



Guangdong Investment Limited

粵海投資有限公司

Stock Code : 0270

Interim Report
2012



Contents

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

Corporate Information

as at 24 August 2012

Board of Directors

Executive Directors

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

Non-Executive Directors

Dr. CHENG Mo Chi, Moses, *GBS, OBE, JP*
 Mr. HUANG Zhenhai
 Mr. WU Jianguo
 Ms. XU Wenfang
 Ms. ZHAO Chunxiao
 Mr. LI Wai Keung

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mrs. HO LAM Lai Ping, Theresa

Auditors

Ernst & Young

Principal Bankers

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

Registered Office

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

Share Registrar

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

Share Information

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

Shareholders' Calendar

Closure of Register of Members	27 September 2012 and 28 September 2012
Interim Dividend Payable	7.0 HK cents per ordinary share 26 October 2012

Report on Review of Interim Financial Information



Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Tel : (852) 2846 9888
Fax : (852) 2868 4432
www.ey.com

To the directors of Guangdong Investment Limited

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 36 which comprises the condensed consolidated statement of financial position of Guangdong Investment Limited as at 30 June 2012 and the related interim condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

24 August 2012

Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (Restated)
REVENUE	3	3,993,359	3,597,977
Cost of sales		(1,280,196)	(1,127,762)
Gross profit		2,713,163	2,470,215
Other income and gains		170,203	51,602
Changes in fair value of investment properties		553,196	347,480
Selling and distribution costs		(83,432)	(60,918)
Administrative expenses		(506,019)	(384,316)
Other operating expenses, net		(6,252)	(9,134)
Finance costs	4	(87,148)	(80,421)
Share of profit of a jointly-controlled entity		44,176	42,147
Share of profits less losses of associates		32,902	50,594
PROFIT BEFORE TAX	5	2,830,789	2,427,249
Income tax expense	6	(543,020)	(533,272)
PROFIT FOR THE PERIOD		2,287,769	1,893,977
Attributable to:			
Owners of the Company		1,870,895	1,626,273
Non-controlling interests		416,874	267,704
		2,287,769	1,893,977
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		30.02 HK cents	26.10 HK cents
Diluted		29.91 HK cents	26.01 HK cents

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (Restated)
PROFIT FOR THE PERIOD		2,287,769	1,893,977
Fair value gains on items of property, plant and equipment		—	538
Exchange differences on translation of foreign operations		(67,646)	209,911
Cash flow hedges:			
Net movement on cash flow hedges	10	58,285	43,541
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(9,361)	253,990
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,278,408	2,147,967
Attributable to:			
Owners of the Company		1,877,008	1,832,596
Non-controlling interests		401,400	315,371
		2,278,408	2,147,967

Condensed Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		3,187,357	3,294,283
Investment properties		9,098,381	7,106,639
Prepaid land lease payments		98,676	101,501
Goodwill		266,146	266,146
Investment in a jointly-controlled entity		778,796	806,620
Investments in associates		1,465,078	1,346,244
Intangible assets		14,531,510	14,933,423
Prepayments and deposits	9	164,763	342,702
Deferred tax assets		20,362	23,580
Total non-current assets		29,611,069	28,221,138
CURRENT ASSETS			
Available-for-sale investments		907,758	25
Inventories		58,714	61,317
Receivables, prepayments and deposits	9	3,409,138	2,941,673
Derivative financial instruments	10	32,071	64,453
Cash and cash equivalents		3,838,100	3,542,958
Total current assets		8,245,781	6,610,426
CURRENT LIABILITIES			
Payables and accruals	11	(2,385,987)	(2,545,073)
Tax payable		(236,973)	(399,606)
Derivative financial instruments	10	(123,675)	(265,473)
Due to non-controlling shareholders of subsidiaries		(313,407)	(317,919)
Interest-bearing bank borrowings	12	(2,500,000)	(2,484,400)
Dividend payable		(685,653)	—
Total current liabilities		(6,245,695)	(6,012,471)
NET CURRENT ASSETS		2,000,086	597,955
TOTAL ASSETS LESS CURRENT LIABILITIES — page 7		31,611,155	28,819,093

Condensed Consolidated Statement of Financial Position (Continued)

30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES — page 6		31,611,155	28,819,093
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	(1,489,484)	(1,346,206)
Other liabilities	11	(1,329,389)	(1,369,914)
Deferred tax liabilities		(1,764,503)	(1,602,308)
Total non-current liabilities		(4,583,376)	(4,318,428)
Net assets		27,027,779	24,500,665
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	3,116,603	3,116,499
Reserves	16	19,300,672	17,849,068
Proposed dividend		436,324	685,630
		22,853,599	21,651,197
Non-controlling interests		4,174,180	2,849,468
Total equity		27,027,779	24,500,665

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Issued capital	Ordinary share premium account	Share option reserve	Asset revaluation reserve	Capital reserve	Hedging reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Proposed dividend	Total				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2011, as previously reported	3,115,449	2,456,561	11,638	14,281	1,430,009	(183,595)	927,978	1,070,845	1,683	9,648,562	623,090	19,116,501	2,791,881	21,908,382		
Change in accounting policy																
– Adoption of HKAS 12 Amendment (Note 2)	–	–	–	–	–	–	–	–	–	39,888	–	39,888	–	39,888		
At 1 January 2011, as restated	3,115,449	2,456,561	11,638	14,281	1,430,009	(183,595)	927,978	1,070,845	1,683	9,688,450	623,090	19,156,389	2,791,881	21,948,270		
Profit for the period	–	–	–	–	–	–	–	–	–	1,626,273	–	1,626,273	267,704	1,893,977		
Other comprehensive income for the period:																
Fair value gains on items of property, plant and equipment	–	–	–	409	–	–	–	–	–	–	–	409	129	538		
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	167,127	–	–	–	167,127	42,784	209,911		
Net movement on cash flow hedges	–	–	–	–	–	38,787	–	–	–	–	–	38,787	4,754	43,541		
Total comprehensive income	–	–	–	409	–	38,787	–	167,127	–	1,626,273	–	1,832,596	315,371	2,147,967		
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	11,397	–	–	11,397	(227,972)	(216,575)		
Equity-settled share option arrangements	–	–	1,206	–	–	–	–	–	–	–	–	1,206	–	1,206		
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(58,708)	(58,708)		
Final 2010 dividend	–	–	–	–	–	–	–	–	–	–	(623,090)	(623,090)	–	(623,090)		
Interim 2011 dividend declared (note 7)	–	–	–	–	–	–	–	–	–	(436,163)	436,163	–	–	–		
At 30 June 2011	3,115,449	2,456,561	12,844	14,690	1,430,009	(144,808)	927,978	1,237,972	13,080	10,878,560	436,163	20,378,498	2,820,572	23,199,070		

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2012

	Attributable to owners of the Company														
	Issued capital	Ordinary share premium account	Share option reserve	Asset revaluation reserve	Capital reserve	Hedging reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserve	Special reserve	Retained profits	Proposed dividend	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012, as previously reported	3,116,499	2,460,409	13,658	14,281	1,430,009	(88,007)	1,091,888	1,434,551	82,951	8,906	11,347,903	685,630	21,598,678	2,849,468	24,448,146
Change in accounting policy – Adoption of HKAS 12 Amendment (Note 2)	-	-	-	-	-	-	-	-	-	-	52,519	-	52,519	-	52,519
At 1 January 2012, as restated	3,116,499	2,460,409	13,658	14,281	1,430,009	(88,007)	1,091,888	1,434,551	82,951	8,906	11,400,422	685,630	21,651,197	2,849,468	24,500,665
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,870,895	-	1,870,895	416,874	2,287,769
Other comprehensive income for the period:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(49,823)	-	-	-	-	(49,823)	(17,823)	(67,646)
Net movement on cash flow hedges	-	-	-	-	-	55,936	-	-	-	-	-	-	55,936	2,349	58,285
Total comprehensive income	-	-	-	-	-	55,936	-	(49,823)	-	-	1,870,895	-	1,877,008	401,400	2,278,408
Share options exercised, net of share issue expenses	104	379	(94)	-	-	-	-	-	-	-	-	-	389	-	389
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	9,904	-	-	-	9,904	(175,477)	(165,573)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	1,123,474	1,123,474
Equity-settled share option arrangements	-	-	754	-	-	-	-	-	-	-	-	-	754	-	754
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,685)	(24,685)
Transfer from retained profits	-	-	-	-	-	-	4,273	-	-	-	(4,273)	-	-	-	-
Final 2011 dividend	-	-	-	-	-	-	-	-	-	-	(23)	(685,630)	(685,653)	-	(685,653)
Interim 2012 dividend declared (note 7)	-	-	-	-	-	-	-	-	-	-	(436,324)	436,324	-	-	-
Transfer from retained profits in accordance with the Undertaking	-	-	-	-	-	-	-	-	-	12,985	(12,985)	-	-	-	-
Transfer to retained profits upon issue of new ordinary shares	-	-	-	-	-	-	-	-	-	(389)	389	-	-	-	-
At 30 June 2012	3,116,603	2,460,788	14,318	14,281	1,430,009	(32,071)	1,096,161	1,384,728	92,855	21,502	12,818,101	436,324	22,853,599	4,174,180	27,027,779

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,731,103	1,785,797
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(986,595)	(567,835)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(3,701)	(195,016)
NET INCREASE IN CASH AND CASH EQUIVALENTS	740,807	1,022,946
Cash and cash equivalents at beginning of period	3,064,831	2,107,978
Effect of foreign exchange rate changes, net	(13,520)	71,168
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,792,118	3,202,092
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,909,172	1,451,377
Non-pledged bank deposits with original maturity of less than three months when acquired	1,882,946	1,750,715
	3,792,118	3,202,092

Notes to Interim Financial Information

30 June 2012

1. GENERAL INFORMATION, KEY EVENTS AND ACCOUNTING POLICIES

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

The operational highlight for the period was the investment in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited) (“Wanye”), a company that engaged in property investment and development. Further details are given in note 17.

