedge accounting which amounted to HK\$11,526,000 (six months ended 30 June 2010: HK\$125,948,000) (note 5) was included in the income statement during the period.

Amounts payable under the interest rate swap agreements are senior in right of payment to the Refinancing Facilities.

## Notes to Interim Financial Information (Continued)

30 June 2011

**11. PAYABLES, ACCRUALS AND OTHER LIABILITIES**

	Note	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Trade payables		<b>305,840</b>	382,037
Accruals and other liabilities		<b>1,390,877</b>	1,429,263
Due to an immediate holding company	19(b)	<b>15,126</b>	5,045
Due to fellow subsidiaries	19(b)	<b>14,898</b>	4,485
Due to a jointly-controlled entity	19(b)	<b>17,628</b>	17,628
		<b>1,744,369</b>	1,838,458

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 3 months	<b>303,808</b>	379,775
3 months to 6 months	<b>357</b>	108
6 months to 1 year	<b>1,675</b>	2,154
	<b>305,840</b>	382,037

## Notes to Interim Financial Information (Continued)

30 June 2011

**12. INTEREST-BEARING BANK BORROWINGS**

	Effective interest rate	Maturity	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>Current</b>				
Bank loans — secured	4.73% — 5.05%	2011	<b>327,682</b>	320,249
— unsecured	0.86% — 1.09%	2011	<b>400,000</b>	400,000
<b>Non-current</b>				
Bank loans — secured	0.75% — 5.54%*	2012 — 2017	<b>3,222,000</b>	3,222,000
			<b>3,949,682</b>	3,942,249

\* Includes the effects of cash flow hedges of related interest rate swap agreements as further detailed in note 10 to the interim financial information.

**13. OTHER LIABILITIES**

At 30 June 2011, included in the other liabilities was a non-interest-bearing receipt in advance amounting to HK\$1,418,400,000 (31 December 2010: HK\$1,418,400,000). In prior years, the Government of the Hong Kong Special Administrative Region (“HKSAR”) granted a loan facility with a principal amount of HK\$2,364 million (the “Loan Facility”) to the Guangdong Provincial Government (the “GPG”) for the purpose of the Phase IV Renovation Project. Pursuant to the concession agreement, the Loan Facility was utilised for the construction of the Phase IV Renovation Project. Upon the completion of the Phase IV Renovation Project during the year ended 31 December 2003, the Group, through the deduction of future water revenue to be received by the Group from the Government of the HKSAR by an annual amount of HK\$118,200,000 for 20 years commencing from December 2003, acquired and recorded the assets of the Phase IV Renovation Project and assumed the repayment obligations of the Loan Facility from the GPG to be a non-interest-bearing receipt in advance.

## Notes to Interim Financial Information (Continued)

30 June 2011

**14. SHARE CAPITAL**

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Authorised:		
8,000,000,000 (31 December 2010: 8,000,000,000) ordinary shares of HK\$0.50 each	<b>4,000,000</b>	4,000,000
Issued and fully paid:		
6,230,898,071 (31 December 2010: 6,230,898,071) ordinary shares of HK\$0.50 each	<b>3,115,449</b>	3,115,449

A summary of movements of the Company's issued and fully paid ordinary shares and ordinary share premium account is as follows:

	<b>Number of ordinary shares in issue (Unaudited)</b>	<b>Issued and fully paid ordinary shares (Unaudited) HK\$'000</b>	<b>Ordinary share premium account (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
At 1 January 2011 and at 30 June 2011	<b>6,230,898,071</b>	<b>3,115,449</b>	<b>2,456,561</b>	<b>5,572,010</b>

Notes:

- (i) During the six months ended 30 June 2010, the subscription rights attaching 500,000 share options were exercised at subscription price of HK\$3.405 per ordinary share (note 15), resulting in the issue of 500,000 ordinary shares with par value of HK\$0.5 each for a total consideration, net of expenses, of HK\$1,701,000.
- (ii) During the six months ended 30 June 2010, 500,000 share options were exercised, resulting in the release of share option reserve of HK\$495,000 to the ordinary share premium account.

## Notes to Interim Financial Information (Continued)

30 June 2011

**15. SHARE OPTION SCHEME**

The Company operates share option schemes (the “GDI Schemes”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Eligible participants of the GDI Schemes include, but not limited to, directors, officers and employees of the Group.

On 24 October 2008, the Company terminated its share option scheme adopted on 31 May 2002 (the “2002 Scheme”) and adopted a new share option scheme (the “2008 Scheme”). Upon termination of the 2002 Scheme, no further share options will be granted thereunder but, the provisions of the 2002 Scheme shall remain in force in all other respects and all existing share options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The 2008 Scheme became effective on 24 October 2008 and, unless otherwise terminated or amended, will remain in force for 10 years from that date. The vesting period of the share options granted under the 2002 Scheme and the 2008 Scheme is from the date of grant until the commencement of the exercise period.

The following share options were outstanding under the GDI Schemes during the period:

	2011		2010	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.88	39,300	1.917	62,300
Exercised during the period	—	—	3.405	(500)
Lapsed during the period <sup>#</sup>	1.88	(1,950)	1.88	(3,200)
At 30 June	1.88	37,350	1.906	58,600

<sup>#</sup> Such options held by an employee and Ms. Wang Xiaofeng lapsed upon the decease of the employee on 18 June 2011 and Ms. Wang Xiaofeng’s resignation as a director of the Company on 5 January 2010, respectively.

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2010 was HK\$4.2 per share.

