



**GUANGZHOU INVESTMENT COMPANY LIMITED**

**越秀投資有限公司**

(Stock Code: 123)

2007 Interim Report



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## FINANCIAL HIGHLIGHTS



	For the six months ended		Percentage change
	30 June 2007 (HK\$'000) Unaudited	30 June 2006 (HK\$'000) Unaudited	
Revenue	<b>2,780,689</b>	2,414,205	↑ 15%
Profit attributable to equity holders of the Company	<b>416,740</b>	318,716	↑ 31%
Basic earnings per share (HK cents)	<b>6.12</b>	4.80	↑ 28%
Dividend per share - interim (HK cents)	<b>2.30</b>	1.89	↑ 22%

	As at		Percentage Change
	30 June 2007 (HK\$'000) Unaudited	31 December 2006 (HK\$'000) Audited	
Total assets	<b>37,430,350</b>	29,621,544	↑ 26%
Shareholders' equity*	<b>12,059,966</b>	11,136,887	↑ 8%
Shareholders' equity per share (HK\$)*	<b>1.77</b>	1.64	↑ 8%
Gearing ratio	<b>33%</b>	21%	↑ 12 percentage point

\* excluding minority interests

The Board of Directors ("Board") of the Company announced the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2007.

The unaudited consolidated results have been reviewed by the Company's audit committee and the Company's auditor, PricewaterhouseCoopers, 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 ("HKICPA").



## INTERIM DIVIDEND

The Board have declared an interim dividend of HK 2.30 cents per share for the six months ended 30 June 2007 (six months ended 30 June 2006: HK 1.89 cents per share) payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 24 October 2007.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 22 October 2007 to 24 October 2007, both days inclusive, during which period no transfer of shares will be registered. 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 Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 18 October 2007. The relevant dividend warrants will be dispatched to shareholders on 8 November 2007.

## FINANCIAL CALENDAR

- 18 October 2007, 4:00 p.m. Latest time to lodge transfer documents for interim dividend entitlement
- 22 October 2007 to 24 October 2007, both days inclusive Register of members closed for interim dividend entitlement
- 8 November 2007 Dispatch of dividend warrants to shareholders



## BUSINESS REVIEW AND PROSPECTS

The Group's major businesses included property, toll roads and newsprint. Most of these business operations were located in Guangdong Province around the Guangzhou Municipality area. The Group completed in March 2007 the acquisition of an additional 20% equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSRE Co") increasing the Group's equity interest in that company from 40% to 60% and that company became a subsidiary of the Group. Benefiting from the high economic growth in the region, revenue up to 30 June 2007 was HK\$2.781 billion, representing an increase of 15% as compared to the same period last year which recorded a revenue of HK\$2.414 billion. Profit attributable to equity holders was HK\$417 million, an increase of 31% as compared to HK\$319 million for the same period in 2006.

### Property Business

Up to 30 June 2007, the Group has accumulated sales in gross floor area ("GFA") of approximately 386,660 sq. m., of which 146,300 sq. m. were sold and the revenue of GFA of 148,800 sq. m. was recognized during the period, representing 38.5% of the accumulated sales. Also, the GFA of the Group's investment properties increased from approximately 683,000 sq. m. at the end of 2006 to 731,000 sq. m. due to conversion of approximately 48,000 sq. m. from "property under development", and the total number of car parking spaces exceeded 5,300 units. The property business for the current period recorded a revenue of HK\$1.791 billion, of which fair value gain of investment properties accounted for approximately HK\$92 million. Revenue of sales recognized during the current period were mainly contributed from the following sites — Jiangnan Xinyuan B1 and B2 towers, Xinghui Yayuan, Glade Villa B & C zone, Nansha Le Sand and Yue Xiu City Plaza.

### Toll Road Business

During the period, the Group acquired a further 20% equity interest in GNSRE Co for the consideration of approximately RMB667 million, thus increasing the Group's interest from 40% to 60% in that company, transforming it from a "jointly controlled entity" to "subsidiary" since April 2007. The toll revenue generated by Guangzhou Northern Second Ring Expressway, which was the only asset held by GNSRE Co, was higher than the forecast for the period as stated in the traffic study report obtained at the time of the acquisition. Coupled with the increase in toll traffic on other expressways, the Group's toll revenue increased 65% to approximately HK\$348 million as compared to the same period last year, and profit attributable from associated entities increased 33% to approximately HK\$159 million as compared to same period last year with overall profit attributable to GZI Transport Limited's ("GZT") equity holders increased 26% to approximately HK\$250 million as compared to same period last year.

### Newsprint Business

During the period, market competition for newsprint became increasingly intense due to substantial increase in both capital investment and production capacity in mainland China, and newsprint sales price was under pressure despite costs of raw materials like waste paper and energy continued to increase, resulting in an operating loss, and attributable loss to equity holders amounted to approximately HK\$10.16 million.

### Real Estate Investment Trust

During the period, GZI Real Estate Investment Trust's ("GZI REIT") property leasing operations performed well, maintaining a high and stable occupancy rate and a slight increase in rental revenue. Total distributable income for the period was approximately HK\$111 million, representing HK\$0.1107 per unit and an increase of 7.16% as compared to the same period last year. The Group was entitled to an interim distribution of \$34.69 million.



### Future Strategy and Business Outlook

Guangdong Province and Guangzhou area, where the Group's major businesses are located, recorded a favourable trend of economic development. GDP of Guangdong Province for the period reached RMB1,354.45 billion, an increase of approximately 14.3% compared to the same period last year, and 2.8 percentage points above the national average. GDP of Guangzhou also reached RMB319.8 billion, representing an increase of 14% over same period last year. These brought about increases in disposable personal income in Guangdong Province and Guangzhou which amounted to RMB9,238 and RMB11,560 respectively. As a result of this economic development and the improved standard of living, the demand for residential property was much augmented, resulting in an average selling price of RMB7,550/sq.m., an increase of 24.53% over the same period last year. At the same time, according to the Guangdong Province Comprehensive 11th Five Year Plan Transport Development blueprint, by 2010, the Province planned to invest up to RMB228.8 billion to construct 2,773 km of expressways, and this created a good investment opportunity for the toll road business of the Group.

In light, the Group will continue to increase its investment and quicken the pace of development in the property business, increase the sales GFA, and in response to market conditions, dispose of some of the investment properties when appropriate. At the same time, the Group will closely monitor on new policies to be promulgated by the central and local governments from time to time that are intended to cool down the overheating property market and the Group noted that the latest land auction in Guangzhou fetched a price of more than RMB10,000 per sq.m. of permitted GFA. However, the Group also noted that the number of transactions in the Guangzhou property market had been reduced following the recent price hikes, which could be seen as a tell tale sign of a forthcoming rational market correction. In the circumstances, the Group will take caution in increasing its land bank at a rational price level and in a prudent manner.

For toll road business, we seized the opportunity made available by massive expressway development plan of Guangdong Province, on the one hand successfully completed an open offer on 28 August 2007 to increase the Group's interest in GZT from 34.29% to 45.28%, further increasing future income from this division, and on the other hand increased cash reserve of more than HK\$2.1 billion for investments and acquisition of expressway projects in Guangdong by and increase the ratio of expressways in the portfolio of GZT, and enable us to bring along long-term stable income for equity holders.

On newsprint business, full commercial production commenced for PM1 (which produces 45gsm newsprint) following its successful trial run in the 2nd half of 2006, together with the technical upgrade of PM8 to produce 45gsm newsprint during the period and the targeted trial production commencement of PM9 by the year end, it is expected that the benefits of economy of scale, the improved product quality and the larger market share would substantially increase the market competitiveness of the business, and return to a profitable operation for our equity holders.

For the REIT business, it is expected that a stable income will continue for the Group. Apart from that, the Group will also make good use of this platform, and in compliance with relevant laws and regulations, to execute interactive transactions between the two entities.



## FINANCIAL REVIEW

### Results

For the six months ended 30 June 2007, the Group recorded total revenue of approximately HK\$2,781 million (6 months ended 30 June 2006: HK\$2,414 million), representing an increase of approximately 15% as compared with the same period last year. The increase was mainly contributed from the toll road business and newsprint business.

### Property business

The total revenue from the property business recorded an increase of 3% to approximately HK\$1,699 million for the six months ended 30 June 2007. During the period, properties with about 149,000 sq. m. gross floor area were recognised as sales, which represented a decrease of about 11% in gross floor area as compared to the same period last year. Included in total revenue, the Group recorded an increase of approximately 31% and 28% in rental income and property management fees to approximately HK\$132 million and HK\$122 million respectively as a result of the restoration of the investment properties portfolio in the past year.