On 8 March 2012, the Group also acquired a 49% equity interest in an associate, 廣州臨海水務有限公司 (Guangzhou Coastal Water Limited (now known as Nansha GDH Water Co., Ltd.)) which is principally engaged in the construction, operation and maintenance of water supply facilities and the supply of water to Nansha District, Guangzhou, for a cash consideration of RMB120.56 million (equivalent to approximately HK\$148.6 million).

The unaudited interim financial information of the Group for the six months ended 30 June 2012 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2011.

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) as disclosed in note 2 to the interim financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs has had no financial effect on these financial statements.

Notes to Interim Financial Information (Continued)

30 June 2012

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKAS 12 Amendments (the “Amendments”) clarify the determination of deferred tax for investment property measured at fair value. The Amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the Amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group has adopted the Amendments retrospectively and comparative amounts for the corresponding comparative prior periods have been restated.

In Hong Kong, land leases can typically be renewed without a payment of a market-based premium. Given this, it is difficult to assert with a high degree of confidence that the Group would consume substantially all of the economic benefits embodied in the investment property over time.

Consequently, as required by the Amendments, the Group re-measured the deferred tax relating to its investment properties based on the presumption that they are recovered entirely through sale as if this new policy had always been applied. The tax consequences in Hong Kong of a sale of the investment property and of the entity owning the investment property are not significantly different.

In Mainland China, the tax consequences of a sale of the investment property or of the entity owning the investment property may be different. The Group’s business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has continued to recognise deferred taxes on the basis that the values of its investment properties in Mainland China are recovered through use.

The Group has investment properties measured at their fair values totalling HK\$7,106,639,000 as of 1 January 2012. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties amounting to HK\$615,410,000 according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively.

Notes to Interim Financial Information (Continued)

30 June 2012

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The effects of the above changes are summarised below:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<i>Consolidated income statement for the six months ended 30 June</i>		
Decrease in income tax expenses	3,433	9,330

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000	1 January 2011 (Audited) HK\$'000
<i>Consolidated statement of financial position</i>			
Decrease in deferred tax liabilities	55,952	52,519	39,888
Increase in retained profits	(55,952)	(52,519)	(39,888)
	—	—	—

The change in accounting policy had an immaterial impact on the basic and diluted earnings per share for the current and comparative periods.

Notes to Interim Financial Information (Continued)

30 June 2012

3. OPERATING SEGMENT INFORMATION

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

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

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

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

Notes to Interim Financial Information (Continued)

30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2012 and 2011.

	Property investment and development		Department stores		Water distribution	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	498,475	450,985	391,247	359,539	2,539,274	2,337,271
Intersegment sales	51,235	49,229	—	—	—	—
Other revenue from external sources (note)	5,841	1,995	25,641	18,201	1,086	1,712
Other revenue from intersegment (note)	—	—	—	—	—	—
Exchange gains/(losses), net	(224)	719	—	—	(8,729)	(5,122)
Total	555,327	502,928	416,888	377,740	2,531,631	2,333,861
Segment results	945,945	707,171	144,886	178,975	1,544,792	1,458,887
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	—	—	—	—	—	—
Associates	—	—	15,353	28,133	(13,000)	—
Profit before tax						
Income tax expense						
Profit for the period						

Note: Excluding exchange gains/(losses), net

Notes to Interim Financial Information (Continued)

30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

	Electric power generation		Hotel operations and management		Toll roads and bridges	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	242,601	241,901	308,024	190,576	13,738	17,705
Intersegment sales	—	—	—	—	—	—
Other revenue from external sources (note)	6,179	5,778	649	240	3	74
Other revenue from intersegment (note)	—	—	—	—	—	—
Exchange gain/(losses), net	64	(257)	(629)	39	(241)	867
Total	248,844	247,422	308,044	190,855	13,500	18,646
Segment results	40,006	28,552	62,309	36,112	2,963	7,558
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	—	—	—	—	44,176	42,147
Associates	28,278	20,163	—	—	2,271	2,298
Profit before tax						
Income tax expense						
Profit for the period						

Note: Excluding exchange gains/(losses), net

Notes to Interim Financial Information (Continued)

30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

	Others		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Restated)
Segment revenue:						
Sales to external customers	—	—	—	—	3,993,359	3,597,977
Intersegment sales	—	—	(51,235)	(49,229)	—	—
Other revenue from						
external sources (note)	21,209	767	—	—	60,608	28,767
Other revenue from						
intersegment (note)	1,790	1,763	(1,790)	(1,763)	—	—
Exchange gain/(losses), net	(2,404)	8,609	—	—	(12,163)	4,855
Total	20,595	11,139	(53,025)	(50,992)	4,041,804	3,631,599
Segment results	(9,637)	(25,161)	—	—	2,731,264	2,392,094
Interest income					109,599	34,361
Other unallocated losses, net					(4)	(11,526)
Finance costs					(87,148)	(80,421)
Share of profits less losses of:						
A jointly-controlled entity	—	—	—	—	44,176	42,147
Associates	—	—	—	—	32,902	50,594
Profit before tax					2,830,789	2,427,249
Income tax expense					(543,020)	(533,272)
Profit for the period					2,287,769	1,893,977

Note: Excluding exchange gains/(losses), net

Notes to Interim Financial Information (Continued)

30 June 2012

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable ⁽¹⁾ :		
Within five years	25,292	14,392
Over five years	547	3,664
Total interest expense on financial liabilities not at fair value through profit or loss	25,839	18,056
Finance charges on cash flow hedges, net (note 10)	61,309	62,365
Total finance costs for the period	87,148	80,421

⁽¹⁾ For the six months ended 30 June 2011, net of government grants of HK\$6,167,000 in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of Dongshen Water Supply Phase IV Renovation Project (the "Phase IV Renovation Project"). There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	Note	For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Interest income**		(109,599)	(34,361)
Changes in fair value of derivative financial instruments not qualified as hedges, net**	10	4	11,526
Cost of inventories sold*		209,372	224,752
Depreciation		123,450	83,915
Recognition of prepaid land lease payments		2,354	2,301
Amortisation of intangible assets*		402,006	406,188
Changes in fair value of investment properties		(553,196)	(347,480)
Impairment of items of property, plant and equipment^		3,664	—

Notes to Interim Financial Information (Continued)

30 June 2012

5. PROFIT BEFORE TAX (Continued)

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

** Included in "Other income and gains" on the face of the condensed consolidated income statement.

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

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (Restated)
Current — Hong Kong	10,955	9,052
Current — Mainland China		
Charge for the period	362,850	379,138
Overprovision in prior years	(4,130)	—
Deferred	173,345	145,082
Total tax charge for the period	543,020	533,272

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. DIVIDENDS

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interim — 7.0 HK cents (2011: 7.0 HK cents) per ordinary share	436,324	436,163

At a meeting of the board of directors held on 24 August 2012, the directors resolved to pay to shareholders an interim dividend of 7.0 HK cents (2011: 7.0 HK cents) per ordinary share for the six months ended 30 June 2012.

Notes to Interim Financial Information (Continued)

30 June 2012

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

The calculations of the basic and diluted earnings per share for the six months ended 30 June 2012 and 2011 are based on:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	1,870,895	1,626,273
	<hr/>	
	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	Number of shares	
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,233,036,741	6,230,898,071
Effect of dilution — weighted average number of ordinary shares assumed to have been issued:		
Share options	22,416,392	20,935,662
	<hr/>	
For the purpose of diluted earnings per share calculation	6,255,453,133	6,251,833,733
	<hr/>	

Notes to Interim Financial Information (Continued)

30 June 2012

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	Notes		
Trade receivables, net of impairment	(i)	729,989	308,165
Other receivables, prepayments and deposits	(ii)	2,839,569	2,971,726
Due from the immediate holding company	20(b)	952	1,142
Due from fellow subsidiaries	20(b)	3,391	3,342
		3,573,901	3,284,375
Less: Portion classified as non-current assets		(164,763)	(342,702)
		3,409,138	2,941,673

Except for trade receivables as detailed below, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Note (i):

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables related principally to the water distribution and electricity supply businesses, giving rise to a certain concentration of credit risk whereby 44% (31 December 2011: 16%) of the total trade receivables was due from one of the Group's major customers. The Group does not hold any collateral or other credit enhancements over these balances.