## Notes to Interim Financial Information (Continued)

30 June 2011

**15. SHARE OPTION SCHEME (Continued)**

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

<b>2011</b>	<b>Number of options '000</b>	<b>Exercise price* HK\$ per share</b>	<b>Exercise period** (dd.mm.yyyy)</b>
	7,080	1.88	24-10-2010 to 23-04-2014
	15,135	1.88	24-10-2011 to 23-04-2014
	5,045	1.88	24-10-2012 to 23-04-2014
	10,090	1.88	24-10-2013 to 23-04-2014
	<b>37,350</b>		
<b>2010</b>	<b>Number of options '000</b>	<b>Exercise price* HK\$ per share</b>	<b>Exercise period** (dd.mm.yyyy)</b>
	1,000	3.405	11-06-2006 to 10-06-2011
	23,040	1.88	24-10-2010 to 23-04-2014
	17,280	1.88	24-10-2011 to 23-04-2014
	5,760	1.88	24-10-2012 to 23-04-2014
	11,520	1.88	24-10-2013 to 23-04-2014
	<b>58,600</b>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\* Further details regarding the share options granted under the 2008 Scheme are set out in (i) the "Share Option Scheme adopted on 24 October 2008" in the "Directors' Interests and Short Positions in Securities" section of this report on pages 41 and 42; and (ii) the "2008 Scheme" in the "Share Options of the Company" section of this report on page 46.

## Notes to Interim Financial Information (Continued)

30 June 2011

---

### 16. RESERVES

One of the undertakings given to the High Court of the HKSAR by the Company in its capital reduction application (the "Undertaking") relates to the setting up of a special reserve on the terms that for so long as there shall remain outstanding any debt of or claim against the Company which would be admissible to proof in a notional winding-up of the Company on 24 December 2003 ("Effective Date") and the person entitled to the benefit thereof shall not have consented to the said reduction of capital or agreed otherwise, the Company shall credit to a special reserve in the books of the Company (the "Special Reserve"): (a) any amount arising by reason of a release of any provision taken into account in establishing the accumulated losses of the Company as at 30 June 2003; or (b) any amount received by the Company as profit by way of distribution from a corporation which was a subsidiary of the Company at the Effective Date (a "subsidiary") which is made by such a subsidiary out of profit available for distribution prior to the Effective Date or any dividend paid to the Company in respect of any liquidation of a subsidiary commencing prior to that date.

During the six months ended 30 June 2011, there was no release of provision as determined above (six months ended 30 June 2010: Nil); and no profit was distributed from the Company's subsidiaries during the current period (six months ended 30 June 2010: Nil) as determined above, resulting in no transfer from retained profits to the Special Reserve of the Group (six months ended 30 June 2010: Nil).

The Special Reserve shall not be treated as realised profits of the Company and shall, for so long as the Company shall remain a limited company, be treated as an undistributable reserve of the Company for the purpose of the Companies Ordinance. Further, the Special Reserve may be applied for the same purposes as a share premium account may lawfully be applied and the amount standing to the credit of the Special Reserve may be reduced by an amount equal to any increase, after the Effective Date, in the paid-up share capital or share premium account of the Company which results from an issue of shares (other than for the purposes of any redemption or purchase by the Company of its own shares) for cash or other consideration or by way of the capitalisation of distributable profits or reserves. The Company shall be at liberty to transfer the amount so reduced to the general reserves of the Company and the same shall become available for distribution.

During the six months ended 30 June 2011, there was no reduction of the Special Reserve and the capitalisation to retained profits in the current period (six months ended 30 June 2010: Nil). In effecting the reduction and capitalisation as aforesaid, the amount transferred from the Special Reserve is kept to an amount not exceeding the balance of the Special Reserve before such transfer.

The amount credited to the Special Reserve shall not at any time exceed HK\$2,984,676,517 (the "Limit"). The Limit may be reduced by the amount of any increase, after the Effective Date, in the paid-up share capital or share premium account of the Company which results from the issue of shares as referred to above. The Limit may also be reduced by the amount of any non-permanent loss of the Company as at 30 June 2003 which subsequently turns into a permanent loss. During the period, there was no non-permanent loss which has turned into a permanent loss of the Group and the Company (2010: Nil).

In the event that the amount standing to the credit of the Special Reserve at any time exceeds the Limit, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution. All profits and write-backs of provisions made by the Company between 1 July 2003 and the Effective Date are subject to an undertaking in similar terms.

The Limit, as adjusted, was HK\$621,846,686 (31 December 2010: HK\$621,846,686) and the amount standing to the credit of the Special Reserve was Nil (31 December 2010: Nil) as at 30 June 2011.

## Notes to Interim Financial Information (Continued)

30 June 2011

**17. OPERATING LEASE ARRANGEMENTS**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to fifteen years (31 December 2010: one to fifteen years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within one year	<b>16,021</b>	15,453
In the second to fifth years, inclusive	<b>66,398</b>	64,607
After five years	<b>67,468</b>	96,739
	<b>149,887</b>	176,799

In addition to the operating lease arrangements disclosed above, the Group leases certain leasehold properties for its subsidiaries for the department store operations. The related rental charge for the six months ended 30 June 2011 amounting to HK\$21,467,000 (year ended 31 December 2010: HK\$32,625,000) is calculated with reference to the revenue generated by the subsidiaries of the Group.

**18. COMMITMENTS**

In addition to the operating lease commitments detailed in note 17 above, the Group had the following commitments at the end of the reporting period:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
(a) Capital commitments:		
Contracted for	<b>592,570</b>	599,635
Authorised, but not contracted for	<b>4,661,698</b>	4,597,969
	<b>5,254,268</b>	5,197,604
Capital commitments in respect of capital contribution payable to an associate:		
Authorised, but not contracted for	—	201,146
	<b>5,254,268</b>	5,398,750

## Notes to Interim Financial Information (Continued)

30 June 2011

**18. COMMITMENTS (Continued)**

- (b) Pursuant to the articles of association of Guangdong Yue Gang Water Supply Company Limited ("WaterCo"), Guangdong Holdings Limited, which directly holds an 1% equity interest in WaterCo and is the Company's ultimate holding company, is not entitled to receive any distributed profits of WaterCo for the first fifteen years of operation from 2000 and 100% of the distributed profits for that period shall be made to GH Water Supply (Holdings) Limited ("GH Water Holdings"). Starting from the sixteenth year of WaterCo's operation, 1.01% of the distributed profits of WaterCo for the first fifteen years of operation plus simple interest at a rate of 8% per annum on the unpaid amount of the distributed profits shall be made to Guangdong Holdings Limited (collectively referred to as the "Deferred Dividend"). Once Guangdong Holdings Limited has received the Deferred Dividend in full, all of the WaterCo's distributable profits are to be distributed to GH Water Holdings and Guangdong Holdings Limited according to their respective equity interests in WaterCo during the remaining operating period.