### Toll road business

Benefiting from the natural growth in traffic volume brought forth by the continuous rapid economic growth in the Pearl River Delta Region, average daily toll traffic volume in first half of 2007 increased by 8% to 159,737 vehicles as compared to same period in 2006. The total revenue derived from toll roads increased sharply to approximately HK\$348 million, representing an increase of 65% as compared to same period in 2006 as a result of the consolidation of the results of GNSRE Co which became a subsidiary of the Group upon completion of the acquisition of an additional 20% interest at the end of March 2007.

### Newsprint business

Because of keen market competition, newsprint price was under pressure despite continued rise in the costs of raw materials such as waste paper and energy, the overall performance of the newsprint business for the current period was less than promising. However, the Group intended to increase its market share by improving its marketing strategy and recorded an increase in revenue to approximately HK\$733 million, representing an increase of 34% as compared with the same period last year. The tonnage of newsprint sold in the first half year 2007 increased by 43%, as compared to the same period in 2006.

### Results from jointly controlled entities and associated entities

There was a significant decrease in the share of results of jointly controlled entities as a result of completion of the acquisition of the additional 20% interest in GNSRE Co. Upon completion of the acquisition at the end of March 2007, the results of GNSRE Co was consolidated in the Group's result and no longer recorded as a share in the result of a jointly controlled entity. The results from associated entities recorded an increase of about 28% to HK\$196 million which were mainly contributed from the toll road business.

### Taxation

As a result of the new China Income Tax Law and the reduction of the corporate income tax rate, deferred taxation on temporary differences that are expected to be reversed after 1 January 2008 have been reduced with approximately HK\$251 million being credited to the income statement during the six months ended 30 June 2007. Apart from this, the Group recorded a taxation charge of approximately HK\$155 million (2006: HK\$141 million) for the six months ended 30 June 2007.



## Profit for the period attributable to equity holders of the Company

The Group recorded a significant increase in profit for the period attributable to equity holders of about 31% to approximately HK\$417 million (2006: HK\$319 million) for the six months ended 30 June 2007.

## Earnings per share

The Group recorded a significant increase in earnings per share of about 28% to approximately HK cents 6.12 (2006: HK cents 4.8) for the six months ended 30 June 2007.

## Interim dividend

The board of directors of the Company resolved to declare an interim dividend for 2007 of HK2.30 cents (2006: HK1.89 cents) per share payable on 8 November 2007 to shareholders whose names appear on the Register of Members of the Company on 24 October 2007.

## Liquidity and financial resources

The Board believed in the importance of healthy liquidity position to the sustainability of the operation of the Group. The Group's major sources of liquidity are from recurring cash flow of the business and committed banking facilities. As at 30 June 2007, the Group had net current assets of approximately HK\$2,180 million (31 December 2006: HK\$1,868 million). The Group generally financed its operations with internally generated resources and bank borrowings. As at 30 June 2007, the Group had cash reserves of approximately HK\$2,455 million (31 December 2006: HK\$2,378 million) for general working capital purposes.

## Cash flow

The following table summarised the Group's cash flows for the six months ended 30 June 2007 and 2006:

	Six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
Net cash generated from operating activities	537,810	531,123
Net cash used in investing activities	(2,398,216)	(273,129)
Net cash generated from / (used in) financing activities	1,715,398	(1,068,997)
Net decrease in cash and cash equivalents	<u>(145,008)</u>	<u>(811,003)</u>
Cash and cash equivalents at period end	<u>2,224,252</u>	<u>2,387,950</u>

## Net cash generated from operating activities

For the six months ended 30 June 2007, the net cash generated from operating activities was approximately HK\$538 million, representing an increase of approximately HK\$7 million from approximately HK\$531 million for the six months ended 30 June 2006, which indicated a steady operating cash stream of the Group.



## Net cash used in investing activities

For the six months ended 30 June 2007, the Group acquired additional plant and equipment and further invested significantly in toll road operation. Net cash used in investing activities increased significantly to HK\$2,398 million, representing an increase of HK\$2,125 million as compared to the six month ended 30 June 2006.

## Net cash generated from financing activities

For the six months ended 30 June 2007, the net cash generated from financing activities was HK\$1,715 million, which was primarily due to the significant increase in bank borrowings (net of repayments) of HK\$1,552 million as compared to the six months ended 30 June 2006.

During the six months ended 30 June 2007, the cash and cash equivalents decreased by approximately HK\$81 million as the Group spent the majority of its financial resources to expand its business operations.

## Working capital

As at 30 June 2007, the Group's net current assets amounted HK\$2,180 million (31 December 2006: HK\$1,868 million). The increase of approximately HK\$312 million was mainly attributable to the net increase in the prepayments for land use rights and properties and short-term borrowings. As at 30 June 2007, the Group's cash and cash equivalents amounted to HK\$2,224 million (31 December 2006: HK\$2,306 million).

## Indebtedness

The indebtedness of the Group was summarised as follows:

	<b>30 June 2007</b>	31 December 2006
	<b>HK\$'000</b>	HK\$ '000
	<b>Unaudited</b>	Audited
Secured bank borrowings	<b>4,839,582</b>	2,844,093
Unsecured bank borrowings	<b>3,558,656</b>	2,493,196
Unsecured other borrowings	<b>516,627</b>	501,353
Obligations under finance leases	<b>120</b>	136
Bank overdrafts	<b>228</b>	215
	<b>8,915,213</b>	5,838,993
Ageing analysis:		
Repayable within one year	<b>2,668,287</b>	2,076,346
In the second year	<b>1,598,487</b>	1,142,596
In the third to fifth year	<b>4,184,756</b>	2,170,313
With no fixed repayment terms	<b>463,683</b>	449,738
	<b>8,915,213</b>	5,838,993

As at 30 June 2007, the Group's total indebtedness was approximately HK\$8,915 million, an increase of HK\$3,076 million from HK\$5,839 million as at 31 December 2006. The main reasons for the increase were the consolidation of the borrowings of GNSRE Co as a result of the completion of the acquisition of the additional 20% equity interest of that company and the increase in bank borrowings for the business expansion of the Group.



## Capital structure

The Group's capital structure as at 30 June 2007 and 31 December 2006 were summarised below:

	30 June 2007		31 December 2006	
	HK\$'000 Unaudited	%	HK\$'000 Audited	%
Bank borrowings and overdrafts (floating rates):				
Denominated in Renminbi	6,541,279		4,388,348	
Denominated in Euro dollars	209,869		204,253	
Denominated in United States dollars	38,395		37,243	
Denominated in Hong Kong dollars	1,608,923		707,660	
	<hr/>		<hr/>	
Total bank borrowings	8,398,466		5,337,504	
Less: Charged bank deposits	(230,708)		(72,609)	
Bank balances and cash	(2,224,480)		(2,305,854)	
	<hr/>		<hr/>	
Net bank borrowings	5,943,278	33	2,959,041	21
Shareholders' funds (excluding minority interests)	12,059,966	67	11,136,887	79
	<hr/>		<hr/>	
Total capitalisation	18,003,244	100	14,095,928	100
	<hr/> <hr/>		<hr/> <hr/>	
Gearing ratio	33%		21%	

As a result of the expansion of the Group's business and the increase in the demand of the required working capital, total net bank borrowings shared a larger portion of the total capitalisation of the Group as at 30 June 2007. As at 30 June 2007, total net bank borrowings increased by approximately 101% to HK\$5,943 million. The ratio of net borrowings to total capitalisation (gearing ratio) increased from 21% as at 31 December 2006 to 33% at 30 June 2007.

As at 30 June 2007, shareholders' fund (excluding minority interests) amounted to approximately HK\$12.1 billion which accounted for about 67% of the Group's total capitalisation. The increase in shareholders' funds by approximately 8% or approximately HK\$923 million, was mainly, attributable to the net profit retained for the year after appropriation of 2006 final dividend and the increase in exchange fluctuation reserve.

## Treasury policies

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

## Interest rate exposure

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



### Foreign exchange exposure

Since the business operations of the Group were mainly based in mainland China, revenue and cash flow were primarily denominated in Renminbi, the currency exposure was therefore minimal. Finance arranged by the Group in Hong Kong was mainly denominated in Hong Kong dollars. In respect of the Group's business activities in Mainland China that are conducted through its Mainland China subsidiaries, borrowings were mainly denominated in Renminbi to fund their operations in China during the period under review. In order to mitigate any possible Renminbi appreciation, the Group will consider new foreign currency borrowings while maintaining an appropriate level of gearing in anticipation of new investments in Mainland China. At present, the Group was holding significant assets denominated in Renminbi which the Group was facing positive currency exposure as Renminbi was keeping a relatively appreciation trend in the past. The Group will review and monitor the risks relating to foreign exchange and will employ currency swaps when appropriate to hedge its currency exposure.