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 3 months	653,057	292,251
3 months to 6 months	12,790	15,786
6 months to 1 year	25,409	5
More than 1 year	49,074	10,917
	740,330	318,959
Less: Impairments	(10,341)	(10,794)
	729,989	308,165

Notes to Interim Financial Information (Continued)

30 June 2012

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Note (ii):

Included in the balances as at 30 June 2012 were a payment of approximately RMB135 million (equivalent to approximately HK\$165 million) made by 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited) (“GD Teem”), a non wholly-owned subsidiary of the Company, to 廣東粵海控股有限公司 (Guangdong Holdings Limited) (“Guangdong Holdings”) for the acquisition of a 40% equity interest in each of 廣東三誠經濟發展有限公司 (Guangdong Sancheng Economic Development Company Limited), 廣州金東源房地產開發有限公司 (Guangzhou Jindongyuan Real Estate Development Company Limited) and 廣州天源投資管理有限公司 (Guangzhou Tianyuan Investment Management Company Limited), collectively, the Target Companies (the “Acquisition”) pursuant to an agreement dated 28 November 2011 and an amount of RMB2,013 million (equivalent to approximately HK\$2,469 million as at 30 June 2012) was paid to Guangdong Holdings, as a 40% share of the shareholders’ loans made to the Target Companies by Guangdong Holdings. Further details are included in the Company’s announcement on 28 November 2011 and the Company’s circular dated 12 December 2011. Pursuant to the conditional equity transfer agreement with Guangdong Holdings dated 28 November 2011, the completion of the registration procedures of the change in shareholder of the Target Companies shall take place within 180 days from the date of the payment of the consideration for the Acquisition and the amount made to Guangdong Holdings for the transfer of 40% share of the shareholders’ loans made to the Target Companies by Guangdong Holdings (“Period for Completion”).

Guangdong Holdings has agreed that, if the charges in favour of the Bank of Communications and the court’s seizure orders in relation to the properties held by the Target Companies could not be finally released within six months from the completion of the Acquisition, GD Teem has a right to request to cancel the transfer of interest of the relevant Target Companies and have the consideration paid by GD Teem and the shareholder’s loans provided by GD Teem refunded by Guangdong Holdings to GD Teem.

On 27 June 2012, GD Teem entered into a supplemental agreement with Guangdong Holdings in relation to an extension of abovementioned Period for Completion of the registration procedures of the change in shareholder of the Target Companies to 31 December 2012. As at 30 June 2012, the Target Companies were subsidiaries of Guangdong Holdings.

As detailed above, an amount of RMB2,013 million was paid to Guangdong Holdings, representing a 40% share of the shareholders’ loans made to the Target Companies by Guangdong Holdings, in form of entrusted loans (the “Entrusted Loans”) through a PRC Bank. The Entrusted Loans are interest-bearing at 7.216% per annum, secured by the properties held by the Target Companies, and are repayable on 20 December 2012. In connection to the amount made, Guangdong Holdings has assigned all the rights and obligations relating to 40% of the Entrusted Loans to GD Teem through various assignment agreements. The related interest income recognised for the period is RMB73,433,000 (equivalent to approximately HK\$90,396,000 and was included in other receivables as at 30 June 2012).

Notes to Interim Financial Information (Continued)

30 June 2012

10. DERIVATIVE FINANCIAL INSTRUMENTS**Assets**

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Interest rate swap agreements	32,071	64,453

Liabilities

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Interest rate swap agreements	123,675	265,473

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

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

Cash flow hedges

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

Notes to Interim Financial Information (Continued)

30 June 2012

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

The terms of these swap agreements have been negotiated to match the respective terms of the Refinancing Facilities. The cash flow hedges of the Refinancing Facilities were assessed to be highly effective and the net fair value gain on cash flow hedges of HK\$55,936,000 (six months ended 30 June 2011: HK\$38,787,000) included in the hedging reserve was as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total fair value losses included in the hedging reserve	(3,024)	(18,824)
Interest expense on cash flow hedges charged to finance costs upon realisation of certain interest rate swap agreements (note 4)	61,309	62,365
Net movement on cash flow hedges	58,285	43,541
Portion shared by non-controlling interests	(2,349)	(4,754)
Net movement attributable to the owners of the Company for the six months ended 30 June	55,936	38,787

Derivatives not qualified for hedge accounting

At 30 June 2012, the Group had various other interest rate swap agreements which did not meet the criteria for hedge accounting. The net loss in the fair value of these derivatives not qualified for hedge accounting which amounted to HK\$4,000 (six months ended 30 June 2011: HK\$11,526,000) (note 5) was included in the income statement during the period.

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

Notes to Interim Financial Information (Continued)

30 June 2012

11. PAYABLES AND ACCRUALS

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade payables		416,687	484,230
Accruals and other liabilities	13	3,216,181	3,394,789
Due to the immediate holding company	20(b)	2,319	2,502
Due to fellow subsidiaries	20(b)	1,412	912
Due to a jointly-controlled entity	20(b)	76,257	29,276
Due to the ultimate holding company	20(b)	2,520	3,278
		3,715,376	3,914,987
Less: Portion classified as non-current liabilities	13	(1,329,389)	(1,369,914)
Current portion		2,385,987	2,545,073

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 3 months	415,070	480,783
3 months to 6 months	357	966
6 months to 1 year	1,260	2,481
	416,687	484,230

Notes to Interim Financial Information (Continued)

30 June 2012

12. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Current				
Bank loans — secured	0.88%–5.30%*	2012	2,422,000	2,422,000
— unsecured	2.91%–2.96%	2012	78,000	62,400
			2,500,000	2,484,400
Non-current				
Bank loans — secured	0.96%–5.30%*	2013–2017	800,000	800,000
— unsecured	2.91%–2.96%	2013–2014	689,484	546,206
			1,489,484	1,346,206
			3,989,484	3,830,606

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

13. OTHER LIABILITIES

At 30 June 2012, included in the other liabilities was a non-interest-bearing receipt in advance amounting to HK\$1,300,200,000 (31 December 2011: HK\$1,300,200,000). In prior years, the Government of the Hong Kong Special Administrative Region (“HKSAR”) granted a loan facility with a principal amount of HK\$2,364 million (the “Loan Facility”) to the Guangdong Provincial Government (the “GPG”) for the purpose of the Phase IV Renovation Project. Pursuant to the concession agreement, the Loan Facility was utilised for the construction of the Phase IV Renovation Project. Upon the completion of the Phase IV Renovation Project during the year ended 31 December 2003, the Group acquired and recorded the assets of the Phase IV Renovation Project and assumed the repayment obligations of the Loan Facility from the GPG as a non-interest-bearing receipt in advance. The outstanding Loan Facility is settled through the deduction of future water revenue to be received by the Group from the Government of the HKSAR by an annual amount of HK\$118,200,000 for 20 years commencing from December 2003.

Notes to Interim Financial Information (Continued)

30 June 2012

14. SHARE CAPITAL

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Authorised:		
8,000,000,000 (31 December 2011: 8,000,000,000) ordinary shares of HK\$0.50 each	4,000,000	4,000,000
Issued and fully paid:		
6,233,205,071 (31 December 2011: 6,232,998,071) ordinary shares of HK\$0.50 each	3,116,603	3,116,499

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

	Notes	Number of ordinary shares in issue (Unaudited)	Issued and fully paid ordinary shares (Unaudited) HK\$'000	Ordinary share premium account (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2012		6,232,998,071	3,116,499	2,460,409	5,576,908
Share option exercised	(i)	207,000	104	285	389
Release of share option reserve	(ii)	—	—	94	94
At 30 June 2012		6,233,205,071	3,116,603	2,460,788	5,577,391

Notes:

- (i) During the six months ended 30 June 2012, the subscription rights attaching 207,000 share options were exercised at subscription price of HK\$1.88 per ordinary share, resulting in the issue of 207,000 ordinary shares for a total consideration of HK\$389,000.
- (ii) During the six months ended 30 June 2012, 207,000 share options were exercised, resulting in the release of share option reserve of HK\$94,000 to the ordinary share premium account.

Notes to Interim Financial Information (Continued)

30 June 2012

15. SHARE OPTION SCHEME

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

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

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

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

	2012		2011	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.88	35,250	1.88	39,300
Exercised during the period	1.88	(207)	—	—
Lapsed during the period [#]	—	—	1.88	(1,950)
At 30 June	1.88	35,043	1.88	37,350

[#] Such options held by an employee lapsed upon the decease of the employee on 18 June 2011.