**19. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances set out elsewhere in these interim financial information, the Group had the following significant related party transactions during the period:

**(a) Transactions with related parties**

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited)
	Note	<b>HK\$'000</b>	HK\$'000
Dividends paid to GDH Limited, the parent company of the Group, and certain of its subsidiaries by the Company	(i)	—	225,946

Note:

- (i) During the six months ended 30 June 2010, the Company paid dividends, in aggregate of approximately HK\$225,946,000 to GDH Limited and certain of its subsidiaries which are the Company's shareholders. The dividend payments were made to all shareholders of the Company in accordance with their respective shareholdings in the Company.

## Notes to Interim Financial Information (Continued)

30 June 2011

**19. RELATED PARTY TRANSACTIONS (Continued)****(b) Outstanding balances with related parties**

	Notes	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Balances due from:			
An immediate holding company	(i)	<b>448</b>	—
Fellow subsidiaries	(ii)	<b>1,024</b>	155
An associate	(iii)	<b>6,339</b>	6,195
Balances due to:			
An immediate holding company	(i)	<b>(15,126)</b>	(5,045)
Fellow subsidiaries	(ii)	<b>(14,898)</b>	(4,485)
A jointly-controlled entity	(iv)	<b>(17,628)</b>	(17,628)

Notes:

- (i) The balance with the immediate holding company is unsecured, non-interest-bearing and has no specific terms of repayment.
- (ii) The balances with fellow subsidiaries are unsecured, non-interest-bearing and have no specific terms of repayment.
- (iii) The balance with the associate is unsecured, non-interest-bearing and has no specific terms of repayment.
- (iv) The balance with a jointly-controlled entity is unsecured, non-interest-bearing and has no specific terms of repayment.

**(c) Compensation of directors and key management personnel of the Group**

	<b>For the six months ended 30 June 2011 (Unaudited) HK\$'000</b>	2010 (Unaudited) HK\$'000
Short term employee benefits	<b>2,616</b>	2,404
Post-employment benefits	<b>192</b>	172
Equity-settled share option expense	<b>1,213</b>	3,143
<b>Total compensation paid to directors and key management personnel</b>	<b>4,021</b>	5,719

## Notes to Interim Financial Information (Continued)

30 June 2011

**20. FAIR VALUE HIERARCHY**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

**Assets measured at fair value as at 30 June 2011:**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale investments	—	228,476	23	228,499
Derivative financial instruments	—	98,797	—	98,797
	—	327,273	23	327,296

**Liabilities measured at fair value as at 30 June 2011:**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	—	411,648	—	411,648

## Assets measured at fair value as at 31 December 2010:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale investments	—	—	23	23
Derivative financial instruments	—	122,958	—	122,958
	—	122,958	23	122,981

## Liabilities measured at fair value as at 31 December 2010:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	—	519,768	—	519,768

During the six months ended 30 June 2011, there were no transfer into or out of level 3 fair value measurements.

## Notes to Interim Financial Information (Continued)

30 June 2011

---

### **21. CAPITAL EXPENDITURE**

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment, investment properties and intangible assets in aggregate of approximately HK\$143,840,000 (six months ended 30 June 2010: HK\$550,762,000).

### **22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION**

This interim financial information was approved and authorised for issue by the board of directors of the Company on 29 August 2011.

# Business Review, Discussion and Analysis, and Prospects

---

## RESULTS

The Board is pleased to report the results of the Group for the six months ended 30 June 2011 (the "Period"). The Group's unaudited consolidated profit attributable to shareholders amounted to HK\$1,617 million (2010: HK\$1,125 million), representing an increase of 43.7% as compared with the same period last year. The basic earnings per share were 25.95 HK cents (2010: 18.10 HK cents), an increase of 43.4% over the same period last year.

## INTERIM DIVIDEND

The Board declares an interim dividend of 7.0 HK cents per share for the Period (2010: 5.0 HK cents).

## FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$3,598 million (2010: HK\$3,272 million), an increase of 10.0% as compared with the same period last year. The growth was mainly contributed by the water distribution business, and the department stores businesses.

The unaudited consolidated profit attributable to shareholders of the Group for the Period increased by 43.7% to HK\$1,617 million (2010: HK\$1,125 million). The profit before tax increased by 32.5% or HK\$595 million to HK\$2,427 million (2010: HK\$1,832 million). The growth was mainly contributed by property investment business, water distribution business and department stores businesses.

A net increase in the fair value of investment properties for HK\$347 million (2010: HK\$48 million) was recorded during the Period. Mainly because of the low interest rate and decrease of financial borrowing of the Group, the finance cost decreased by 11.5% to HK\$80 million.

The basic earnings per share were 25.95 HK cents (2010: 18.10 HK cents), representing an increase of 43.4% as compared with the same period last year.

## BUSINESS REVIEW

A summary of the performance of the Group's major businesses during the Period is as follows:

### Water Distribution

Profit contribution from the Dongshen Water Supply Project remained to be significant to the Group. The Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") is 91.05% as at 30 June 2011. GH Water Holdings in turn has a 99% interest in Guangdong Yue Gang Water Supply Company Limited, owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion cubic meters. The total water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.103 billion cubic meters (2010: 1.000 billion cubic meters), an increase of 10.3%, generating revenue of HK\$2,337,271,000 (2010: HK\$2,172,760,000), an increase of 7.6%.