### Capital expenditure

During the six months ended 30 June 2007, the Group had capital expenditure totalling approximately HK\$1,276 million (six months ended 30 June 2006: HK\$466 million), excluding for the acquisition of the additional 20% equity interest in GNSRE Co.

### Capital expenditure commitments

At 30 June 2007, the Group had financial commitments in respect of equity capital to be injected to jointly controlled entities of approximately HK\$108 million (31 December 2006: HK\$637 million). Other than the above, the Group also has capital commitments in respect of property, plant and equipment amounted to approximately HK\$3,619 million as at 30 June 2007 (31 December 2006: HK\$3,772 million).

### Contingent liabilities

During the six months ended 30 June 2007, the Group had arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations for repayment of loans. As at 30 June 2007, the total contingent liabilities exposure amounted to HK\$620 million (31 December 2006: HK\$494 million).

### Significant events after the balance sheet date

- (1) On 29 June 2007, GZT, a subsidiary of the Company (being a connected person as defined under the Listing Rules), proposed to raise approximately HK\$2,192 million, before expenses, by issuing 557,720,765 new shares at the subscription price of HK\$3.93 per share by way of an open offer on the basis of one offer share for every two existing shares, with the Company acting as underwriter of the open offer.

On 28 August 2007, the Group was allotted and issued 375,067,000 shares of GZT and effectively held approximately 45.28% of the entire issued share capital of GZT immediately following the completion of the open offer.

- (2) On 9 July 2007, the Group entered into agreements with certain subsidiaries of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), a substantial shareholder of the Company (being a connected person as defined under the Listing Rules), for the acquisition of the entire equity interests in two subsidiaries held by Yue Xiu and leasehold land and certain units of a building in Hong Kong at a total consideration of approximately HK\$670.7 million. The consideration was to be satisfied by the issuance of 257 million shares of the Company at a price of HK\$1.995 per share together with a cash consideration of approximately HK\$158 million.

The transaction was completed on 16 August 2007. Yue Xiu and its subsidiaries hold approximately 47.117% of the entire issued share capital of the Company immediately following completion of the transaction.



### Employees and remuneration policy

As at 30 June 2007, the Group employed approximately 8,600 employees (31 December 2006: 8,450 employees), of whom approximately 8,450 employees (31 December 2006: 8,310 employees) were primarily engaged in the properties, toll roads and newsprint business.

The Group remunerated its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits included provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees according to their performance. Promotion and salary adjustments are based on performance.

### Disclosures pursuant to Rule 13.21 of the Listing Rules

The following information was disclosed in accordance with Rule 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

1. The Company entered into a term loan agreement for HK\$2,500 million on 18 December 2006 (“Loan Agreement”) with a final maturity in December 2009. Under with the terms of the Loan Agreement, it shall be an event of default if (A) Yue Xiu ceases to maintain (i) its status as the single largest beneficial shareholder of the Company, or (ii) (whether directly or indirectly) a shareholding interest of not less than 35% in the issued voting share capital of the Company or (iii) an effective management control over the Company; or (B) Yue Xiu (with the Company) cease to maintain (i) their status as the single largest beneficial shareholder of GZT, a subsidiary of the Company, or (ii) (whether combined directly or indirectly) a shareholding interest of not less than 35% in the issued voting share capital of GZT. These obligations had been complied with for the six months ended 30 June 2007.
2. GZT entered into a HK\$400 million loan agreement dated 9 March 2007 (“GZT Loan Agreement”) with a final maturity in March 2012. Under the terms of GZT Loan Agreement, it shall be an event of default if Yue Xiu and the Company, the controlling shareholders of GZT who together beneficially own an aggregate of about 70.5% of the issued share capital of GZT, cease to maintain (i) their status as the single largest beneficial shareholder of GZT (ii) (whether together directly or indirectly) a shareholding interest of not less than 35% in the issued voting share capital of GZT or (iii) an effective management control over GZT. It is also an event of default if Yue Xiu ceases to be wholly owned, directly or indirectly, by Guangzhou Municipal People’s Government without the prior written consent of the lender. These obligations had been complied with for the six months ended 30 June 2007.

By order of the Board

**Ou Bingchang**

*Chairman*

Hong Kong, 24 September 2007

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**

22/F, Prince's Building  
Central, Hong Kong

TO THE BOARD OF DIRECTORS OF  
GUANGZHOU INVESTMENT COMPANY LIMITED  
(incorporated in Hong Kong with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 41, which comprises the condensed consolidated balance sheet of Guangzhou Investment Company Limited (the Company) and its subsidiaries as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of 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" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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 and consequently 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 respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 24 September 2007

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007



		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
Revenue	4	<b>2,780,689</b>	2,414,205
Cost of sales		<b>(2,131,781)</b>	(1,731,277)
<b>Gross profit</b>		<b>648,908</b>	682,928
Fair value gains on investment properties		<b>91,529</b>	68,975
Loss on disposal of investment in an associated entity		—	(2,470)
Selling and distribution expenses		<b>(82,985)</b>	(81,956)
General and administrative expenses		<b>(208,115)</b>	(190,419)
<b>Profit from operations</b>	5	<b>449,337</b>	477,058
Interest income		<b>14,808</b>	30,440
Finance costs		<b>(162,002)</b>	(82,908)
Share of profits less losses of			
– Jointly controlled entities		<b>1,870</b>	39,209
– Associated entities		<b>196,183</b>	153,010
<b>Profit before taxation</b>		<b>500,196</b>	616,809
Taxation	6	<b>95,704</b>	(141,159)
<b>Profit for the period</b>		<b>595,900</b>	475,650
Attributable to			
Equity holders of the Company		<b>416,740</b>	318,716
Minority interests		<b>179,160</b>	156,934
		<b>595,900</b>	475,650
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)			
– Basic	7	<b>6.12</b>	4.80
– Diluted	7	<b>6.07</b>	4.69
Interim dividend	8	<b>163,616</b>	127,649

The above condensed consolidated income statement should be read with the accompanying notes to this condensed consolidated financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007



	Note	As at	
		30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in toll highways and bridges	9	6,645,340	1,943,681
Property, plant and equipment	9	2,541,451	2,354,331
Investment properties	10	6,121,448	5,625,185
Leasehold land and land use rights	11	5,008,599	4,737,407
Goodwill	12	117,352	—
Interests in jointly controlled entities		459,862	898,170
Interests in associated entities		3,138,806	2,995,294
Deferred tax assets	19	121,203	135,689
Other non-current assets		260,084	324,096
Available-for-sale financial assets		513,545	418,269
		<b>24,927,690</b>	<b>19,432,122</b>
<b>Current assets</b>			
Properties under development		2,476,713	2,230,173
Properties held for sale		691,092	728,951
Leasehold land and land use rights	11	2,727,326	2,182,789
Prepayments for land use rights and properties		2,557,689	1,272,233
Other assets held for sale		—	15,000
Inventories		314,858	233,895
Trade receivables	13	623,586	585,226
Other receivables, prepayments and deposits		552,812	420,630
Taxation recoverable		103,396	142,062
Charged bank deposits		230,708	72,609
Bank balances and cash		2,224,480	2,305,854
		<b>12,502,660</b>	<b>10,189,422</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	14	287,775	198,428
Land premium payable		1,474,852	637,134
Other payables and accrued charges		5,677,785	5,220,253
Borrowings	15	2,668,287	2,076,346
Taxation payable		213,825	189,657
		<b>10,322,524</b>	<b>8,321,818</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007



		As at	
	Note	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
<b>Net current assets</b>		<b>2,180,136</b>	1,867,604
<b>Total assets less current liabilities</b>		<b>27,107,826</b>	21,299,726
<b>Non-current liabilities</b>			
Borrowings	15	6,246,926	3,762,647
Deferred tax liabilities	19	2,999,511	2,560,921
		<b>9,246,437</b>	6,323,568
<b>Net assets</b>		<b>17,861,389</b>	14,976,158
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	682,099	680,354
Other reserves	18	7,562,003	6,897,267
Retained earnings	18		
– Proposed dividend		163,616	156,781
– Others		3,652,248	3,402,485
		<b>12,059,966</b>	11,136,887
Minority interests		5,801,423	3,839,271
<b>Total equity</b>		<b>17,861,389</b>	14,976,158