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2012 was HK\$5.20 per share.

Notes to Interim Financial Information (Continued)

30 June 2012

15. SHARE OPTION SCHEME (Continued)

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

2012		
Number of options '000	Exercise price* HK\$ per share	Exercise period** (dd.mm.yyyy)
4,773	1.88	24-10-2010 to 23-04-2014
15,135	1.88	24-10-2011 to 23-04-2014
5,045	1.88	24-10-2012 to 23-04-2014
10,090	1.88	24-10-2013 to 23-04-2014
35,043		

2011		
Number of options '000	Exercise price* HK\$ per share	Exercise period** (dd.mm.yyyy)
7,080	1.88	24-10-2010 to 23-04-2014
15,135	1.88	24-10-2011 to 23-04-2014
5,045	1.88	24-10-2012 to 23-04-2014
10,090	1.88	24-10-2013 to 23-04-2014
37,350		

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

** Further details regarding the share options granted under the 2008 Scheme are set out in (i) the "Share Option Scheme adopted on 24 October 2008" in the "Directors' Interests and Short Positions in Securities" section of the interim report on pages 47 to 48; and (ii) the "2008 Scheme" in the "Share Options of the Company" section of the interim report on page 52.

Notes to Interim Financial Information (Continued)

30 June 2012

16. RESERVES

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

During the six months ended 30 June 2012, there was no release of provision as determined above (six months ended 30 June 2011: Nil); and profit of HK\$12,984,957 was distributed from the Company's subsidiary during the current period (six months ended 30 June 2011: Nil) as determined above, which resulted in an aggregate transfer from retained profits to the Special Reserve of the Group and the Company of HK\$12,984,957 (six months ended 30 June 2011: Nil).

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

During the six months ended 30 June 2012, the reduction of the Special Reserve and the capitalisation of the same to retained profits in the current period, resulting from the aggregate increase in paid-up share capital and ordinary share premium account due to the issue of the Company's ordinary shares (before any share issue expenses), amounted to HK\$389,160 (six months ended 30 June 2011: Nil). In effecting the reduction and capitalisation as aforesaid, the amount transferred from the Special Reserve is kept to an amount not exceeding the balance of the Special Reserve before such transfer.

The amount credited to the Special Reserve shall not at any time exceed HK\$2,984,676,517 (the "Limit"). The Limit may be reduced by the amount of any increase, after the Effective Date, in the paid-up share capital or share premium account of the Company which results from the issue of shares as referred to above. The Limit may also be reduced by the amount of any non-permanent loss of the Company as at 30 June 2003 which subsequently turns into a permanent loss. During the period, there was no non-permanent loss which has turned into a permanent loss of the Group and the Company (six months ended 30 June 2011: Nil).

Notes to Interim Financial Information (Continued)

30 June 2012

16. RESERVES (Continued)

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

The Limit, as adjusted, was HK\$617,509,526 (31 December 2011: HK\$617,898,686) and the amount standing to the credit of the Special Reserve was HK\$21,501,980 (31 December 2011: HK\$8,906,183) as at 30 June 2012.

17. INVESTMENT IN WANYE

On 12 March 2012, the Group has completed the subscription of a 68% equity interest in Wanye through 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.), a non wholly-owned subsidiary of the Company, at total investments of approximately RMB1,944,000,000 (equivalent to approximately HK\$2,385,000,000).

The total investments contributed to Wanye during the period amounted to RMB303,785,000 (equivalent to approximately HK\$373,959,000). The remaining capital contribution will be settled within 5 years by installments.

18. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold properties under operating lease arrangements. Leases for properties are negotiated for terms of one to twenty years (31 December 2011: one to twenty years).

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	119,698	114,661
In the second to fifth years, inclusive	133,475	155,003
After five years	62,345	65,401
	315,518	335,065

In addition to the operating lease arrangements disclosed above, the Group leases certain leasehold properties for its subsidiaries for the department store operations. The related rental charge for the six months ended 30 June 2012 amounting to HK\$49,795,000 (six months ended 30 June 2011: HK\$21,467,000) is calculated with reference to the revenue generated by the subsidiaries of the Group.

Notes to Interim Financial Information (Continued)

30 June 2012

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had the following commitments at the end of the reporting period:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
(a) Capital commitments in respect of property, plant and equipment, investment properties and intangible assets:		
Contracted for	806,255	586,057
Authorised, but not contracted for	6,597,977	4,973,091
	7,404,232	5,559,148
Capital commitments in respect of contribution payable to Target Companies:		
Authorised, but not contracted for	383,791	385,919
	7,788,023	5,945,067

- (b) Pursuant to Guangdong Yue Gang Water Supply Company Limited ("WaterCo")'s articles of association, Guangdong Holdings, which directly holds a 1% equity interest in WaterCo, is not entitled to receive any distributed profits of WaterCo for the first fifteen years of operation (the "Period"). 100% of the distributed profits for the Period shall be made to GH Water Supply (Holdings) Limited ("GH Water Holdings"), its holding company holding 99% equity interest. Starting from the sixteenth year of WaterCo's operation, 1.01% of the distributed profits of WaterCo for the Period plus simple interest at a rate of 8% per annum on the unpaid amount of the distributed profits shall be made to Guangdong Holdings (collectively referred to as the "Deferred Dividend"). Once Guangdong Holdings has received the Deferred Dividend in full, all of the WaterCo's distributable profits are to be distributed to GH Water Holdings and Guangdong Holdings according to their respective equity interests in WaterCo for the remaining operating period.

Notes to Interim Financial Information (Continued)

30 June 2012

20. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Hotel management and other service fees received from fellow subsidiaries	(i)	(2,690)	(2,456)
Rents received from Guangdong Holdings, GDH Limited and certain fellow subsidiaries	(ii)	(10,363)	(2,745)
Water distribution income received from a fellow subsidiary	(iii)	(15,722)	—
Dividends paid to GDH Limited and certain of its subsidiaries by GH Water Holdings	(iv)	23,589	14,592

Notes:

- (i) Income received was charged in accordance with the terms of agreements entered into between the Group's subsidiary and the respective fellow subsidiaries.
- (ii) Rents received was charged in accordance with the respective tenancy agreements.
- (iii) Income received on the supply of untreated water was charged in accordance with the terms of an agreement entered between the Group's subsidiary and the fellow subsidiary.
- (iv) Dividends paid and payable were made pursuant to the dividend rates proposed and declared at the respective board of directors and shareholders' meetings.

Notes to Interim Financial Information (Continued)

30 June 2012

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

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Balances due from:			
The immediate holding company	(i)	952	1,142
Fellow subsidiaries	(i)	600	674
A fellow subsidiary	(ii)	2,791	2,668
Associates	(i)	6,467	6,503
Balances due to:			
The immediate holding company	(i)	(2,319)	(2,502)
Fellow subsidiaries	(i)	(1,412)	(912)
A jointly-controlled entity	(i)	(57,488)	(29,276)
A jointly-controlled entity	(iii)	(18,769)	—
The ultimate holding company	(iv)	(2,520)	(3,278)

Notes:

- (i) The balances are unsecured, non-interest-bearing and have no specific terms of repayment.
- (ii) The balance is unsecured, non-interest-bearing and repayable within 30 days.
- (iii) The balance is unsecured, interest-bearing at 1% per annum and repayable on 11 January 2013.
- (iv) As at 30 June 2012, included in the other liabilities are amounts of HK\$2,520,000 (31 December 2011: HK\$2,534,000) which is the rental related deposit received from the ultimate holding company. As at 31 December 2011, included in the balance of HK\$744,000 which is the rental received in advance.

Notes to Interim Financial Information (Continued)

30 June 2012

20. RELATED PARTY TRANSACTIONS (Continued)**(c) Compensation of directors and key management personnel of the Group**

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	2,739	2,616
Post-employment benefits	206	192
Equity-settled share option expense	526	1,213
Total compensation paid to directors and key management personnel	3,471	4,021

21. FAIR VALUE HIERARCHY

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

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

Assets measured at fair value as at 30 June 2012:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	—	32,071	—	32,071
Available-for-sale investments	—	907,758	—	907,758
	—	939,829	—	939,829

Liabilities measured at fair value as at 30 June 2012:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	—	123,675	—	123,675

Notes to Interim Financial Information (Continued)

30 June 2012

21. FAIR VALUE HIERARCHY (Continued)

Assets measured at fair value as at 31 December 2011:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	—	64,453	—	64,453

Liabilities measured at fair value as at 31 December 2011:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	—	265,473	—	265,473

22. CAPITAL EXPENDITURE

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment, investment properties and intangible assets in aggregate of approximately HK\$1,512,195,000 (six months ended 30 June 2011: HK\$143,840,000).

23. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of HKAS 12 Amendments during the period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

24. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors of the Company on 24 August 2012.

