GUANGDONG INVESTMENT LIMITED
(粵 海 投 資 有 限 公 司)

（Incorporated in Hong Kong with limited liability）
（**Stock code: 270**）

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

Unaudited financial highlights for the six months ended 30 June

	2010	2009	Changes
	HK$' 000	HK$' 000	%
Revenue	**3,271,801**	3,053,666	+7.1
Profit attributable to equity holders of the Company	**1,124,985**	1,009,855	+11.4
Earnings per share – Basic	**18.10 HK cents**	16.37 HK cents	+10.6
Interim dividend per share	**5.00 HK cents**	5.00 HK cents	-

CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "Board") of Guangdong Investment Limited (the "Company" or "GDI") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or the "GDI Group") for the six months ended 30 June 2010 together with the comparative figures for the six months ended 30 June 2009. These results have not been audited, but have been reviewed by the Company's audit committee and the auditors, Messrs. Ernst & Young.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June 2010 (Unaudited) HK$'000	For the six months ended 30 June 2009 (Unaudited) HK$'000
REVENUE	3	3,271,801	3,053,666
Cost of sales		(1,024,075)	(1,003,614)
Gross profit		2,247,726	2,050,052
Other income and gain/(loss)		(70,166)	66,295
Selling and distribution costs		(47,605)	(37,988)
Administrative expenses		(270,265)	(273,100)
Other operating expenses, net		(7,900)	(182,277)
Finance costs	4	(90,825)	(141,786)
Share of profit of a jointly-controlled entity		40,808	47,485
Share of profits less losses of associates		30,527	8,378
PROFIT BEFORE TAX	5	1,832,300	1,537,059
Tax	6	(543,414)	(332,552)
PROFIT FOR THE PERIOD		1,288,886	1,204,507
Attributable to:			
Equity holders of the Company		1,124,985	1,009,855
Minority interests		163,901	194,652
		1,288,886	1,204,507
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		18.10 HK cents	16.37 HK cents
Diluted		18.02 HK cents	16.24 HK cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	For the six months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
PROFIT FOR THE PERIOD	1,288,886	1,204,507
Fair value gains on property, plant and equipment	-	583
Exchange differences on translation of foreign operations	61,339	2,772
Net increase in hedging reserve	46,505	109,756
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	107,844	113,111
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,396,730	1,317,618
Attributable to:		
Equity holders of the Company	1,214,011	1,110,026
Minority interests	182,719	207,592
	1,396,730	1,317,618

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2010

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Unaudited) (Restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,134,664	3,033,699
Investment properties		5,259,927	4,810,466
Prepaid land lease payments		101,900	103,581
Goodwill		266,146	266,146
Interests in a jointly-controlled entity		893,767	909,136
Interests in associates		964,915	184,521
Intangible assets		16,276,105	16,667,163
Prepayments and deposits		-	120,111
Deferred tax assets		16,068	15,773
Total non-current assets		26,913,492	26,110,596
CURRENT ASSETS			
Available-for-sale investments		57,338	56,808
Inventories		54,817	49,399
Receivables, prepayments and deposits	9	952,187	563,315
Derivative financial instruments		144,585	136,009
Cash and cash equivalents		2,797,422	3,871,027
Total current assets		4,006,349	4,676,558
CURRENT LIABILITIES			
Payables, accruals and other liabilities	10	(1,444,990)	(1,736,315)
Tax payable		(195,923)	(181,239)
Derivative financial instruments		(477,507)	(417,493)
Due to minority shareholders of subsidiaries		(377,686)	(367,013)
Interest-bearing bank borrowings		(1,368,790)	(1,584,903)
Other liabilities - current portion		(118,200)	(118,200)
Total current liabilities		(3,983,096)	(4,405,163)
NET CURRENT ASSETS		23,253	271,395
TOTAL ASSETS LESS CURRENT LIABILITIES		26,936,745	26,381,991

CONDENSED CONSOLIDATED BALANCE SHEET (continued)
30 June 2010

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Unaudited) (Restated) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	26,936,745	26,381,991
NON-CURRENT LIABILITIES		
Derivative financial instruments	(136,727)	(155,988)
Due to minority shareholders of subsidiaries	(11,972)	(11,574)
Interest-bearing bank borrowings	(3,534,357)	(4,351,483)
Other liabilities	(1,696,338)	(1,525,263)
Deferred tax liabilities	(1,114,457)	(886,781)
Total non-current liabilities	(6,493,851)	(6,931,089)
Net assets	20,442,894	19,450,902
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	3,106,969	3,106,719
Reserves	14,459,337	13,550,498
Proposed dividends	310,697	372,806
	17,877,003	17,030,023
Minority interests	2,565,891	2,420,879
Total equity	20,442,894	19,450,902

Notes:

1. ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, 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 condensed consolidated financial statements.