Pursuant to the Hong Kong Water Supply Agreement for 2009 to 2011 entered into between the Government of Hong Kong Special Administrative Region and the Guangdong Provincial Government in 2008, the total annual revenue for water sales to Hong Kong for the three years 2009, 2010 and 2011 are to be HK\$2,959 million, HK\$3,146 million and HK\$3,344 million respectively. The Hong Kong water sales revenue for the Period increased by 6.3% to HK\$1,824 million (2010: HK\$1,716 million). The water sales revenue to Shenzhen and Dongguan areas for the Period increased by 12.4% to HK\$513,271,000 (2010: HK\$456,760,000).

The profit before tax of the water distribution business for the Period was HK\$1,370,872,000 (2010: HK\$1,188,393,000), 15.4% higher than that in the same period last year.

## Business Review, Discussion and Analysis, and Prospects (Continued)

---

### Electric Power Generation

#### *Zhongshan Power Plant*

The Group's effective interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.) ("ZTP") is 59.85% (Zhongshan Power (Hong Kong) Limited ("ZPHK"), a 95% owned subsidiary of the Company holding a 63% interest in ZTP). ZTP has 2 power generation units with a total installed capacity of 110 MW and steam generation capacity of 80 tons per hour. During the Period, sales of electricity amounted to 349 million kwh (2010: 334 million kwh), an increase of 4.5%. As a result of the increase in both the electricity sales and average electricity tariff, revenue for the Period amounted to HK\$241,901,000 (2010: HK\$215,043,000), an increase of 12.5%. However, due to the increase in coal price, the profit margin for the Period had decreased as compared to the same period in 2010. The profit before tax for the Period was HK\$31,439,000 (2010: HK\$35,837,000).

On 22 July 2009, ZPHK entered into two agreements with 中山興中集團有限公司 (Zhongshan Xingzhong Group Co., Ltd.) ("Xing Zhong") regarding a proposed project for the construction of two 300 MW heat and electricity supply plants (the "Zhongshan Project") utilising the existing land and certain auxiliary facilities of ZTP. Pursuant to the aforesaid agreements, ZPHK and Xing Zhong have agreed to make additional contribution into ZTP in order to provide part of the funding for the Zhongshan Project, and their respective interests in ZTP will then be adjusted to 75% and 25% after the completion of the contribution. ZPHK and Xing Zhong have also agreed to extend the original term of the joint venture, which is due to expire in 2013, for another 30 years from the issue of new business licence to ZTP after the approval of the Zhongshan Project by the relevant PRC authorities. In order to facilitate the obtaining of all requisite PRC government approvals for the Zhongshan Project, the existing power generating units of ZTP may be closed down in the future.

#### *廣東粵電靖海發電有限公司 (Guangdong Yudean Jinghai Power Generation Co., Ltd.) ("Yudean Jinghai Power")*

The Group has an indirect equity interest of 25% of Yudean Jinghai Power, which owns 2 power generation units with a total installed capacity of 1,200 MW. During the Period, the Group made capital contributions into Yudean Jinghai Power amounted to HK\$203,628,000. Sales of electricity for the Period amounted to 3,185 million kwh (2010: 2,264 million kwh), an increase of 40.7%. Revenue for the Period amounted to HK\$1,616,866,000 (2010: HK\$1,094,361,000), an increase of 47.7% which was mainly due to the increase in both the electricity sales and tariff. Profit before tax for the Period amounted to HK\$107,533,000 (2010: HK\$64,234,000).

#### *廣東省韶關粵江發電有限責任公司 (Guangdong Shaoguan Yue Jiang Power Supply Limited) ("Yue Jiang Power")*

The Group's effective interest in Yue Jiang Power is 11.48%. Yue Jiang Power has 2 power generation units with a total installed capacity of 600 MW. Sales of the electricity for the Period amounted to 1,635 million kwh (2010: 1,454 million kwh), an increase of 12.4%. Revenue for the Period amounted to HK\$954,138,000 (2010: HK\$753,648,000), an increase of 26.6% which was mainly due to the increase in both the electricity sales and tariff. Loss before tax for the Period amounted to HK\$96,740,000 (2010: HK\$117,820,000). As full provision was made against the investment in Yue Jiang Power in 2009, no further loss was shared from Yue Jiang Power in the Group for the Period.

#### *Meixian Power Plant*

The Group's effective interest in Meixian Power Plant is 12.25% (a 49% associate of the Company, Guangdong Power Investment Limited ("GD Power Investment"), holding a 25% interest in the project). During the Period, no dividend income was received by GD Power Investment from this investment (2010: Nil).

## Business Review, Discussion and Analysis, and Prospects (Continued)

---

### Toll Roads and Bridges

#### *"2 Bridges"*

During the Period, the share of profit of a Group's 51% owned jointly-controlled entity (the "JCE") which holds interests in the "2 Bridges" project amounted to HK\$42,147,000 in aggregate (2010: HK\$40,808,000), an increase of 3.3%.

#### (i) Humen Bridge

The JCE has a profit sharing ratio of 23% in this project. During the Period, average daily traffic flow of this bridge increased by 8.5% to 70,925 vehicle trips (2010: 65,386 vehicle trips). Revenue for the Period amounted to HK\$613,189,000 (2010: HK\$559,680,000), an increase of 9.6%. Accordingly, the profit before tax for the Period increased by 8.2% to HK\$478,743,000 (2010: HK\$442,280,000).

#### (ii) Shantou Haiwan Bridge

The JCE holds a 30% interest in this project. During the Period, average daily traffic flow of this bridge increased by 8.8% to 15,679 vehicle trips (2010: 14,407 vehicle trips). Revenue for the Period increased by 14.1% to HK\$115,988,000 (2010: HK\$101,644,000). The profit before tax for the Period was HK\$89,337,000 (2010: HK\$76,344,000), an increase of 17.0%.