Business Review, Discussion and Analysis, and Prospects

RESULTS

The Board is pleased to report the results of the Group for the six months ended 30 June 2012 (the "Period"). The Group's unaudited consolidated profit attributable to shareholders amounted to HK\$1,871 million (2011: HK\$1,626 million), an increase of 15.0% as compared with the same period last year. Basic earnings per share was 30.02 HK cents (2011: 26.10 HK cents), an increase of 15.0% over the same period last year.

INTERIM DIVIDEND

The Board declares an interim dividend of 7.0 HK cents per share for the Period (2011: 7.0 HK cents).

FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$3,993 million (2011: HK\$3,598 million), an increase of 11.0% as compared with the same period last year. The growth was mainly contributed by the water distribution, hotel and the property investment businesses.

The unaudited consolidated profit attributable to shareholders of the Group for the Period increased by 15.0% to HK\$1,871 million (2011: HK\$1,626 million). The profit before tax increased by 16.6% or HK\$404 million to HK\$2,831 million (2011: HK\$2,427 million). The growth was mainly contributed by property investment and water distribution businesses.

An increase in the fair value of investment properties of HK\$553 million (2011: HK\$347 million) was recorded during the Period. Because of the increase of financial borrowing of the Group, the finance cost increased by 8.4% to HK\$87 million.

The basic earnings per share was 30.02 HK cents (2011: 26.10 HK cents), representing an increase of 15.0% as compared with the same period last year.

BUSINESS REVIEW

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

Water Distribution

Dongshen Water Supply

Profit contribution from the Dongshen Water Supply Project remained a significant part of the Group's profit. As at 30 June 2012, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 95.97% (31 December 2011: 94.47%). During the Period, the Company has acquired 1,491,649 shares in GH Water Holdings at HK\$111 per share for a total consideration of HK\$166 million. GH Water Holdings in turn has a 99% interest in Guangdong Yue Gang Water Supply Company Limited, owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion cubic meters. The total water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.021 billion cubic meters (2011: 1.103 billion cubic meters), a decrease of 7.4%, generating revenue of HK\$2,539,274,000 (2011: HK\$2,337,271,000), an increase of 8.6%.

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

Pursuant to the Hong Kong Water Supply Agreement for 2012 to 2014 entered into between the Government of Hong Kong Special Administrative Region (“HKSAR”) and the Guangdong Provincial Government (“GPG”) in 2011, the total annual revenue for water sales to Hong Kong for the three years 2012, 2013 and 2014 are HK\$3,538.70 million, HK\$3,743.30 million and HK\$3,959.34 million respectively.

The Hong Kong water sales revenue for the Period increased by 5.8% to HK\$1,930 million (2011: HK\$1,824 million). The water sales revenue to Shenzhen and Dongguan areas for the Period increased by 18.7% to HK\$609 million (2011: HK\$513 million). The profit before tax for the Period was HK\$1,484,795,000 (2011: HK\$1,370,872,000), 8.3% higher than that in the same period last year.

Nansha Water Supply

On 8 March 2012, the Group acquired 49% of equity interest in Nansha GDH Water Co., Ltd. (“Nansha Water Co”) at the consideration of RMB120.56 million in cash. The Nansha Water Co is a company established in the PRC and is principally engaged in the construction, operation and maintenance of water supply facilities and the supply of water to Nansha District, Guangzhou.

The annual capacity of Nansha Water Co is 71.90 million cubic meters. The total volume of water supply to user during the Period amounted to 26.32 million cubic meters (2011: 25.30 million cubic meters), an increase of 4.0%. Revenue for the Period was HK\$60,888,000 (2011: HK\$50,444,000), an increase of 20.7%. The loss before tax of Nansha Water Co for the Period was HK\$28,101,000 (2011: HK\$52,127,000), 46.1% less than that in the same period last year.

Property Investment

Mainland China

Teem Plaza

As at 30 June 2012, the Group held an effective equity interest of 76.09% in 廣東天河城（集團）股份有限公司 (Guangdong Teem (Holdings) Limited) (“GD Teem”), which owns the property Teem Plaza comprising of a shopping mall, an office building and a hotel. The shopping mall and the office building are investment properties of the Group. The Sheraton Guangzhou Hotel (粵海喜來登酒店), which was completed and opened in July 2011, is an owner-occupied hotel property.

During the Period, revenue of Teem Plaza, comprising rental income from both the shopping mall (including rentals from department store run by the Group) and the office building, reached HK\$512,579,000 (2011: HK\$464,058,000), an increase of 10.5%. The profit before tax for the Period, excluding the revaluation gain and net interest income, increased by 9.7% to HK\$364,879,000 (2011: HK\$332,495,000).

The Teemall, one of the most popular shopping malls in the prime area of Guangzhou, has a total gross floor area and lettable area of approximately 160,000 square meters and 97,000 square meters respectively. The mall is operated at a full capacity with an average occupancy rate of approximately 99% during the Period (2011: 99%). The mall is successful in retaining existing brand-name tenants and attracting new ones. The strong demands for shop spaces in the mall and the use of the open tender system for selecting tenants resulted in an increase of rental income.

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

The office building, known as the Teem Tower (粵海天河城大廈), is a 45-storey Grade A office tower with a total gross floor area and lettable area of approximately 102,000 square meters and 90,000 square meters respectively. With an occupancy rate of 98% (2011: 94%) as at 30 June 2012, the total rental income for the Period was HK\$102,644,000 (2011: HK\$87,265,000), an increase of 17.6%. The profit before tax for the Period increased to HK\$88,651,000 (2011: HK\$74,064,000), an increase of 19.7%.

Tianjin Teem Shopping Mall

GD Teem acquired a piece of land in Tianjin in 2009. The land will be developed into a large-scale modern shopping mall with a total gross floor area above ground and underground of approximately 137,100 square meters and 56,000 square meters respectively. It is anticipated that the construction work of the Tianjin Teem Shopping Mall will be completed around the end of 2016. The estimated total investment of the project is about RMB2.3 billion, of which approximately HK\$1,266 million has been invested as at 30 June 2012.

Panyu Wanbo CBD Project

The Group's effective interest in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited) ("Wanye") is 31.04%. 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.) ("Tianhecheng Investco"), a 60% owned subsidiary of GD Teem, directly holds 68% interest in Wanye. Wanye owns a piece of land well located in 番禺萬博中央商務區 (Panyu Wanbo Central Business District), which is expected to be a growing commercial area in Guangzhou. The land will be developed into a large-scale integrated commercial project with gross floor area of approximately 260,000 square meters, comprising shopping centre, offices and shops. The aggregate amount to be invested by Tianhecheng Investco to Wanye is estimated to be about RMB1,944 million, of which approximately RMB304 million has been invested according to the cooperation agreement.

Acquisition of a 40% equity interest in each of the Target Companies (as defined below)

On 28 November 2011, GD Teem entered into a conditional equity transfer agreement (the "Agreement") with Guangdong Holdings, pursuant to which, GD Teem agreed to acquire from Guangdong Holdings a 40% equity interest in each of 廣東三誠經濟發展有限公司 (Guangdong Sancheng Economic Development Company Limited) ("Guangdong Sancheng"), 廣州金東源房地產開發有限公司 (Guangzhou Jindongyuan Real Estate Development Company Limited) ("Guangzhou Jindongyuan") and 廣州天源投資管理有限公司 (Guangzhou Tianyuan Investment Management Company Limited) ("Guangzhou Tianyuan"), collectively the Target Companies. These Target Companies are property holding companies, directly or indirectly holding developed properties or property projects under development in Guangzhou, PRC.

The Agreement provides that (i) the consideration payable by GD Teem, (ii) the amount of shareholders' loans provided by GD Teem to the Target Companies, and (iii) the contributions to the other valid claims and liabilities of, or in connection with, the Target Companies, to be responsible by GD Teem would not, in aggregate, exceed RMB2,460 million. In 2011, an amount of RMB135 million was paid by GD Teem to Guangdong Holdings for the transfer of equity interest in the Target Companies to GD Teem and an amount of RMB2,013 million was made to Guangdong Holdings for the transfer of 40% shareholders' loans made to the Target Companies by Guangdong Holdings.

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

On 27 June 2012, GD Teem and Guangdong Holdings entered into a supplemental agreement extending the period for completion of the registration procedures of the change in shareholder of the Target companies to GD Teem to 31 December 2012. As at 30 June 2012, the relevant registration procedures of the change in shareholder of the Target Companies were in progress.

Guangdong Sancheng owns a piece of land located in Zhujiang New City (廣州珠江新城), Guangzhou, which is intended to be developed as a commercial property project with a total gross floor area of approximately 234,600 square meters. Guangzhou Jindongyuan owns the Guangzhou Ming Cheng Commercial Plaza (廣州名城商業廣場), an 8-storey commercial building which is under construction with a total gross floor area of approximately 110,800 square meters. Guangzhou Tianyuan owns the Comic City, Guangzhou (廣州動漫星城廣場), a shopping mall complex located in the underground area of Guangzhou Metro with a total gross floor area of approximately 32,600 square meters.