The above condensed consolidated balance sheet should be read with the accompanying notes to this condensed consolidated financial information.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007



## Unaudited Six months ended 30 June

	2007 HK\$'000	2006 HK\$'000
Net cash generated from operating activities	537,810	531,123
Net cash used in investing activities	(2,398,216)	(273,129)
Net cash generated from/(used in) financing activities	1,715,398	(1,068,997)
Decrease in cash and cash equivalents	(145,008)	(811,003)
Cash and cash equivalents at the beginning of period	2,305,639	3,198,953
Exchange gains on cash and cash equivalents	63,621	—
Cash and cash equivalents at the end of period	<u>2,224,252</u>	<u>2,387,950</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	2,224,480	2,390,097
Bank overdrafts	(228)	(2,147)
	<u>2,224,252</u>	<u>2,387,950</u>

The above condensed consolidated cash flow statement should be read with the accompanying notes to this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

Unaudited

	Note	Attributable to equity holders of the Company			Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000	Minority interests HK\$'000	
Balance at 1 January 2007		680,354	10,456,533	3,839,271	14,976,158
Currency translation differences	18	—	326,342	162,815	489,157
Share of change in fair value of cash-flow hedges of an associated entity	18	—	4,391	—	4,391
Change of fair value of available-for-sale financial assets	18	—	79,911	4,178	84,089
Fair value adjustment to loans from minority shareholders of subsidiaries	18	—	2,851	5,463	8,314
Net income recognised directly in equity		—	413,495	172,456	585,951
Profit for the period		—	416,740	179,160	595,900
Total recognised income for the six months ended 30 June 2007		—	830,235	351,616	1,181,851
Issue of shares net of issuing expenses	16 & 18	1,745	10,265	—	12,010
Acquisition of a subsidiary		—	237,707	1,575,608	1,813,315
Acquisition of additional interests in a subsidiary		—	—	(15,506)	(15,506)
Capital injection to a subsidiary		—	—	150,412	150,412
Dividends paid	18	—	(156,873)	(99,978)	(256,851)
		1,745	91,099	1,610,536	1,703,380
Balance at 30 June 2007		682,099	11,377,867	5,801,423	17,861,389

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

Unaudited

	Note	Attributable to equity holders of the Company			Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000	Minority interests HK\$'000	
Balance at 1 January 2006		651,894	9,736,867	3,550,726	13,939,487
Currency translation differences	18	—	(2,081)	(7,915)	(9,996)
Share of change in fair value of cash-flow hedges of an associated entity	18	—	3,292	—	3,292
Change of fair value of available-for-sale financial assets	18	—	10,557	556	11,113
Fair value adjustment to loans from minority shareholders of subsidiaries	18	—	2,678	5,132	7,810
Net income/(loss) recognised directly in equity		—	14,446	(2,227)	12,219
Profit for the period		—	318,716	156,934	475,650
Total recognised income for the six months ended 30 June 2006		—	333,162	154,707	487,869
Employees share option scheme – value of employee services	18	—	4,514	—	4,514
Issue of shares net of issuing expenses	16 & 18	20,796	120,720	—	141,516
Capital injection to a subsidiary		—	—	3,846	3,846
Dividends paid	18	—	(469,305)	(92,107)	(561,412)
		20,796	(344,071)	(88,261)	(411,536)
Balance at 30 June 2006		672,690	9,725,958	3,617,172	14,015,820

The above condensed consolidated statement of changes in equity should be read with the accompanying notes to this condensed consolidated financial information.



## 1 General information

Guangzhou Investment Company Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in development, selling and management of properties and holding of investment properties, operation and management of toll highways and bridges and manufacturing and trading of newsprint. The Group’s operations are primarily in Hong Kong and Mainland China (“China”).

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited and Singapore Exchange Securities Trading Limited. The condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 24 September 2007.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended 31 December 2006.

## 3 Accounting policies

The accounting policies adopted are consistent with those of the Company’s audited consolidated financial statements for the year ended 31 December 2006.

### (a) Effect of adopting new standards, amendments to standards and interpretations

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2007.

- HK(IFRIC) – Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies;
- HK(IFRIC) – Int 8, Scope of HKFRS 2;
- HK(IFRIC) – Int 9, Reassessment of embedded derivatives;
- HK(IFRIC) – Int 10, ‘Interim Financial Reporting and Impairment’; and
- HKFRS 7, ‘Financial instruments: Disclosure’ and HKAS 1, ‘Amendments to capital disclosure’.

The adoption of the above has no material impact to the condensed consolidated interim financial information of the Group.



### **3 Accounting policies (cont'd)**

#### **(b) Standards, amendments to standards and interpretations that have been issued but are not yet effective**

The following new standards, amendments to standards and interpretations have been issued but are not yet effective in 2007 and have not been early adopted:

- HK(IFRIC) – Int 11, HKFRS 2 – Group and Treasury Share Transaction (effective for accounting periods commencing on or after 1 March 2007);
- HK(IFRIC) – Int 12, Service Concession Arrangements (effective for accounting periods commencing on or after 1 January 2008);
- HKFRS 8, Operating Segments (effective for accounting periods commencing on or after 1 January 2009); and
- HKAS 23 (Revised), Borrowing Costs, (effective for accounting periods beginning on or after 1 January 2009).

The directors anticipate that the adoption of these standards, amendments and interpretations in future periods will have no material impact on the financial position and the results of the Group.

### **4 Segment information**

Revenue and segment results for the period are as follows:

#### *Primary reporting format – business segments*

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

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

There are no significant sales between these business segments.

#### *Secondary reporting format – geographical segments*

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

- Hong Kong – properties
- China – properties, toll operations and paper
- Overseas – properties

There are no significant sales between the geographical segments.

Segment assets consist primarily of interests in toll highways and bridges, property, plant and equipment, investment properties, leasehold land and land use rights, other non-current assets, available-for-sale financial assets, properties under development, properties held for sale, inventories, trade receivables, other receivables, prepayments and deposits, prepayments for land use rights and bank balances and cash. Unallocated assets comprise primarily deferred tax assets, current tax recoverable and corporate assets which are not directly attributable to other segments or cannot be allocated to other segments on a reasonable basis.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4 Segment information (cont'd)

Segment liabilities comprise primarily operating liabilities directly attributable to a segment. Unallocated liabilities comprise items such as income tax liabilities, borrowings and corporate liabilities that are not directly attributable to other segments or cannot be allocated to other segments on a reasonable basis.

Capital expenditure comprises additions to interests in toll highways and bridges (*note 9*), property, plant and equipment (*note 9*), investment properties (*note 10*) and leasehold land and land use rights (*note 11*).

### Primary reporting format – business segments

	Properties		Toll operations		Paper		Group	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
	<b>Six months ended 30 June</b>							
Revenue	<b>1,699,079</b>	1,656,037	<b>348,346</b>	211,362	<b>733,264</b>	546,806	<b>2,780,689</b>	2,414,205
Segment results	<b>308,478</b>	387,280	<b>176,123</b>	90,003	<b>(19,430)</b>	20,348	<b>465,171</b>	497,631
Unallocated operating costs							<b>(15,834)</b>	(20,573)
Interest income							<b>14,808</b>	30,440
Finance costs							<b>(162,002)</b>	(82,908)
Share of profits less losses of:								
– Jointly controlled entities	—	8,720	<b>1,870</b>	30,489	—	—	<b>1,870</b>	39,209
– Associated entities	<b>37,170</b>	33,159	<b>159,013</b>	119,851	—	—	<b>196,183</b>	153,010
Profit before taxation							<b>500,196</b>	616,809
Taxation							<b>95,704</b>	(141,159)
Profit for the period							<b>595,900</b>	475,650
Capital expenditure	<b>1,126,452</b>	106,654	<b>1,168</b>	749	<b>148,492</b>	358,968	<b>1,276,112</b>	466,371
Depreciation and amortisation	<b>107,822</b>	113,614	<b>93,795</b>	54,904	<b>44,441</b>	33,208	<b>246,058</b>	201,726

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 4 Segment information (cont'd)

### Primary reporting format – business segments (cont'd)

	Properties		Toll operations		Paper		Group	
	As at 30 June 2007 HK\$'000	As at 31 December 2006 HK\$'000						
Segment assets	22,521,731	19,794,688	7,259,600	2,530,249	3,738,540	3,063,982	33,519,871	25,388,919
Interests in jointly controlled entities	227,000	227,000	232,862	671,170	—	—	459,862	898,170
Interests in associated entities	1,304,036	1,249,478	1,834,770	1,745,816	—	—	3,138,806	2,995,294
Unallocated assets							311,811	339,161
Total assets							37,430,350	29,621,544
Segment liabilities	6,839,715	5,642,690	139,488	57,308	455,064	334,373	7,434,267	6,034,371
Unallocated liabilities							12,134,694	8,611,015
Total liabilities							19,568,961	14,645,386