#### *Yingkeng Highway*

The Group's effective interest in this project is 70%. During the Period, average daily traffic flow of this highway increased by 5.2% to 4,374 vehicle trips (2010: 4,158 vehicle trips). Revenue increased by 3.3% to HK\$17,705,000 (2010: HK\$17,136,000). The profit before tax for the Period decreased to HK\$6,691,000 (2010: HK\$8,931,000) attributable to an increase in repair and maintenance expenditure and amortization expenses.

#### *Panyu Bridge*

The Group's effective interest in this project is 20%. Since late 2010, part of the Panyu Bridge's traffic flow has been diverted because of Xin Guang Expressway becoming free of charge. During the Period, the average daily traffic flow of this bridge decreased by 16.5% to 40,215 vehicle trips (2010: 48,185 vehicle trips). As a result, revenue for the Period decreased by 19.3% to HK\$51,183,000 (2010: HK\$63,432,000). The profit before tax for the Period decreased to HK\$16,320,000 (2010: HK\$24,924,000).

## Business Review, Discussion and Analysis, and Prospects (Continued)

---

### Property Investment

#### *Mainland China*

#### **Teem Plaza**

As at 30 June 2011, the Group held an effective equity interest of 76.09% in 廣東天河城（集團）股份有限公司 (Guangdong Teem (Holdings) Limited) ("GD Teem"), which owns the investment property Teem Plaza comprising of a shopping mall, an office building and a hotel.

During the Period, revenue of Teem Plaza, comprising rental income from both the shopping mall (including rentals from department store run by the Group) and the office building, reached HK\$464,058,000 (2010: HK\$433,489,000), an increase of 7.1%. The profit before tax for the Period, excluding the revaluation gain, increased by 10.2% to HK\$345,107,000 (2010: HK\$313,225,000).

The Teemall, one of the most popular shopping malls in the prime area of Guangzhou, has a total gross floor area and lettable area of approximately 160,000 square meters and 97,000 square meters respectively. The mall is operated at a full capacity with an average occupancy rate of approximately 99% during the Period (2010: 99%). The mall is successful in retaining existing brand-name tenants and attracting new ones. The strong demands for shop spaces in the mall and the use of the open tender system for selecting tenants resulted in an increase of rental income.

The office building, known as the Teem Tower (粵海天河城大廈), is a 45-storey Grade A office tower with a total gross floor area and lettable area of approximately 102,000 square meters and 90,000 square meters respectively. With an occupancy rate of 94% (2010: 91%) as at 30 June 2011, the total rental income for the Period was HK\$87,265,000 (2010: HK\$73,659,000), an increase of 18.5%. The profit before tax for the Period increased to HK\$74,064,000 (2010: HK\$71,728,000), an increase of 3.3%.

The hotel, which is a 5-star hotel with approximately 450 hotel rooms, opened in July 2011. Sheraton Overseas Management Corporation has been engaged to operate, manage and promote the hotel under the name of Sheraton Guangzhou Hotel (粵海喜來登酒店) for an initial 10-year term. The estimated total development cost of the hotel (inclusive of both the historic land and further development costs) is about HK\$993 million, of which approximately HK\$830 million has been invested as at 30 June 2011.

#### **Tianjin Teem Shopping Mall**

In 2009, GD Teem acquired a piece of land in Tianjin. The land will be developed into a large-scale modern shopping mall with a total gross floor area above ground and underground of approximately 137,100 square meters and 56,000 square meters respectively. The estimated total investment of the mall is about RMB2,130 million, of which approximately HK\$1,145 million has been invested as at 30 June 2011. The mall is expected to be completed in 2013.

#### *Hong Kong*

#### **Guangdong Investment Tower**

Average occupancy rate of the Guangdong Investment Tower for the Period was 99% (2010: 100%), which was 1% lower than that in the same period last year. As a result, the total rental income for the Period was HK\$16,721,000 (2010: HK\$16,927,000), a decrease of 1.2%.

## Business Review, Discussion and Analysis, and Prospects (Continued)

---

### Department Stores

As at 30 June 2011, the Group held an effective interest of 85.18% in (i) 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) which operates the Teemall Store, Teemall Store — Beijing road branch (“Ming Sheng Store”), and 奧體歐萊斯名牌折扣店 (“Ao Ti Store”); and (ii) 廣州市天河城萬博百貨有限公司 which operates the 天河城百貨歐萊斯折扣店 (“Wan Bo Store”). The 4 stores in aggregate with leased area of approximately 83,000 square meters (2010: 62,100 square meters) generated revenue of HK\$359,539,000 (2010: HK\$284,454,000), an increase of 26.4%. The profit before tax for the Period was HK\$190,741,000 (2010: HK\$145,293,000), an increase of 31.3%.

The Teemall Store sells a wide range of products and its sales rank very high among the major department stores in Guangzhou. The revenue of the Teemall Store increased by 22.7% to HK\$285,188,000 (2010: HK\$232,354,000) arising from the improvement of the retail market and the success of various promotional activities launched at Teemall Store during the Period.

The revenue of Ming Sheng Store for the Period was HK\$28,865,000 (2010: HK\$21,031,000), an increase of 37.2%. The Ao Ti Store, which operates as an outlet mall, was opened in April 2011 and the revenue of Ao Ti Store for the Period was HK\$4,269,000.

The Wan Bo Store operates as an outlet mall selling brand-name products at a substantial discount. The revenue of Wan Bo Store for the Period was HK\$41,217,000 (2010: HK\$31,069,000), an increase of 32.7%.

During the Period, the Group's share of profit of 廣東吉之島天貿百貨有限公司 (Guangdong Jusco Teem Stores Co., Ltd.), a 26.63% associate of the Group, amounted to HK\$28,133,000 (2010: HK\$17,915,000), an increase of 57.0%.