Hong Kong

Guangdong Investment Tower

Average occupancy rate of the Guangdong Investment Tower for the Period was 99.6% (2011: 99.0%), which was 0.6% higher than that in the same period last year. Due to the increase in both the average occupancy rate and average rental, the total rental income for the Period was HK\$17,769,000 (2011: HK\$16,721,000), an increase of 6.3%.

Department Stores Operations

As at 30 June 2012, the Group held an effective interest of approximately 85.18% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) (“GDTDS”) and 廣州市天河城萬博百貨有限公司 (“天河城萬博”). GDTDS operates the Teemall Store in Teem Plaza, it also operates Teemall Store — Beijing road branch (“Ming Sheng Store”), 奧體歐萊斯名牌折扣店 (“Ao Ti Store”), 白雲新城百貨店 (“Baiyun New Town Store”) and 東圃百貨店 (“Dong Pu Store”). 天河城萬博 operates the 天河城百貨歐萊斯折扣店 (“Wan Bo Store”). The 6 stores in aggregate with leased area of approximately 126,700 square meters (30 June 2011: 83,000 square meters) generated revenue of HK\$391,247,000 (2011: HK\$359,539,000), an increase of 8.8%. Due to the decrease in profit margin of Teemall Store and the negative contribution from the 3 stores newly opened in 2011, the profit before tax for the Period decreased by 22.9% to HK\$147,017,000 (2011: HK\$190,741,000).

The Teemall Store sells a wide range of products and is one of the high sale ranking major department stores in Guangzhou. Due to the keen competition of the retail market, the revenue of the Teemall Store decreased by 2.6% to HK\$277,828,000 (2011: HK\$285,188,000) during the Period.

The revenue of Ming Sheng Store for the Period was HK\$32,041,000 (2011: HK\$28,865,000), an increase of 11.0%. The Ao Ti Store, which is operated as an outlet mall, was opened in April 2011 and its revenue for the Period was HK\$11,333,000 (2011: HK\$4,269,000). The Baiyun New Town Store was opened in November 2011 and its revenue for the Period was HK\$6,732,000. The Dong Pu Store was opened in December 2011 and its revenue for the Period was HK\$16,006,000.

The Wan Bo Store, which is operated as an outlet mall, sells brand-name products at a substantial discount. The revenue of Wan Bo Store for the Period was HK\$47,306,000 (2011: HK\$41,217,000), an increase of 14.8%.

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

During the Period, the Group's share of profit of 廣東吉之島天貿百貨有限公司 (Guangdong Jusco Teem Stores Co., Ltd.), a 26.63% associate of the Group, amounted to HK\$15,353,000 (2011: HK\$28,133,000), a decrease of 45.4%.

Hotel Operations and Management

As at 30 June 2012, our hotel management team managed a total of 40 hotels (31 December 2011: 43 hotels), of which 2 were in Hong Kong, 1 in Macau and 37 in Mainland China. Of these 40 hotels, 7 were owned or lease owned by the Group (2 in Hong Kong, 2 in Shenzhen, 1 in Zhuhai, 1 in Zhengzhou and 1 in Changzhou). Another hotel, namely Sheraton Guangzhou Hotel, which was opened in July 2011, is owned by the Group and under the management of Sheraton Overseas Management Corporation.

Among the 8 hotels owned or lease owned by the Group, 5 are star-rated hotels and 3 are limited service hotels. During the Period, the average room rate of the star-rated hotels of the Group (excluding Sheraton Guangzhou Hotel) in Hong Kong, Shenzhen and Zhuhai was HK\$747 (2011: HK\$704), an increase of 6.1%, while Sheraton Guangzhou Hotel recorded an average room rate of HK\$1,310 during the Period. The average occupancy rate of Sheraton Guangzhou Hotel and the remaining 4 star-rated hotels was 61.8% and 81.5%, respectively. The average room rate of the 3 limited service hotels of the Group in Shenzhen, Zhengzhou and Changzhou was HK\$227 (2011: HK\$208), an increase of 9.1%.

For the hotel operations and management business as a whole, the revenue for the Period increased by 61.6% to HK\$308,024,000 (2011: HK\$190,576,000), of which, HK\$103,161,000 was contributed by Sheraton Guangzhou Hotel. Profit before tax for the Period increased by 65.6% to HK\$62,520,000 (2011: HK\$37,750,000) due to the reduce in pre-operating expenditure of Sheraton Guangzhou Hotel during the Period.

Electric Power Generation

Zhongshan Power Plant

The Group's effective interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co. Ltd.) ("ZTP") is 59.85% (Zhongshan Power (Hong Kong) Limited ("ZPHK"), a 95% owned subsidiary of the Company holding a 63% interest in ZTP). ZTP has 2 power generation units with a total installed capacity of 110 MW and steam generation capacity of 80 tons per hour. Sales of electricity during the Period amounted to 322 million kwh (2011: 349 million kwh), a decrease of 7.7%. As a result of the increase in average electricity tariff, revenue for the Period amounted to HK\$242,601,000 (2011: HK\$241,901,000). Due to the decrease in coal price, the profit margin for the Period has increased as compared to the same period in 2011. The profit before tax for the Period was HK\$41,713,000 (2011: HK\$31,439,000), an increase of 32.7%.

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

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

During the Period, the construction of Zhongshan Project was approved by the relevant PRC authority. Further, ZPHK and Xing Zhong are in the course of applying for the extension of the term of the joint venture.

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

The Group has an indirect equity interest of 25% of Yudean Jinghai Power, which owns 2 power generation units with a total installed capacity of 1,200 MW. Sales of electricity for the Period amounted to 3,193 million kwh (2011: 3,185 million kwh), an increase of 0.3%. Revenue for the Period amounted to HK\$1,750,784,000 (2011: HK\$1,616,866,000), an increase of 8.3% which was mainly due to the increase in electricity tariff. Due to the increase in electricity tariff was higher than the increase in coal price, the profit margin for the Period had increased as compared to the same period last year. Profit before tax for the Period increased by 40.2% to HK\$150,814,000 (2011: HK\$107,533,000).

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

The Group's effective interest in Yue Jiang Power is 11.48%. Yue Jiang Power has 2 power generation units with a total installed capacity of 600 MW. Sales of the electricity for the Period amounted to 1,450 million kwh (2011: 1,635 million kwh), a decrease of 11.3%. Revenue for the Period amounted to HK\$888,953,000 (2011: HK\$954,138,000) a decrease of 6.8%. Loss before tax for the Period amounted to HK\$61,078,000 (2011: HK\$96,740,000). As full provision was made against the investment in Yue Jiang Power in 2009, no further loss was shared from Yue Jiang Power in the Group for the Period.

Meixian Power Plant

The Group's effective interest in Meixian Power Plant is 12.25% (a 49% associate of the Company, Guangdong Power Investment Limited (“GD Power Investment”), holding a 25% interest in the project). During the Period, no dividend income was received by GD Power Investment from this investment (2011: Nil).

Toll Roads and Bridges

“2 Bridges”

During the Period, the share of profit of a Group's 51% owned jointly-controlled entity (the “JCE”) which holds interests in the “2 Bridges” project amounted to HK\$44,176,000 in aggregate (2011: HK\$42,147,000), an increase of 4.8%.

(i) Humen Bridge

The JCE has a profit sharing ratio of 23% in this project. During the Period, average daily traffic flow of this bridge increased by 6.4% to 75,440 vehicle trips (2011: 70,925 vehicle trips). Revenue for the Period amounted to HK\$644,490,000 (2011: HK\$613,189,000), an increase of 5.1%. Accordingly, the profit before tax for the Period increased by 3.9% to HK\$497,546,000 (2011: HK\$478,743,000).

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

(ii) *Shantou Haiwan Bridge*

The JCE holds a 30% interest in this project. During the Period, average daily traffic flow of this bridge increased by 9.1% to 17,098 vehicle trips (2011: 15,679 vehicle trips). Revenue for the Period increased by 11.8% to HK\$129,627,000 (2011: HK\$115,988,000). The profit before tax for the Period was HK\$100,018,000 (2011: HK\$89,337,000), an increase of 12.0%.

Yingkeng Highway

The Group's effective interest in this project is 70%. During the Period, average daily traffic flow of this highway increased by 7.1% to 4,683 vehicle trips (2011: 4,374 vehicle trips). Revenue decreased by 22.4% to HK\$13,738,000 (2011: HK\$17,705,000) as the increase in traffic flow comprised mainly light vehicles paying a lower tariff while traffic flow of heavy vehicles decreased during the Period. The profit before tax for the Period was HK\$3,205,000 (2011: HK\$6,691,000), a decrease of 52.1%. After a nation-wide review of the toll road industry by government authorities, Yingkeng Highway may be classified as non-commercial toll road and may be required to stop collecting toll shortly.