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 (Revised)	*First-time Adoption of HKFRSs*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs – The Additional Exceptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
Improvements to HKFRSs (May 2009)	Amendments to a number of HKFRSs*

* Improvements to HKFRSs (May 2009) contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

Except for HKFRS 3 (Revised), amendment to HKAS 17 and HKAS 27 (Revised) giving rise to changes in accounting policies as detailed below, the adoption of these new and revised standards, interpretations and amendments has had no significant impact on these interim condensed consolidated financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. As the Group did not have any business combination during the current period, the adoption of this revised standard has no effect on the financial position or results of operations of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendment to HKAS 17 *Leases* included in Improvements to HKFRSs 2009

The Improvements to HKFRSs 2009 consist of further amendments to existing standards, including an amendment to HKAS 17. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. Before the amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless the title to the land was expected to pass to the lessee at the end of the lease term. On adoption of the amendment, the Group has assessed its leases in Hong Kong and Mainland China and has reclassified the land element of its leases in Hong Kong from operating leases to finance leases. In addition, the amortisation of the prepaid land lease payments has been reclassified to depreciation. The effect of the adoption of the amendment on the condensed consolidated balance sheet at 1 January 2010 is to increase property, plant and equipment by HK$718,622,000 with a corresponding reduction in prepaid land lease payments. The depreciation charge for the six months ended 30 June 2010 has increased by HK$6,032,000 with a corresponding reduction in the amortisation charge. As the adoption of the amendment applies retrospectively, it has also resulted in an increase in the depreciation charge for the six months ended 30 June 2009 of HK$6,032,000 and a corresponding reduction in the amortisation charge for that period. The condensed consolidated balance sheet at 31December 2009 has been restated to reflect the reclassification.

(c) HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The amendments to HKAS 27 (Revised) result in changes in the accounting policies of the Group for (i) recognition of any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received directly in equity and attributed to the owners of the parent, in any case of change in the ownership interest in a subsidiary without loss of control; and (ii) attribution of profit or loss and other comprehensive income to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group shall apply the amendments retrospectively with exceptions to the aforementioned changes. Therefore, the Group did not restate any profit or loss attribution to non-controlling interests, or any goodwill recognised before the amendments are applied.

3. OPERATING SEGMENT INFORMATION

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

(i) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development of properties in Mainland China. This segment also provides property management services for certain commercial properties;

(ii) The toll roads and bridges segment invests in various road and bridge projects in Mainland China;

(iii) The water distribution segment operates a water supply project in Mainland China supplying natural water to Hong Kong, Dongguan and Shenzhen;

(iv) The electric power generation segment operates coal-fire power plants supplying electricity in the Guangdong Province, Mainland China;

(v) The hotel operations and management segment operates the Group's hotels in Hong Kong and Mainland China;

(vi) The department stores operations segment operates department stores in Mainland China; and

(vii) The "others" segment provides credit facilities in Hong Kong and engages in the provision of corporate services to other segments.

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

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 2010 and 2009.

	Property Investment and Development		Toll Roads and Bridges		Water Distribution	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Segment revenue:						
Sales to external customers	422,288	387,254	17,136	7,727	2,172,760	2,065,754
Intersegment sales	46,563	49,509	-	-	-	-
Other revenue from external sources (note)	5,002	8,402	19	53	3,618	2,302
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange gains/(losses), net	228	(15)	337	27	(2,787)	146
Total	474,081	445,150	17,492	7,807	2,173,591	2,068,202
Segment results	381,230	252,894	9,246	2,819	1,402,841	1,290,736
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	-	-	40,808	47,485	-	-
Associates	-	-	3,500	3,763	-	-
Profit before tax						
Tax						
Profit for the period						