### Hotel Operations and Management

As at 30 June 2011, our hotel management team managed a total of 41 hotels (31 December 2010: 38 hotels), of which 2 were in Hong Kong, 1 in Macau and 38 in Mainland China. Of these 41 hotels, 7 were owned or lease owned by the Group (2 in Hong Kong, 2 in Shenzhen, 1 in Zhuhai, 1 in Zhengzhou and 1 in Changzhou).

Among the 7 hotels owned or lease owned by the Group, 4 are star-rated hotels and 3 are limited service hotels. During the Period, the average room rate of the star-rated hotels of the Group in Hong Kong, Shenzhen and Zhuhai was HK\$704 (2010: HK\$559), an increase of 25.9%. The average room rate of the 3 limited service hotels of the Group in Shenzhen, Zhengzhou and Changzhou was HK\$208 (2010: HK\$202), an increase of 3.0%.

For the hotel business as a whole, the revenue for the Period increased by 19.0% to HK\$190,576,000 (2010: HK\$160,120,000), and profit before tax decreased to HK\$37,750,000 (2010: HK\$39,055,000). The decrease of profit before tax was mainly due to pre-operating expenditure of HK\$26,620,000 incurred by Sheraton Guangzhou Hotel during the Period.

## Business Review, Discussion and Analysis, and Prospects (Continued)

---

### **LIQUIDITY, GEARING AND FINANCIAL RESOURCES**

As at 30 June 2011, the cash and bank balances of the Group increased by HK\$872 million to HK\$4,713 million (31 December 2010: HK\$3,841 million), of which 30% in Hong Kong dollars, 69% in Renminbi and 1% in US dollars.

During the Period, the Group's financial borrowing increased by HK\$7 million due to the exchange realignment of Renminbi borrowing.

As at 30 June 2011, the Group's financial borrowings amounted to HK\$5,368 million (31 December 2010: HK\$5,361 million), of which 6% in Renminbi and 94% in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK\$1,418 million. Of the Group's total financial borrowings, HK\$846 million was repayable within one year while the remaining balance of HK\$3,375 million and HK\$1,147 million are repayable within two to five years and beyond five years from the balance sheet date respectively.

The Group maintained credit facilities of RMB50 million as at 30 June 2011 (31 December 2010: Nil).

The gearing (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) of the Group as at 30 June 2011 was 5% (31 December 2010: 10%). The improvement is in fact a reflection of the increase in the net assets of the Group. The Group is in a healthy debt servicing position as the EBITDA/finance cost is 36.2 times (31 December 2010: 27.1 times).

The existing cash resources and available credit facilities of the Group, together with steady cash flows generated from the Group's operations, are sufficient to meet the Group's payment obligation and business requirements.

### **PLEDGE OF ASSETS**

As at 30 June 2011, none of the Group's property, plant and equipment, investment properties, intangible assets and bank deposits was pledged to secure general banking facilities granted to the Group (31 December 2010: Nil).

### **CAPITAL EXPENDITURE**

The Group's capital expenditure in the first six months of 2011 amounted to HK\$144 million which was principally related to the land and development cost for the Tianjin Teem Shopping Mall and the Sheraton Guangzhou Hotel.

### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES**

As at 30 June 2011, total Renminbi borrowings amounted to HK\$328 million (31 December 2010: HK\$320 million). The foreign currency risk exposure was considered to be minimal and no hedging was considered necessary.

As at 30 June 2011, the Group's total floating rate borrowings amounted to HK\$3,949 million (31 December 2010: HK\$3,942 million). For the purpose of interest rate risk management, the Group has entered into certain fixed interest rate swap agreements, amounting to HK\$5,400 million (31 December 2010: HK\$5,400 million), which will be terminated at the end of 2012.

### **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2011, the Group had a total of 3,962 employees, of which 755 were at the managerial level. Among the employees, 3,742 were employed by subsidiaries in Mainland China and 220 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$221,902,000 (2010: HK\$167,864,000).

## Business Review, Discussion and Analysis, and Prospects (Continued)

---

In 2011, even when facing the challenges of adverse economic situation at home and abroad after the global financial crisis, the Group has raised its management standard further for efficiency and competitive advantages guided by the scientific approach to development. Despite the unfavourable external conditions in the first half year, all these measures have made it possible for the Group to successfully maintain a stable and healthy growth. To sustain our growth in the long term, the Group has implemented the core value of corporate culture, "Credibility, Integrity and Profitability", as well as, a set of people-oriented human resources strategies, which aim at improving the performance appraisal, assessment and incentive mechanisms, creating an environment of nurturing and excelling our human resources, training and developing management and technical personnel, so as to satisfy the requirement of corporate rapid development. The Group has put in place the mechanism for regular performance appraisals of and feedback to senior management staff to ensure their integrity and performance. Our remuneration and incentive packages are driven mainly by the operating results. In order to effectively motivate our employees, the incentive bonuses we pay to our management, key staff and employees with outstanding performance are determined by reference to the operating net cash flows and profits after tax, as well as by a policy that links rewards with individual performance. The Group has adopted a share option scheme to attract and motivate outstanding employees to contribute to the continuing success of the Group in the long run. In terms of staff training and development, the Group encourages and subsidizes our staff to actively participate in relevant professional development and training programs. The Group has also continued to offer various training courses and education in corporate culture to upgrade the overall quality of all our staff and thereby lay down a solid foundation for the sustainable growth and development of the Group in the years ahead.

### **PROSPECTS**

Operating environment in the second half of 2011 is still not optimistic, we shall raise our management standard even further so as to secure its healthy and sustainable development. With our strong cash flow and low debt level, we shall continue to seek for good investment opportunities prevailing in the present economic environment that will give us a leading position. In accordance with the Group's investment and development strategies, we shall be focusing on the utilities, commercial property and infrastructure industries while actively looking for water resources, commercial property, expressways and power generation related projects as long-term development targets so as to create higher values for shareholders.