### Secondary reporting format – geographical segments

	Revenue		Capital expenditure		Total assets	
	For the six months ended 30 June					
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	As at 30 June 2007 HK\$'000	As at 31 December 2006 HK\$'000
Hong Kong	34,330	649,621	—	14,460	1,010,179	991,199
China	2,732,700	1,764,076	1,276,112	451,911	36,068,822	28,252,008
Overseas	13,659	508	—	—	39,538	39,176
	2,780,689	2,414,205	1,276,112	466,371	37,118,539	29,282,383
Unallocated assets					311,811	339,161
Total assets					37,430,350	29,621,544

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 5 Profit from operations

The following items have been charged/(credited) to the profit from operations:

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Amortisation/depreciation of interests in toll highways and bridges	92,001	53,728
Amortisation of leasehold land and land use rights	88,232	70,754
Depreciation:		
– Owned property, plant and equipment	65,809	77,227
– Leased property, plant and equipment	16	17
Reversal of provision for doubtful debts	(78,094)	—
Reversal of provision for impairment of properties under development and properties held for sale	(11,566)	(9,691)
	<u>(11,566)</u>	<u>(9,691)</u>

## 6 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 17.5 per cent (2006: 17.5 per cent) on the estimated assessable profit for the period.
- (b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, jointly controlled entities and associated entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law") at rates ranging from 18 per cent to 33 per cent (2006: 18 per cent to 33 per cent). Under the China Tax Law, certain of the Group's subsidiaries, jointly controlled entities and associated entities in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years.
- (c) China land appreciation tax is levied at progressive rates ranging from 30 per cent to 60 per cent (2006: 30 per cent to 60 per cent) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



### 6 Taxation (cont'd)

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

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Current taxation		
– Hong Kong profits tax	1,685	1,927
– China enterprise income tax	124,418	41,461
– China land appreciation tax	30,151	4,009
Under-provision in prior years	—	47,738
Deferred taxation		
– Origination and reversal of temporary differences	(999)	46,024
– Effect of change in tax rate ( <i>note 19</i> )	(250,959)	—
	<u>(95,704)</u>	<u>141,159</u>

Share of China enterprise income taxation attributable to the following are included in the condensed consolidated income statement as share of results of jointly controlled entities and associated entities:

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Jointly controlled entities		
– current taxation	—	—
– deferred taxation	1,044	1,037
Associated entities		
– current taxation	10,617	9,489
– deferred taxation	5,102	15,882
	<u>15,719</u>	<u>25,368</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 7 Earnings per share

### Basic

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

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
Profit attributable to equity holders of the Company (HK\$'000)	<b>416,740</b>	318,716
Weighted average number of ordinary shares in issue ('000)	<b>6,813,691</b>	6,636,625
Basic earnings per share	<b>HK 6.12 cents</b>	HK 4.80 cents

### Diluted

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

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
Profit attributable to equity holders of the Company (HK\$'000)	<b>416,740</b>	318,716
Weighted average number of ordinary shares in issue ('000)	<b>6,813,691</b>	6,636,625
Adjustments for share options ('000)	<b>57,220</b>	160,641
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>6,870,911</b>	6,797,266
Diluted earnings per share	<b>HK 6.07 cents</b>	HK 4.69 cents

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 8 Interim dividend

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
2007 interim, proposed of HK2.30 cents (2006: HK1.89 cents) per share	<u>163,616</u>	<u>127,649</u>

## 9 Capital expenditure

	Interests in toll highways and bridges			Property, plant and equipment
	Intangible operating rights HK\$'000	Tangible infrastructure HK\$'000	Total HK\$'000	HK\$'000
Six months ended 30 June 2007				
Opening net book amount at 1 January 2007	1,612,522	331,159	1,943,681	2,354,331
Currency translation differences	118,373	83,119	201,492	73,846
Additions	—	—	—	184,497
Acquisition of a subsidiary	2,246,913	2,345,255	4,592,168	1,419
Disposals	—	—	—	(6,817)
Depreciation and amortisation	(73,108)	(18,893)	(92,001)	(65,825)
Closing net book amount at 30 June 2007	<u>3,904,700</u>	<u>2,740,640</u>	<u>6,645,340</u>	<u>2,541,451</u>

	Interests in toll highways and bridges			Property, plant and equipment
	Intangible operating rights HK\$'000	Tangible infrastructure HK\$'000	Total HK\$'000	HK\$'000
Six months ended 30 June 2006				
Opening net book amount at 1 January 2006	1,648,510	331,507	1,980,017	1,614,567
Currency translation differences	(2,403)	—	(2,403)	—
Additions	—	—	—	426,066
Disposals	—	—	—	(18,283)
Depreciation and amortisation	(47,185)	(6,543)	(53,728)	(77,244)
Closing net book amount at 30 June 2006	<u>1,598,922</u>	<u>324,964</u>	<u>1,923,886</u>	<u>1,945,106</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 10 Investment properties

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Beginning of the period	5,625,185	3,301,437
Currency translation differences	154,910	—
Additions	24,924	40,305
Transfer from properties held for sale	168,437	234,437
Transfer from leasehold land and land use rights	145,426	14,460
Fair value gains credited to income statement	91,529	68,975
Disposals	(88,963)	(16,480)
End of the period	<u>6,121,448</u>	<u>3,643,134</u>

## 11 Leasehold land and land use rights

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Beginning of the period	6,920,196	7,563,939
Currency translation differences	220,036	—
Additions	1,066,691	4,234
Disposals	(237,340)	(232,190)
Transfer to investment properties	(145,426)	(14,460)
Amortisation	(88,232)	(70,754)
End of the period	<u>7,735,925</u>	<u>7,250,769</u>
Analysed as:		
Non-current	5,008,599	4,594,109
Current ( <i>note</i> )	<u>2,727,326</u>	<u>2,656,660</u>
	<u>7,735,925</u>	<u>7,250,769</u>

*Note:* Included in the balance were land use rights in respect of a property project under development in Guangzhou of approximately HK\$1,044 million (with the related construction costs totalling approximately HK\$464 million included in properties under development) which the Group has not determined its future use (for long-term rental yields, sale or hotel operations).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 12 Goodwill

	HK\$'000
At 1 January 2007	—
Acquisition of a subsidiary ( <i>note 20</i> )	115,043
Currency translation differences	2,309
	<hr/>
At 30 June 2007	<u>117,352</u>

## 13 Trade receivables

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

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
0 - 30 days	<b>195,529</b>	123,068
31 - 90 days	<b>124,508</b>	113,451
91 - 180 days	<b>42,100</b>	83,952
181 - 365 days	<b>88,876</b>	102,683
Over 1 year	<b>172,573</b>	162,072
	<hr/>	<hr/>
	<b>623,586</b>	585,226
	<hr/> <hr/>	<hr/> <hr/>

## 14 Trade payables

The ageing analysis of trade payables is as follows:

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
0 - 30 days	<b>201,344</b>	61,916
31 - 90 days	<b>40,511</b>	69,648
91 - 180 days	<b>25,920</b>	49,640
181 - 365 days	<b>11,223</b>	7,965
Over 1 year	<b>8,777</b>	9,259
	<hr/>	<hr/>
	<b>287,775</b>	198,428
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 15 Borrowings

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
<b>Non-current</b>		
Long-term bank borrowings		
– Secured	<b>3,492,201</b>	2,076,945
– Unsecured	<b>2,238,018</b>	1,184,253
Obligations under finance leases	<b>80</b>	96
Loans from related companies ( <i>note 25</i> )	<b>52,944</b>	51,615
Loans from minority shareholders of subsidiaries ( <i>note 25</i> )	<b>463,683</b>	449,738
	<b>6,246,926</b>	3,762,647
<b>Current</b>		
Bank overdrafts	<b>228</b>	215
Short-term bank borrowings		
– Secured	<b>242,268</b>	230,000
– Unsecured	<b>1,205,818</b>	1,182,243
Current portion of long-term bank borrowings		
– Secured	<b>1,105,113</b>	537,148
– Unsecured	<b>114,820</b>	126,700
Current portion of obligations under finance leases	<b>40</b>	40
	<b>2,668,287</b>	2,076,346
Total borrowings	<b>8,915,213</b>	5,838,993

The maturity of borrowings is as follows:

	<b>Bank borrowings and overdrafts</b>		<b>Other loans</b>	
	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
Within one year	<b>2,668,247</b>	2,076,306	<b>40</b>	40
In the second year	<b>1,598,407</b>	1,142,500	<b>80</b>	96
In the third to fifth year	<b>4,131,812</b>	2,118,698	<b>52,944</b>	51,615
With no fixed repayment terms ( <i>note i</i> )	<b>—</b>	—	<b>463,683</b>	449,738
	<b>8,398,466</b>	5,337,504	<b>516,747</b>	501,489

Note: (i) Loans from minority shareholders of subsidiaries are not repayable within one year.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 16 Share capital

	Number of shares '000	Amount HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2006	6,518,936	651,894
Issue of shares upon exercise of share options ( <i>note 17</i> )	207,965	20,796
At 30 June 2006	6,726,901	672,690
At 1 January 2007	6,803,538	680,354
Issue of shares upon exercise of share options ( <i>note 17</i> )	17,448	1,745
At 30 June 2007	6,820,986	682,099

## 17 Share options

Movements of share options of the Company are as follows:

	Number of share options '000
At 1 January 2006	425,014
Exercised during the period	(207,965)
At 30 June 2006	217,049
At 1 January 2007	140,412
Exercised during the period	(17,448)
At 30 June 2007	122,964

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 17 Share options (cont'd)

Particulars of share options of the Company as at 30 June 2007 and 31 December 2006 are as follows:

Date of grant	Exercise period	Exercise price HK\$	Number of share options	
			30 June 2007 '000	31 December 2006 '000
2 May 2003	2 May 2003 - 1 May 2013	0.4100	12,430	12,430
2 June 2003	2 June 2003 - 1 June 2013	0.5400	30,000	30,000
27 October 2003	27 October 2003 - 26 October 2013	0.8140	2,620	3,120
23 December 2003	23 December 2003 - 22nd December 2013	0.8460	14,362	18,720
23 June 2004	23 June 2004 - 22 June 2014	0.6300	63,552	76,142
			<b>122,964</b>	<b>140,412</b>

On 26 June 2002, the Company adopted a share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10 per cent of the number of shares in issue as at 26 June 2002. The exercise price will be determined by the Company's Board of Directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of grant of the options, (ii) an average closing price of the Company's shares for the five business days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares.

As at 30 June 2007, all (31 December 2006: 140,412,000) of the outstanding share options were exercisable.

The fair value of options granted was determined using the Black-Scholes valuation model by Greater China Appraisal Limited, an independent firm of valuers. The significant inputs into the model were share price at the grant date, exercise price, standard deviation of expected share price returns, expected life of options, expected dividend payout rate and annual risk-free rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a period of one year before the date when the options were granted.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 18 Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserves HK\$'000	Statutory reserves HK\$'000 (Note (a))	Exchange fluctuation reserve HK\$'000	Available- for-sale financial assets fair value reserves HK\$'000	Employee share- based compen- sation reserves HK\$'000	Cash-flow hedging reserve HK\$'000	Asset revaluation reserve HK\$'000 (Note (b))	Retained profits HK\$'000	Total HK\$'000
At 1 January 2007	6,008,649	1,815	16,415	133,747	547,522	179,586	20,688	(11,155)	—	3,559,266	10,456,533
Currency translation differences	—	—	—	—	326,342	—	—	—	—	—	326,342
Share of change in fair value of cash-flow hedges of an associated entity	—	—	—	—	—	—	—	4,391	—	—	4,391
Change of fair value of available-for-sale financial assets											
– gross	—	—	—	—	—	77,958	—	—	—	—	77,958
– taxation	—	—	—	—	—	(19,490)	—	—	—	—	(19,490)
– effect of change in tax rate	—	—	—	—	—	21,443	—	—	—	—	21,443
Fair value adjustment to loans from minority shareholders of subsidiaries	—	—	2,851	—	—	—	—	—	—	—	2,851
Profit attributable to shareholders	—	—	—	—	—	—	—	—	—	416,740	416,740
Appropriation of reserves	—	—	—	3,269	—	—	—	—	—	(3,269)	—
Issue of shares net of issuing expenses	10,265	—	—	—	—	—	—	—	—	—	10,265
Transfer upon exercise of share options	2,650	—	—	—	—	—	(2,650)	—	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	237,707	—	237,707
Dividends paid	—	—	—	—	—	—	—	—	—	(156,873)	(156,873)
At 30 June 2007	<u>6,021,564</u>	<u>1,815</u>	<u>19,266</u>	<u>137,016</u>	<u>873,864</u>	<u>259,497</u>	<u>18,038</u>	<u>(6,764)</u>	<u>237,707</u>	<u>3,815,864</u>	<u>11,377,867</u>
Representing:											
2007 interim dividend proposed										163,616	
Others										3,652,248	
										<u>3,815,864</u>	

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 18 Reserves (cont'd)

	Share premium	Capital redemption reserve	Capital reserves	Statutory reserves	Exchange fluctuation reserve	Available-for-sale financial assets fair value reserves	Employee share-based compensation reserves	Cash flow hedging reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	5,813,273	1,815	10,712	110,979	150,186	134,175	49,159	—	3,466,568	9,736,867
Currency translation differences	—	—	—	—	(2,081)	—	—	—	—	(2,081)
Share of change in fair value of cash-flow hedges of an associated entity	—	—	—	—	—	—	—	3,292	—	3,292
Change of fair value of available-for-sale financial assets										
– gross	—	—	—	—	—	15,757	—	—	—	15,757
– taxation	—	—	—	—	—	(5,200)	—	—	—	(5,200)
Fair value adjustment to loans from minority shareholders of subsidiaries	—	—	2,678	—	—	—	—	—	—	2,678
Profit attributable to shareholders	—	—	—	—	—	—	—	—	318,716	318,716
Appropriation of reserves	—	—	—	264	—	—	—	—	(264)	—
Employees share option scheme-value of employee services	—	—	—	—	—	—	4,514	—	—	4,514
Issue of shares net of issuing expenses	120,720	—	—	—	—	—	—	—	—	120,720
Dividends paid	—	—	—	—	—	—	—	—	(469,305)	(469,305)
At 30 June 2006	<u>5,933,993</u>	<u>1,815</u>	<u>13,390</u>	<u>111,243</u>	<u>148,105</u>	<u>144,732</u>	<u>53,673</u>	<u>3,292</u>	<u>3,315,715</u>	<u>9,725,958</u>
Representing:										
2006 interim dividend proposed									127,649	
Others									3,188,066	
									<u>3,315,715</u>	

### Note:

- (a) Statutory reserves represent enterprise expansion and general reserve funds set aside by the subsidiaries, jointly controlled entities and associated entities in China. As stipulated by regulations in China, the Company's subsidiaries, jointly controlled entities and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital.
- (b) The asset revaluation reserve represents fair value adjustment of the 40% equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co., Ltd.") held by the Group as a result of further acquisition of 20% additional equity interest in GNSR Expressway Co., Ltd. during the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 19 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rates.

Deferred taxation as at 30 June 2007 and 31 December 2006 represents:

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
Deferred tax assets		
– Hong Kong profits tax	<b>6,218</b>	6,218
– China enterprise income tax	<b>114,985</b>	129,471
	<b>121,203</b>	135,689
Deferred tax liabilities		
– Hong Kong profits tax	<b>16,056</b>	16,056
– China enterprise income tax	<b>2,050,440</b>	1,603,919
– China land appreciation tax	<b>933,015</b>	940,946
	<b>2,999,511</b>	2,560,921

### New Corporate Income Tax Law

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. As a result of the new CIT Law and the reduction of the corporate income tax rate, deferred taxation on temporary differences that are expected to be reversed after 1 January 2008 have been reduced with approximately HK\$250,959,000 and HK\$21,443,000 being credited to the income statement and equity respectively during the six months ended 30 June 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions for China enterprise income tax and China withholding tax will be issued by the State Council in due course. As at the date that this interim financial information is approved for issue, detailed measures and regulations concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact of these changes on the Group's China enterprise income tax and China withholding tax. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and will account for any resultant changes in accounting estimates on a prospective basis.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 20 Business combinations

On 20 November 2006, the Group entered into an agreement with Guangzhou Development Infrastructure Investment Ring Co., Ltd. to acquire an additional 20% equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd., ("GNSR Expressway Co., Ltd.") which was a jointly controlled entity held by the Group as at 31 December 2006 with 40% equity interest, for a consideration of RMB666,200,000. The acquisition was completed on 28 March 2007, after which GNSR Expressway Co., Ltd. became a subsidiary of the Group.