Note: Excluding exchange gains/(losses), net

3. OPERATING SEGMENT INFORMATION (continued)

	Electric Power Generation		Hotel Operations and Management		Department Stores Operations	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Segment revenue:						
Sales to external customers	215,043	198,463	160,120	137,241	284,454	257,227
Intersegment sales	-	-	-	-	-	-
Other revenue from external sources (note)	6,633	5,349	218	120	16,509	13,648
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange gain/(losses), net	(100)	(5)	169	(136)	-	30
Total	221,576	203,807	160,507	137,225	300,963	270,905
Segment results	38,221	(32,790)	37,977	(14,967)	135,297	115,601
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	-	-	-	-	-	-
Associates	9,112	(10,453)	-	-	17,915	15,068
Profit before tax						
Tax						
Profit for the period						

Note: Excluding exchange gains/(losses), net

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	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Segment revenue:						
Sales to external customers	-	-	-	-	3,271,801	3,053,666
Intersegment sales	-	-	(46,563)	(49,509)	-	-
Other revenue from external sources (note)	765	619	-	-	32,764	30,493
Other revenue from intersegment (note)	1,747	1,715	(1,747)	(1,715)	-	-
Exchange gain/(losses), net	2,615	(166)	-	-	462	(119)
Total	5,127	2,168	(48,310)	(51,224)	3,305,027	3,084,040
Segment results	(50,092)	(27,113)	-	-	1,954,720	1,587,180
Interest income					23,018	36,098
Other unallocated losses, net					(125,948)	(296)
Finance costs					(90,825)	(141,786)
Share of profits less losses of:						
A jointly-controlled entity	-	-	-	-	40,808	47,485
Associates	-	-	-	-	30,527	8,378
Profit before tax					1,832,300	1,537,059
Tax					(543,414)	(332,552)
Profit for the period					1,288,886	1,204,507

Note: Excluding exchange gains/(losses), net

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Interest on bank borrowings wholly repayable[(1)] :		
Within five years	16,502	47,307
Over five years	3,274	6,394
Total interest expense on financial liabilities not at fair value through profit or loss	19,776	53,701
Finance charges on cash flow hedges, net	71,049	88,085
Total finance costs for the period	90,825	141,786

[(1)] Net of government grants of HK$10,540,000 (six months ended 30 June 2009: HK$15,757,000) 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. 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):

	For the six months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) (Restated) HK$'000
Interest income**	(23,018)	(36,098)
Changes in fair value of derivative financial instruments not qualified as hedges, net**	125,948	296
Cost of inventories sold*	192,358	142,675
Depreciation	81,209	84,926
Recognition of prepaid land lease payments	2,469	2,230
Amortisation of intangible assets*	404,567	402,865
Changes in fair value of investment properties^	(47,694)	67,806
Impairment of interest in an associate^	-	75,385
Impairment of items of property, plant and equipment^	7,167	36,174

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

** Included in "Other income and gain/(loss)" 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. TAX

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current - Hong Kong	5,144	2,780
Current - Mainland China	318,866	248,626
Deferred	219,404	81,146
Total tax charge for the period	543,414	332,552

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 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.

The share of tax charge attributable to a jointly-controlled entity and associates amounting to HK$10,979,000 (six months ended 30 June 2009: HK$4,125,000) and HK$11,686,000 (six months ended 30 June 2009: HK$2,652,000) are included in "Share of profit of a jointly-controlled entity" and "Share of profits less losses of associates", respectively, on the face of the condensed consolidated income statement.

7. DIVIDENDS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim – 5.0 HK cents (2009: 5.0 HK cents) per ordinary share	310,697	310,672

At a meeting of the board of directors held on 30 August 2010, the directors resolved to pay an interim dividend to shareholders of 5.0 HK cents (2009: 5.0 HK cents) for the six months ended 30 June 2010.

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 2010 and 2009 are based on:

	For the six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	1,124,985	1,009,855

	For the six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,213,672,878	6,169,989,719
Effect of dilution - weighted average number of ordinary shares that assumed to have been issued:		
Share options	30,808,622	47,826,006
For the purpose of diluted earnings per share calculation	6,244,481,500	6,217,815,725

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the Group's receivable, prepayments and deposits are trade receivables, net of impairments, from the Group's customers. 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 relate principally to the water supply business from the Government of the HKSAR (31 December 2009: electric power generation business), giving rise to a certain concentration of credit risk of 58% (31 December 2009: 22%) of the total trade receivables.