# Directors' Interests and Short Positions in Securities

As at 30 June 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

## INTERESTS AND SHORT POSITIONS IN THE COMPANY

### (i) Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note)
Zhang Hui	Personal	1,760,000	Long position	0.028%
Tsang Hon Nam	Personal	1,180,000	Long position	0.019%
Cheng Mo Chi, Moses	Personal	1,150,000	Long position	0.018%
Xu Wenfang	Personal	1,320,000	Long position	0.021%
Li Wenyue	Personal	720,000	Long position	0.012%
Li Wai Keung	Personal	1,340,000	Long position	0.022%
Sun Yingming	Personal	1,400,000	Long position	0.022%
Chan Cho Chak, John	Personal	5,450,000	Long position	0.087%
Li Kwok Po, David	Personal	6,000,000	Long position	0.096%

Note: The approximate percentage of interests held was calculated on the basis of 6,230,898,071 ordinary shares of the Company in issue as at 30 June 2011.

## Directors' Interests and Short Positions in Securities (Continued)

### (ii) Interests in options relating to ordinary shares (Long positions)

(1) Share Option Scheme adopted on 24 October 2008 ("2008 Scheme")

Name of Director	Date of grant of share options* (dd.mm.yyyy)	Number of share options					At 30 June 2011	Total consideration paid for share options HK\$	Exercise price of share options** HK\$ (per share)	Price of ordinary share	Price of ordinary share
		At date of grant	At 1 January 2011	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period				at date immediately before grant*** HK\$ (per share)	at date immediately before the exercise date*** HK\$ (per share)
Huang Xiaofeng	24.10.2008	5,700,000	5,700,000	—	—	—	5,700,000	—	1.88	1.73	—
Zhang Hui	24.10.2008	4,400,000	2,640,000	—	—	—	2,640,000	—	1.88	1.73	—
Tsang Hon Nam	24.10.2008	2,950,000	1,770,000	—	—	—	1,770,000	—	1.88	1.73	—
Cheng Mo Chi, Moses	24.10.2008	2,500,000	2,500,000	—	—	—	2,500,000	—	1.88	1.73	—
Xu Wenfang	24.10.2008	3,300,000	1,980,000	—	—	—	1,980,000	—	1.88	1.73	—
Li Wenyue	24.10.2008	9,500,000	9,500,000	—	—	—	9,500,000	—	1.88	1.73	—
Li Wai Keung	24.10.2008	3,350,000	2,010,000	—	—	—	2,010,000	—	1.88	1.73	—
Sun Yingming	24.10.2008	3,500,000	2,100,000	—	—	—	2,100,000	—	1.88	1.73	—

Notes to the above share options granted pursuant to the 2008 Scheme:

- The option period of all the share options is 5.5 years from the date of grant.
- Any share option is only exercisable during the option period after it has become vested.
- The normal vesting scale of the share options is as follows:

Date	Percentage Vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

## Directors' Interests and Short Positions in Securities (Continued)

- (d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of Directors upon grant and stated in the offer of grant.
- (e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

<b>Date on which event occurs</b>	<b>Percentage Vesting</b>
On or before the date which is four months after the date of grant	0%
After the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

### (2) Notes to the reconciliation of share options outstanding during the period

- \* Details of the vesting period of the share options granted under the 2008 Scheme are set out in the "Share Option Scheme adopted on 24 October 2008" section of this report.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's ordinary share disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

The price of the Company's ordinary share disclosed as "immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the options were exercised by each of the Directors or all other participants as an aggregate whole.

## Directors' Interests and Short Positions in Securities (Continued)

**INTERESTS AND SHORT POSITIONS IN KINGWAY BREWERY HOLDINGS LIMITED****Interests in ordinary shares**

<b>Name of Director</b>	<b>Capacity/nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Long/short position</b>	<b>Approximate percentage of interests held (Note)</b>
Li Wenyue	Personal	814,000	Long position	0.048%
Cheng Mo Chi, Moses	Personal	600,000	Long position	0.035%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Kingway Brewery Holdings Limited in issue as at 30 June 2011.

**INTERESTS AND SHORT POSITIONS IN GUANGNAN (HOLDINGS) LIMITED****(i) Interests in ordinary shares**

<b>Name of Director</b>	<b>Capacity/nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Long/short position</b>	<b>Approximate percentage of interests held (Note)</b>
Tsang Hon Nam	Personal	300,000	Long position	0.033%
Li Wenyue	Personal	800,000	Long position	0.088%
Li Kwok Po, David	Personal	15,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of Guangnan (Holdings) Limited ("Guangnan Holdings") in issue as at 30 June 2011.

## Directors' Interests and Short Positions in Securities (Continued)

### (ii) Interests in options relating to ordinary shares (Long positions)

Name of Director	Date of grant of share options* (dd.mm.yyyy)	Number of share options					At 30 June 2011	Total consideration paid for share options HK\$	Exercise period of share options (both days inclusive)** (dd.mm.yyyy)	Exercise price of share options HK\$ (per share)	Price of ordinary share	Price of ordinary share
		At 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	At date immediately before date of grant*** HK\$ (per share)					Price of ordinary share immediately before the exercise date HK\$ (per share)	
Tsang Hon Nam	09.03.2006	300,000	–	–	–	300,000	1	09.06.2006 to 08.03.2016	1.66	1.61	–	

Notes to the share option scheme of Guangnan Holdings adopted on 11 June 2004:

- \* The vesting period of the share options is from the date of grant until the commencement of the exercise period or the grantee's completion of half year's full time service with Guangnan Holdings or its subsidiaries, whichever is the later.
- \*\* If the last day of the exercise period is not a business day in Hong Kong, the exercise period shall end at the close of business on the last business day preceding that day.
- \*\*\* The price of Guangnan Holdings ordinary shares disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

Save as disclosed above, as at 30 June 2011, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company or its holding companies, or any of its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Substantial Shareholders' Interests

As at 30 June 2011, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note 1)
廣東粵海控股有限公司 (Guangdong Holdings Limited) (Note 2)	Interest of controlled corporation	3,769,979,875	Long position	60.50%
GDH Limited (Note 3)	Beneficial owner/ Interest of controlled corporation	3,769,979,875	Long position	60.50%
Guangdong Trust Ltd.	Beneficial owner/ Interest of controlled corporation	576,404,918	Long position	9.25%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 6,230,898,071 ordinary shares of the Company in issue as at 30 June 2011.
2. The attributable interest which 廣東粵海控股有限公司 (Guangdong Holdings Limited) has in the Company is held through its 100% direct interest in GDH Limited.
3. The interests of GDH Limited set out above include attributable interest held through its wholly-owned subsidiary, Guangdong Trust Ltd.