Panyu Bridge

The Group's effective interest in this project is 20%. During the Period, the average daily traffic flow of this bridge increased by 9.8% to 44,137 vehicle trips (2011: 40,215 vehicle trips). As a result, revenue for the Period increased by 17.1% to HK\$59,944,000 (2011: HK\$51,183,000). The profit before tax for the Period increased by 3.1% to HK\$16,825,000 (2011: HK\$16,320,000).

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2012, the cash and bank balances of the Group increased by HK\$295 million to HK\$3,838 million (31 December 2011: HK\$3,543 million), of which 41.2% in Hong Kong dollars, 57.2% in Renminbi and 1.6% in US dollars.

During the Period, the Group's financial borrowing increased by HK\$159 million mainly due to the drawdown of certain interest-bearing bank borrowings.

As at 30 June 2012, the Group's financial borrowings amounted to HK\$5,290 million (31 December 2011: HK\$5,131 million), of which 14.5% is in US dollars and 85.5% is in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK\$1,300 million. Of the Group's total financial borrowings, HK\$2,618 million was repayable within one year while the remaining balance of HK\$1,803 million and HK\$869 million are repayable within two to five years and beyond five years from the end of reporting period, respectively.

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

The Group maintained credit facilities of RMB500 million as at 30 June 2012 (31 December 2011: USD20 million and RMB50 million).

The gearing (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) of the Group as at 30 June 2012 was 8% (31 December 2011: 9%). The improvement is in fact a reflection of the increase in the net assets of the Group. The Group is in a healthy debt servicing position as the EBITDA/finance cost is 38.9 times (31 December 2011: 33.5 times).

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

PLEDGE OF ASSETS

As at 30 June 2012, none of the Group's property, plant and equipment, investment properties, intangible assets and bank deposits was pledged to secure general banking facilities granted to the Group (31 December 2011: Nil).

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$1,512 million which was principally related to the acquisition of Panyu Wanbo CBD Project and the land and development cost for the Tianjin Teem Shopping Mall.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 30 June 2012, total US dollars borrowings amounted to HK\$768 million (31 December 2011: HK\$609 million). The foreign currency risk exposure was considered to be minimal and no hedging was considered necessary.

As at 30 June 2012, the Group's total floating rate borrowings amounted to HK\$3,990 million (31 December 2011: HK\$3,831 million). For the purpose of interest rate risk management, the Group has entered into certain fixed interest rate swap agreements, amounting to HK\$5,400 million (31 December 2011: HK\$5,400 million), which will be terminated at the end of 2012.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2012, the Group had a total of 4,289 employees, of which 805 were at the managerial level. Among the employees, 4,062 were employed by subsidiaries in Mainland China and 227 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$266,055,000 (2011: HK\$221,902,000).

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

In 2012, facing the challenges of the Euro debt crisis and the slowdown of economic growth across the globe, the Group aimed at strengthening its competitiveness to maximize economic benefits, reinforcing internal control as well as maintaining a strategy of stable development, and growing an enterprise with immense competitive advantage by way of an asset and business restructuring. During the first half of the year, the Group continued to implement a corporate culture that incorporates such core values as “Credibility, Integrity and Profitability”, as well as a set of people-oriented human resources strategies that aim at perfecting the performance appraisal, assessment, incentive mechanisms and human resources management system, creating an ideal environment for nurturing, training and developing competent management and technical personnel to cope with the rapid development of the enterprise. With its geographical advantage and attractiveness to outstanding talents, Hong Kong will be treated by the Group as a platform to recruit high-caliber talents at home and abroad. In addition, the Group will strive to build a good environment for them to prove their worth and grow along with the Group. The Group has put in place a mechanism for regular performance appraisals and feedback for the senior management so as to ensure their integrity and efficiency. Remuneration and incentive packages for our staff are commensurate with the operating results of the entities to which they are attached by reference to the operating net cash flows and profits after tax. In order to effectively motivate our employees, the incentive bonuses we pay to our management, key staff and employees with outstanding performance are determined by their individual performance. The Group has also adopted a share option scheme to reward and retain outstanding employees to contribute to the continuing success of the Group in the long run. In terms of staff training and development, the Group encourages and promotes self-enhancement of the staff by subsidizing their professional development and training programs. The Group also provides its staff with training courses on corporate culture and various disciplines to upgrade their quality thereby laying a solid foundation for the long term development of the Group in the years ahead.

PROSPECTS

In 2012, the continuing adverse influence of United States and European debt crisis will slow down the recovery of and may even aggravate the global economy. To meet new challenges and weather difficult times, the Group will seek to achieve a healthy and sustainable growth by unifying as a solid whole with all concerted efforts made by staff, analyzing the macroeconomic trends, optimizing internal control and management, enhancing our market competitiveness, and will strive to turn the external crisis into a new opportunity for internal development.

Bringing into full play of our capital strength, the Group will further enlarge and strengthen our existing advantageous businesses, secure and consolidate the leading position to grasp prime investment opportunities in the industry. Under the premise of a strict investment risk control, the Group will highly focus on potential investment opportunities that may emerge from water business and commercial properties. We will continue to optimize allocation of resources, focus on core business and identify our market position, in order to achieve a new leap forward in the Company’s development and scale new heights in our operating results.

Directors' Interests and Short Positions in Securities

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

INTERESTS AND SHORT POSITIONS IN THE COMPANY

(i) Interests in ordinary shares

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note)
Zhang Hui	Personal	1,760,000	Long position	0.028%
Tsang Hon Nam	Personal	1,180,000	Long position	0.019%
Cheng Mo Chi, Moses	Personal	1,150,000	Long position	0.018%
Xu Wenfang	Personal	1,320,000	Long position	0.021%
Li Wai Keung	Personal	1,340,000	Long position	0.021%
Chan Cho Chak, John	Personal	5,450,000	Long position	0.087%
Li Kwok Po, David	Personal	10,000,000	Long position	0.160%

Note: The approximate percentage of interests held was calculated on the basis of 6,233,205,071 ordinary shares of the Company in issue as at 30 June 2012.

Directors' Interests and Short Positions in Securities (Continued)

(ii) Interests in options relating to ordinary shares (Long positions)(1) *Share Option Scheme adopted on 24 October 2008 ("2008 Scheme")*

Name of Director	Date of grant of share options* (dd.mm.yyyy)	Number of share options					At 30 June 2012	Total consideration paid for share options granted HK\$	Exercise price of share options** HK\$ (per share)	Price of ordinary share at date immediately before grant*** HK\$ (per share)	Price of ordinary share immediately before the exercise date*** HK\$ (per share)
		At date of grant	At 1 January 2012	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					
Huang Xiaofeng	24.10.2008	5,700,000	5,700,000	–	–	–	5,700,000	–	1.88	1.73	–
Zhang Hui	24.10.2008	4,400,000	2,640,000	–	–	–	2,640,000	–	1.88	1.73	–
Tsang Hon Nam	24.10.2008	2,950,000	1,770,000	–	–	–	1,770,000	–	1.88	1.73	–
Cheng Mo Chi, Moses	24.10.2008	2,500,000	2,500,000	–	–	–	2,500,000	–	1.88	1.73	–
Xu Wentang	24.10.2008	3,300,000	1,980,000	–	–	–	1,980,000	–	1.88	1.73	–
Li Wai Keung	24.10.2008	3,350,000	2,010,000	–	–	–	2,010,000	–	1.88	1.73	–

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

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

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

Directors' Interests and Short Positions in Securities (Continued)

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

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

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

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

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

Directors' Interests and Short Positions in Securities (Continued)

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

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

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Kingway Brewery Holdings Limited in issue as at 30 June 2012.

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

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

Note: The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of Guangnan (Holdings) Limited ("Guangnan Holdings") in issue as at 30 June 2012.

Directors' Interests and Short Positions in Securities (Continued)

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

Name of Director	Date of grant of share options* (dd.mm.yyyy)	Number of share options				At 30 June 2012	Total consideration paid for share options granted HK\$	Exercise period of share options (both days inclusive)** (dd.mm.yyyy)	Exercise price of share options (per share) HK\$	Price of	Price of
		At 1 January 2012	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					ordinary share at date immediately before date of grant*** HK\$ (per share)	ordinary share immediately before the exercise date HK\$ (per share)
Tsang Hon Nam	09.03.2006	300,000	–	–	–	300,000	1.00	09.06.2006 to 08.03.2016	1.66	1.61	–

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

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

Save as disclosed above, as at 30 June 2012, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

Substantial Shareholders' Interests

As at 30 June 2012, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interest or short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note 1)
廣東粵海控股有限公司 (Guangdong Holdings Limited) (Note 2)	Interest of controlled corporation	3,769,979,875	Long position	60.48%
	Interest of controlled corporation	350,819,672	Short position	5.63%
GDH Limited (Note 3)	Beneficial owner/ Interest of controlled corporation	3,769,979,875	Long position	60.48%
	Beneficial owner	350,819,672	Short position	5.63%
Guangdong Trust Ltd.	Beneficial owner/ Interest of controlled corporation	576,404,918	Long position	9.25%

Notes:

- The approximate percentage of interests held was calculated on the basis of 6,233,205,071 ordinary shares of the Company in issue as at 30 June 2012.
- The attributable interest which 廣東粵海控股有限公司 (Guangdong Holdings Limited) has in the Company is held through its 100% direct interest in GDH Limited.
- The interests of GDH Limited set out above include attributable interest held through its wholly-owned subsidiary, Guangdong Trust Ltd.