GNSR Expressway Co., Ltd. contributed revenue of approximately HK\$119,952,000 and profit attributable to equity holders of the Company of approximately HK\$11,731,000, of which approximately HK\$3,910,000 were related to the 20% additional equity interest acquired, for the period from the acquisition completion date to 30 June 2007. Had the acquisition occurred on 1 January 2007, the revenue contributed by GNSR Expressway Co., Ltd. to the Company would have been approximately HK\$226,509,000 and profit attributable to equity holders of the Company would have been HK\$22,833,000, of which HK\$7,611,000 would relate to the 20% additional equity interest acquired.

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration:	
Cash paid	666,200
Direct cost relating to the acquisition	8,911
	<hr/>
Total purchase consideration	675,111
Fair value of net identifiable assets acquired (see below)	(560,068)
	<hr/>
Goodwill	115,043
	<hr/> <hr/>

The goodwill is attributable to the anticipated profitability of GNSR Expressway Co., Ltd.'s operations.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



### 20 Business combinations (cont'd)

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Acquiree's carrying amount HK\$'000
Bank balances and cash	9,696	9,696
Interests in toll highways and bridges	4,592,168	2,345,255
Property, plant and equipment	1,419	1,419
Trade receivables	4,896	4,896
Other receivables, deposits and prepayments	4,409	4,409
Trade payables and accrued charges	(70,784)	(70,784)
Borrowings	(1,119,000)	(1,119,000)
Deferred income tax liabilities	(622,462)	(56,504)
Net identifiable assets acquired	<u>2,800,342</u>	<u>1,119,387</u>
Net identifiable assets attributable to the 20% additional equity interest acquired by the Group	<u>560,068</u>	<u>223,877</u>
Cash outflow to acquire business, net of cash acquired:		
Purchase consideration		675,111
Deposit paid in 2006		(132,580)
Cash and cash equivalents in the subsidiary acquired		<u>(9,696)</u>
Cash outflow on acquisition		<u>532,835</u>

### 21 Contingent liabilities

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties ( <i>Note</i> )	<u><b>619,647</b></u>	<u>494,444</u>

*Note:* The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



### 22 Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land, buildings, plant and workshop (arising primarily from the related party transactions referred to in Note 25(b) except for the commitment disclosed in Note below) as follows:

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
Not later than one year ( <i>Note</i> )	<b>757,656</b>	2,764,276
Later than one year and not later than five years	<b>121,788</b>	140,497
Later than five years	<b>260,819</b>	213,828
	<b><u>1,140,263</u></b>	<u>3,118,601</u>

*Note:* In 2006, the Group entered into several agreements with certain third parties to acquire land use rights in Guangzhou at a total consideration of approximately HK\$2,932 million. The Group prepaid approximately HK\$2,232 million (31 December 2006: HK\$1,267 million) for these land use rights, the ownership certificates of which have not been obtained as at 30 June 2007. The prepayment is included in prepayments for land use rights on the condensed consolidated interim balance sheet.

### 23 Other commitments

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
Commitments in respect of expenditure on property, plant and equipment		
– contracted but not provided for	<b>2,067,208</b>	1,689,775
– authorised but not contracted for	<b>1,551,708</b>	2,082,599
	<b><u>3,618,916</u></b>	<u>3,772,374</u>
Financial commitment in respect of capital to be injected into jointly controlled entities	<b>108,247</b>	637,294
Share of capital commitments of a jointly controlled entity	<b>—</b>	243,600
	<b><u>3,727,163</u></b>	<u>4,653,268</u>



## 24 Securities for banking facilities

At 30 June 2007, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, investment properties and property, plant and equipment with an aggregate carrying value of HK\$1,240 million (31 December 2006: HK\$576 million), HK\$2,938 million (31 December 2006: HK\$2,988 million) and HK\$48 million (31 December 2006: HK\$133 million) respectively;
- (b) mortgages of certain of the Group's leasehold land and land use rights with an aggregate carrying value of approximately HK\$410 million (31 December 2006: HK\$410 million);
- (c) pledge of the Group's investments in certain subsidiaries with net assets value of HK\$563 million (31 December 2006: HK\$390 million);
- (d) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of HK\$3,667 million (31 December 2006: HK\$3,410 million); and
- (e) corporate guarantee provided by a minority shareholder of a subsidiary in the amount of HK\$1,136 million (31 December 2006: HK\$835 million).

## 25 Significant related party transactions and balances

### (a) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table below summarises the names of related parties and nature of relationship with the Company as at 30 June 2007.

<b>Related parties</b>	<b>Relationship with the Company</b>
Yue Xiu Enterprises (Holdings) Limited ("YXE")	A substantial shareholder
Yue Xiu International Development Limited ("YXIDL")	A subsidiary of YXE
Yue Xiu Finance Company Limited ("YXF")	A subsidiary of YXE
Guangzhou City Construction & Development Group Co., Ltd. ("GCDGL")	A minority shareholder of certain subsidiaries
Guangzhou Paper Holdings Limited ("GZPHL")	A minority shareholder of a subsidiary
Guangzhou Western Second Ring Expressway Co., Ltd.	A jointly controlled entity
Guangdong Humen Bridge Co., Ltd.	An associated entity
Guangdong Qinglian Highway Development Co., Ltd.	An associated entity
Guangdong Shantou Bay Bridge Co., Ltd.	An associated entity
Guangzhou Northring Freeway Co., Ltd.	An associated entity
GZI Real Estate Investment Trust ("GZI REIT")	An associated entity

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



### 25 Significant related party transactions and balances (cont'd)

#### (b) Transactions with related parties

Save as disclosed elsewhere in this interim financial information, the Group had the following significant transactions with related parties during the period:

	<b>Six months ended 30 June</b>	
	<b>2007 HK\$'000</b>	2006 HK\$'000
Transactions with YXE		
Rental expenses and property management fee paid to YXE	<b>(950)</b>	(861)
Loan interest paid to YXE	—	(375)
Service fees paid to YXE	<b>(300)</b>	(800)
Transactions with GZPHL		
Rental and utility expenses paid to GZPHL	<b>(155,700)</b>	(145,916)
Transactions with YXF		
Management fee paid to YXF	<b>(181)</b>	(400)
Service fees paid to YXF	—	(90)
Transaction with YXIDL		
Loan interest paid to YXIDL	<b>(1,329)</b>	(2,036)
Transaction with GCDGL		
Deposit for potential acquisition of certain properties	—	(44,615)
Transactions with GZI REIT		
Asset management fee received from GZI REIT	<b>11,883</b>	11,445
Decoration expenses received from GZI REIT	—	358
Management fee received/receivable from GZI REIT	<b>6,524</b>	6,097
Rental expenses paid to GZI REIT	<b>(1,584)</b>	(1,502)

*Note:*

- (i) In connection with the Group's acquisition of Guangzhou Construction & Development Holdings (China) Limited in 2002, GCDGL agreed to bear any obligations to construct public facilities in excess of those previously agreed with GCDGL.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



## 25 Significant related party transactions and balances (cont'd)

### (c) Balances with related parties

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
Amounts due to a substantial shareholder ( <i>Note (i) and (v)</i> )	<b>(25,770)</b>	(76,924)
Amounts due to associated entities ( <i>Note (i) and (vi)</i> )	<b>(112,150)</b>	(112,150)
Loans receivable from associated entities ( <i>Note (iii) and (vi)</i> )	<b>244,578</b>	319,218
Amounts due from associated entities ( <i>Notes (i) and (vii)</i> )	<b>151,575</b>	160,726
Amounts due from jointly controlled entities ( <i>Note (i) and (vi)</i> )	<b>190,590</b>	190,590
Amounts due to jointly controlled entities ( <i>Note (i) and (v)</i> )	<b>(135,138)</b>	(130,678)
Amounts due to minority shareholders of subsidiaries ( <i>Note (i) and (v)</i> )	<b>(113,850)</b>	(101,845)
Loan from minority shareholders of subsidiaries ( <i>Note (iv) and (viii)</i> )	<b>(463,683)</b>	(449,738)
Loans from related companies ( <i>Note (ii) and (v)</i> )	<b>(52,944)</b>	(51,615)
Amounts due to related companies ( <i>Note (i) and (v)</i> )	<b>(7,637)</b>	(24,439)

*Note:*

- (i) All balances are unsecured, interest-free and repayable on demand.
- (ii) The loan balance of HK\$52,944,000 (31 December 2006: HK\$51,615,000) bears interest at Hong Kong Interbank Offered Rate plus 1 per cent per annum.
- (iii) The loan balances are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rates at 8.25% (2006: 7.50% to 8.25%) per annum and lending rates of financial institutions in China ranging from 6.12% to 6.57% (31 December 2006: 6.12%) per annum.
- (iv) Except for an amount of HK\$132,990,000 (31 December 2006: HK\$129,000,000) which bears interest at the prevailing lending rates of financial institutions in China ranging from 6.84% to 7.20% (31 December 2006: 6.12% to 6.84%) per annum, the loans from minority shareholders of subsidiaries are interest-free and have no fixed repayment term.
- (v) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (vi) These balances are included in interests in jointly controlled entities or interests in associated entities, as appropriate.
- (vii) The balance is included in interests in associated entities except for an amount of approximately HK\$12,993,000 (31 December 2006: HK\$22,144,000) which is included in other receivables, prepayments and deposits.
- (viii) These balances are included in long-term borrowings.