Save as disclosed above, as at 30 June 2011, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had, or were taken or deemed to have interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

## Share Options of the Company

As at 30 June 2011, save as disclosed in the section of “Directors’ Interests and Short Positions in Securities”, certain other eligible persons had the following interests in rights to subscribe for shares of the Company granted under the 2008 Scheme. Each option gives the holder the right to subscribe for one share of par value HK\$0.50 each of the Company. Further details are set out in note 15 to the interim financial information.

### 2008 SCHEME

Category of participants	Date of grant of share options* (dd.mm.yyyy)	Number of share options					At 30 June 2011	Total consideration paid for share options HK\$	Exercise price of share options** HK\$ (per share)	Price of ordinary share at date immediately before date of grant*** HK\$ (per share)	Price of ordinary share immediately before the exercise date*** HK\$ (per share)
		At date of grant	At 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period					
Employees	24.10.2008	18,500,000	11,100,000	–	–	(1,950,000)	9,150,000	–	1.88	1.73	–

Additional information regarding the above share options granted in 2008 is set out in the “Notes to the above share options granted pursuant to the 2008 Scheme” in the “Directors’ Interests and Short Positions in Securities” section of this report on pages 41 and 42.

Details regarding the reconciliation of share options outstanding during the period are set out in the “Notes to the reconciliation of share options outstanding during the period” in the “Director’s Interests and Short Positions in Securities” section of this report on page 42.

# Corporate Governance and Other Information

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ securities transactions. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

## BOARD OF DIRECTORS

At present, the board of Directors (the “Board”) comprises three Executive Directors, being Mr. Huang Xiaofeng, Mr. Zhang Hui and Mr. Tsang Hon Nam, six Non-Executive Directors, being Dr. Cheng Mo Chi, Moses, Mr. Wu Jianguo, Ms. Xu Wenfang, Mr. Li Wenyue, Mr. Li Wai Keung and Mr. Sun Yingming, and three Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David and Mr. Fung, Daniel R.

The Board is responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations.

## CHANGES IN DIRECTORS’ INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) in respect of the period between 1 January 2011 and the date of this report are set out below:

- (i) Commencing 1 January 2011, the salary, allowances and benefits in kind (excluding performance related bonuses) of Mr. Zhang Hui and Mr. Tsang Hon Nam will amount to approximately HK\$682,000 per annum and HK\$1,445,000 per annum, respectively.
- (ii) Dr. Cheng Mo Chi, Moses ceased to act as an Independent Non-Executive Director of China COSCO Holdings Company Limited.
- (iii) Ms. Xu Wenfang is the Chief Personnel and Appraisal Officer of both 廣東粵海控股有限公司 (Guangdong Holdings Limited) (“Guangdong Holdings”) and GDH Limited (“GDH”). She ceased to act as the General Manager of the Personnel Department of Guangdong Holdings and the General Manager of the Personnel and Appraisal Department of GDH. She also ceased to act as the Chairman of Supertime Development Limited (“Supertime Development”). Supertime Development is a wholly-owned subsidiary of GDH.
- (iv) Mr. Li Wai Keung ceased to act as an Independent Non-Executive Director of Hong Long Holdings Limited.
- (v) Dr. Chan Cho Chak, John was elected as a Director of The Community Chest of Hong Kong.

## Corporate Governance and Other Information (Continued)

---

### AUDIT COMMITTEE

The Audit Committee was established in 1998 and its terms of reference are in line with the CG Code. The Audit Committee comprises Dr. Li Kwok Po, David, Dr. Chan Cho Chak, John, Mr. Fung, Daniel R. and Dr. Cheng Mo Chi, Moses. Dr. Li Kwok Po, David is the Chairman of the Audit Committee. The principal duties of the Audit Committee include, inter alia, the review of the completeness, accuracy and fairness of the Company's financial reports and the Group's internal controls and risk management systems.

### REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim financial information of the Group and the Company's interim report for the six months ended 30 June 2011. In addition, the Company's external auditors, Messrs. Ernst & Young, have also reviewed the aforesaid unaudited interim financial information.

### REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 and its terms of reference are in line with the CG Code. The Remuneration Committee comprises Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung, Daniel R. and Dr. Cheng Mo Chi, Moses. Dr. Chan Cho Chak, John is the Chairman of the Remuneration Committee. The principal duties of the Remuneration Committee include, inter alia, making recommendations to the Board relating to the Company's policy for the Directors' and senior management's remuneration, determining the Executive Directors' and senior management's remuneration packages, reviewing and approving their performance-based remuneration and compensation payable for their loss or termination of offices.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

### INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of 7.0 HK cents (2010: 5.0 HK cents) per ordinary share for the six months ended 30 June 2011. The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company on Tuesday, 11 October 2011. The interim dividend will be paid on Wednesday, 26 October 2011.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 10 October 2011 and Tuesday, 11 October 2011. During these two days, no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 7 October 2011.

By Order of the Board  
**HUANG Xiaofeng**  
Chairman

Hong Kong, 29 August 2011