Save as disclosed above, as at 30 June 2012, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had, or were taken or deemed to have interest or short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Share Options of the Company

As at 30 June 2012, save as disclosed in the section of “Directors’ Interests and Short Positions in Securities”, certain other eligible persons had the following interests in rights to subscribe for shares of the Company granted under the 2008 Scheme. Each option gives the holder the right to subscribe for one share of par value HK\$0.50 each of the Company. Further details are set out in note 15 to the interim financial information.

2008 SCHEME

Category of participants	Date of grant of share options* (dd.mm.yyyy)	Number of share options					Total consideration paid for share options granted HK\$	Exercise price of share options** HK\$ (per share)	Price of ordinary share at date immediately before date of grant*** HK\$ (per share)	Price of ordinary share immediately before the exercise date*** HK\$ (per share)	
		At date of grant	At 1 January 2012	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					At 30 June 2012
Employees	24.10.2008	18,500,000	9,150,000	–	–	–	9,150,000	–	1.88	1.73	–
Ex-Directors	24.10.2008	13,000,000	9,500,000	–	207,000	–	9,293,000	–	1.88	1.73	5.22

Additional information regarding the above share options granted in 2008 is set out in the “Notes to the above share options granted pursuant to the 2008 Scheme” in the “Directors’ Interests and Short Positions in Securities” section of this report on pages 47 and 48.

Details regarding the reconciliation of share options outstanding during the period are set out in the “Notes to the reconciliation of share options outstanding during the period” in the “Director’s Interests and Short Positions in Securities” section of this report on page 48.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2012, save for new code provision A.6.7 of the CG Code as several Non-Executive Directors and an Independent Non-Executive Director were unable to attend the annual general meeting of the Company held on 1 June 2012 as they were out of town or they had other engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ securities transactions. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

BOARD OF DIRECTORS

At present, the Board comprises three Executive Directors, being Mr. Huang Xiaofeng, Mr. Zhang Hui and Mr. Tsang Hon Nam, six Non-Executive Directors, being Dr. Cheng Mo Chi, Moses, Mr. Huang Zhenhai, Mr. Wu Jianguo, Ms. Xu Wenfang, Ms. Zhao Chunxiao and Mr. Li Wai Keung, and three Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David and Mr. Fung Daniel R. The Chairman of the Board is Mr. Huang Xiaofeng and the Managing Director is Mr. Zhang Hui. During the six months ended 30 June 2012, Mr. Li Wenyue and Mr. Sun Yingming retired as Non-Executive Directors on 1 June 2012. Mr. Huang Zhenhai was appointed as a Non-Executive Director on 20 July 2012.

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

CHANGES IN DIRECTORS’ INFORMATION

The changes in Directors’ information are set out below:

- (i) Mr. Huang Xiaofeng, being the Chairman of 廣東粵海控股有限公司 (Guangdong Holdings Limited) (“Guangdong Holdings”) and GDH Limited (“GDH”), ceased to act as the General Manager of Guangdong Holdings and GDH. Guangdong Holdings and GDH are the ultimate holding company and the immediate holding company of the Company, respectively.

Mr. Huang Xiaofeng resigned as a Non-Executive Director of Guangnan (Holdings) Limited, a subsidiary of GDH.

Corporate Governance and Other Information (Continued)

- (ii) Commencing 1 January 2012, the salary, allowances and benefits in kind (excluding performance related bonuses) of Mr. Zhang Hui will amount to approximately HK\$811,000 per annum.

Mr. Zhang Hui was appointed as a Deputy General Manager of Guangdong Holdings and an Executive Director of GDH.

Mr. Zhang Hui ceased to act as the Chairman of 廣東天河城（集團）股份有限公司 (Guangdong Teem (Holdings) Limited) (“GD Teem”), GDH Real Estates (China) Limited (“GDH Real Estates (China)”) and 廣東粵港投資開發有限公司 (Guangdong Yue Gang Investment Development Company Limited) (“Yue Gang Investment Development”), however he remains as a Director of the three companies. GD Teem is a subsidiary of the Company. GDH Real Estates (China) and Yue Gang Investment Development are subsidiaries of GDH and Guangdong Holdings, respectively.

- (iii) Commencing 1 January 2012, the salary, allowances and benefits in kind (excluding performance related bonuses) of Mr. Tsang Hon Nam will amount to approximately HK\$1,544,000 per annum.

- (iv) Commencing 1 July 2012, Dr. Cheng Mo Chi, Moses is entitled to an annual fee of HK\$56,000 for serving as a member of the Nomination Committee of the Company.

Dr. Cheng Mo Chi, Moses retired as an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited.

- (v) Ms. Xu Wenfang ceased to act as the Chairman of GH Water Supply (Holdings) Limited (“GH Water Holdings”) and Guangdong Yue Gang Water Supply Company Limited (“WaterCo”), however she remains as a Director of the two companies. Both GH Water Holdings and WaterCo are subsidiaries of the Company.

- (vi) Ms. Zhao Chunxiao was appointed as a Deputy General Manager of Guangdong Holdings and an Executive Director of GDH.

- (vii) Commencing 1 July 2012, Dr. Chan Cho Chak, John is entitled to an annual fee of HK\$56,000 for serving as a member of the Nomination Committee of the Company.

- (viii) Commencing 1 July 2012, Dr. Li Kwok Po, David is entitled to an annual fee of HK\$56,000 for serving as a member of the Nomination Committee of the Company.

Dr. Li Kwok Po, David retired as an Independent Non-Executive Director of COSCO Pacific Limited and ceased to be the Chairman of the Hong Kong Management Association.

- (ix) Commencing 1 July 2012, Mr. Fung Daniel R. is entitled to an annual fee of HK\$56,000 for serving as a member of the Nomination Committee of the Company.

Save for the retirement and appointment of Directors and the changes in Directors' information during the period between 1 January 2012 and the date of this report as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance and Other Information (Continued)

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim financial information of the Group and the Company's interim report for the six months ended 30 June 2012. In addition, the Company's external auditors, Messrs. Ernst & Young, have also reviewed the aforesaid unaudited interim financial information.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Company established the Nomination Committee in March 2012 and its terms of reference are in line with the CG Code. The Nomination Committee comprises Mr. Huang Xiaofeng, Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel R. and Dr. Cheng Mo Chi, Moses. Mr. Huang Xiaofeng is the Chairman of the Nomination Committee. The principal duties of the Nomination Committee include, inter alia, identifying individuals suitably qualified to become Board members, considering the re-appointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited save and except that the Company has issued the following new ordinary shares to an option holder during the period pursuant to the Company's share option scheme adopted on 24 October 2008:

Total number of new ordinary share issued	Exercise price per ordinary share HK\$	Total cash consideration HK\$
207,000	1.880	389,160

Corporate Governance and Other Information (Continued)

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Under a facility agreement (the "Facility Agreement") entered into between the Company and a bank on 19 December 2011 in relation to a term loan facility (the "Facility") of up to a principal amount of US\$100 million made available by the bank to the Company, it shall be an event of default if:

- (i) GDH does not or ceases to beneficially own, directly or indirectly, at least 51% of the shareholding in the Company; or
- (ii) the Guangdong Provincial People's Government does not or ceases to beneficially own, directly or indirectly, 100% of the shareholding in GDH.

On and at any time after the occurrence of any of the aforementioned events which is continuing, the bank may by notice to the Company:

- (i) cancel the commitments (or any part thereof) under the Facility whereupon they shall immediately be cancelled; and/or
- (ii) declare that all or part of the principal amount outstanding, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and any other finance documents be immediately due and payable, whereupon they shall immediately become due and payable; and/or
- (iii) declare that all or part of the principal amount outstanding be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the Facility as at 30 June 2012 amounted to US\$100 million. The Facility shall be repaid by the Company by instalments with the last instalment due on the date 36 months from the date of the Facility Agreement.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of 7.0 HK cents (2011: 7.0 HK cents) per ordinary share for the six months ended 30 June 2012. The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company on Friday, 28 September 2012. The interim dividend will be paid on Friday, 26 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 27 September 2012 and Friday, 28 September 2012. During these two days, no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 26 September 2012.

By Order of the Board
HUANG Xiaofeng
 Chairman

Hong Kong, 24 August 2012



Guangdong Investment Limited
粵海投資有限公司