### (d) Key management compensation

Key management compensation amounted to HK\$17,479,000 for the six months ended 30 June 2007 (2006: HK\$9,139,000)



**26 Significant events after the balance sheet date**

- (1) On 29 June 2007, GZI Transport Limited (“GZI”), a subsidiary of the Company proposed to raise approximately HK\$2,192 million, before expenses, by issuing 557,720,765 new shares at the subscription price of HK\$3.93 per share by way of an open offer on the basis of one offer share for every two existing shares, with the Company acting as underwriter of the open offer.

On 28 August 2007, the Group was allotted and issued 375,067,000 shares of GZI and effectively held approximately 45.28% of the entire issued share capital of GZI immediately following the completion of the open offer.

- (2) On 9 July 2007, the Group entered into agreements with certain subsidiaries of YXE, a substantial shareholder of the Company, for the acquisition of the entire equity interests in two subsidiaries held by YXE and leasehold land and certain units of a building in Hong Kong at a total consideration of approximately HK\$670.7 million. The consideration was to be satisfied by the issuance of 257 million shares of the Company at a price of HK\$1.995 per share together with a cash consideration of approximately HK\$158 million.

The transaction was completed on 16 August 2007. YXE and its subsidiaries hold approximately 47.117% of the entire issued share capital of the Company immediately following completion of the transaction.



## Interests of Directors

As at 30 June 2007, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) were as follows:

### 1. Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Tang Shouchun	Personal	2,340,000	0.03
Mr Wong Hongtao	Personal	320,000	0.00
Ms Zhou Jin	Personal	100,000	0.00
Mr Yu Lup Fat Joseph	Personal	3,500,000	0.05
Mr Lee Ka Lun	Personal	3,500,000	0.05

### 2. Long positions in underlying shares of equity derivatives of the Company:

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding as at 1 January 2007	exercised during the period	outstanding as at 30 June 2007
Mr Ou Bingchang	02/06/2003(a)	0.54	9,000,000	—	9,000,000
Mr Liang Yi	02/06/2003(a)	0.54	7,000,000	—	7,000,000
Mr Li Fei	02/06/2003(a)	0.54	7,000,000	—	7,000,000
Mr Tang Shouchun	23/06/2004(b)	0.63	1,560,000	—	1,560,000

*Notes:*

- (a) The share options are exercisable from 2 June 2003 to 1 June 2013, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.
- (b) The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

Save as disclosed herein, as at 30 June 2007, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## OTHER INFORMATION

### Discloseable Interests of Shareholders under the Securities and Futures Ordinance

As at 30 June 2007, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Long position in shares	Approximate % of interest
Yue Xiu ( <i>Note</i> )	Interests of controlled corporations	3,077,935,248	45.12

*Note:*

The capacity of Yue Xiu in holding the 3,077,935,248 shares was attributable to interests of controlled corporations. Details of the breakdown of the shares held by Yue Xiu were as follows:

Name	Long position in shares
Yue Xiu	3,077,935,248
Excellence Enterprises Co., Ltd. ("Excellence")	3,068,548,981
Bosworth International Limited ("Bosworth")	2,173,846,821
Sun Peak Enterprises Ltd. ("Sun Peak")	565,683,000
Novena Pacific Limited ("Novena")	565,683,000
Shine Wah Worldwide Limited ("Shine Wah")	158,049,000
Morrison Pacific Limited ("Morrison")	158,049,000
Perfect Goal Development Co., Ltd. ("Perfect Goal")	135,737,000
Greenwood Pacific Limited ("Greenwood")	135,737,000
Seaport Development Limited ("Seaport")	35,233,160
Goldstock International Limited ("Goldstock")	35,233,160
Yue Xiu Finance Company Limited ("YXF")	9,386,267

- (i) 2,173,846,821 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
- (ii) 565,683,000 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 158,049,000 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 135,737,000 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 35,233,160 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.
- (vi) 9,386,267 shares were held by YXF, which was wholly-owned by Yue Xiu.



### Share Options

#### (i) The Company

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme (“2002 Share Option Scheme”). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

Pursuant to the 2002 Share Option Scheme, the Board may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries (“Participants”) options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 per cent of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme, but the Company may seek approval from its shareholders in a general meeting to refresh the 10 per cent limit.

On 2 June 2004, the shareholders of the Company approved the refreshment of the 10 per cent limit under the 2002 Share Option Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes of the Company must not exceed 30 per cent of the shares of the Company in issue from time to time. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 per cent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders’ approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option.

## OTHER INFORMATION

Movements during the period of the options granted under the share option scheme of the Company to the employees of the Group other than the directors of the Company as disclosed on page 42 were as follows:

Number of share options			Exercise price per share HK\$	Date of grant	Exercisable period	Weighted average closing price (c) HK\$
outstanding as at 1 January 2007	exercised during the period	outstanding as at 30 June 2007				
12,430,000	—	12,430,000	0.4100	02/05/2003	02/05/2003 - 01/05/2013 (b)	N/A
7,000,000	—	7,000,000	0.5400	02/06/2003	02/06/2003 - 01/06/2013 (b)	N/A
3,120,000	500,000	2,620,000	0.8140	27/10/2003	27/10/2003 - 26/10/2013 (b)	2.06
18,720,000	4,358,000	14,362,000	0.8460	23/12/2003	23/12/2003 - 22/12/2013 (b)	1.99
74,582,000	12,590,000	61,992,000	0.6300	23/06/2004	23/06/2004 - 22/06/2014 (b)	1.94

Notes:

- (a) No options had been granted, cancelled or lapsed during the period.
- (b) The options granted were exercisable in 3 tranches.
- (c) The weighted average closing price per share immediately before the dates on which the options were exercised.

### (ii) GZT

On 25 June 2002, the shareholders of GZT approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme ("2002 GZT Scheme"). The 2002 GZT Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 GZT Scheme with terms and conditions substantially the same as those under the 2002 Share Option Scheme, the board of directors of GZT may grant to any person being an employee, officer, director, agent, consultant or representative of the Company, Yue Xiu, GZT or any of their respective subsidiaries options to subscribe for shares in GZT.



### Corporate Governance

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, except for the following deviations:

#### Code Provision A.2.1

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

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

#### Code Provision A.4.1

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

The Audit Committee and the Company’s auditors, PricewaterhouseCoopers, have reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2007.

### Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2007.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

### Purchase, Sale or Redemption of the Company’s Shares

The Company has not redeemed any of its shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.



## Board of Directors

### Executive directors

Mr Ou Bingchang (*Chairman*)  
Mr Liang Yi  
Mr Li Fei  
Mr Tang Shouchun  
Mr Wang Hongtao  
Mr Li Xinmin  
Mr He Zili  
Ms Zhou Jin

### Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph  
Mr Lee Ka Lun  
Mr Lau Hon Chuen Ambrose

## Company Secretary

Mr Yu Tat Fung

## Qualified Accountant

Mr Chow Wai Kit

## Auditors

PricewaterhouseCoopers  
*Certified Public Accountants*

## Hong Kong Legal Advisors

Baker & McKenzie  
Paul, Hastings, Janofsky & Walker

## Principal Bankers

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

## Websites to Access Company Information

<http://www.gzinvestment.com.hk>  
<http://www.hkex.com.hk>

## Registered Office

26th Floor  
Yue Xiu Building  
160 Lockhart Road  
Wanchai, Hong Kong

## Share Registrar

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

## Share Listing

The Company's shares are listed on:  
The Stock Exchange of Hong Kong Limited  
Singapore Exchange Securities Trading Limited

The stock codes are:  
The Stock Exchange of Hong Kong Limited – 123  
Reuters – 123.HK  
Bloomberg – 123 HK

## Investor Relations

For further information about  
Guangzhou Investment Company Limited,  
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## ADR Depository Bank

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