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

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Within 3 months	492,304	186,642
3 months to 6 months	1,226	347
6 months to 1 year	1,489	1,365
More than 1 year	11,301	11,389
	506,320	199,743
Less: Impairment	(10,776)	(11,170)
	495,544	188,573

10. PAYABLES, ACCRUALS AND OTHER LIABILITIES

Included in the Group's payables, accruals and other liabilities are trade payables. An aged analysis of the Group's trade payables as at the balance sheet date, based on the payment due date, is as follows:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Within 3 months	238,658	322,651
3 months to 6 months	35	217
6 months to 1 year	898	992
	239,591	323,860

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 2010 (the "Period"). The Group's unaudited consolidated net profit attributable to shareholders amounted to HK$1,125 million (2009: HK$1,010 million), representing an increase of 11.4% as compared with the same period last year. The basic earnings per share were 18.10 HK cents (2009: 16.37 HK cents), an increase of 10.6% over the same period last year.

Interim dividend

The Board declares an interim dividend of 5.0 HK cents per share for the Period (2009: 5.0 HK cents).

Financial review

The unaudited consolidated revenue of the Group for the Period was HK$3,272 million (2009: HK$3,054 million), an increase of 7.1% as compared with the same period last year. All the Group's six business sectors, namely water distribution, property investment and development, department stores operations, hotel operations and management, electric power generation and toll roads and bridges, achieved a satisfactory growth.

The unaudited consolidated net profit attributable to shareholders of the Group for the Period increased by 11.4% to HK$1,125 million (2009: HK$1,010 million). The profit before tax increased by 19.2% or HK$295 million to HK$1,832 million (2009: HK$1,537 million). The growth was mainly contributed by property investment business, hotel operations and management business, electric power generation business and water distribution business.

A net increase in the fair value of investment properties for HK$48 million (2009: decrease in value for HK$68 million) was recorded during the Period. Mainly because of the low interest rate, the finance cost decreased by 35.9% to HK$91 million.

The basic earnings per share were 18.10 HK cents (2009: 16.37 HK cents), representing an increase of 10.6% as compared with the same period last year.

Business Overview

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

Water Distribution

Profit contribution from the Dongshen Water Supply Project remained significant to the Group. The Company’s interest in GH Water Supply (Holdings) Limited (“GH Water Holdings”) is 89.08% as at 30 June 2010. 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 1.000 billion cubic meters (2009: 1.009 billion cubic meters), a decrease of 0.9%, generating revenue of HK$2,172,760,000 (2009: HK$2,065,754,000), an increase of 5.2%.

Pursuant to the Hong Kong Water Supply Agreement for 2009 to 2011 entered into between the Government of Hong Kong Special Administrative Region and the Guangdong Provincial Government in 2008, the total annual revenue for water sales to Hong Kong for the three years 2009, 2010 and 2011 are to be HK$2,959 million, HK$3,146 million and HK$3,344 million, respectively. The Hong Kong water sales revenue for the Period increased by 6.3% to HK$1,716 million (2009: HK$1,614 million). The water sales revenue to Shenzhen and Dongguan areas for the Period increased by 1.1% to HK$456,760,000 (2009: HK$451,876,000).

The profit before tax of the water distribution business for the Period was HK$1,188,393,000 (2009: HK$1,151,412,000), 3.2% higher than that in the same period last year.

Electric Power Generation

Zhongshan Power Plant

The Group’s effective interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.) (“ZTP”) is 59.85% (Zhongshan Power (Hong Kong) Limited (“ZPHK”), a 95% owned subsidiary of the Company holding a 63% interest in ZTP). ZTP has 2 power generation units with a total installed capacity of 110 MW and steam generation capacity of 80 tons per hour. During the Period, sales of electricity amounted to 334 million kwh (2009: 311 million kwh), an increase of 7.4%. As a result of the increase in sales, revenue for the Period amounted to HK$215,043,000 (2009: HK$198,463,000), an increase of 8.4%. However, due to the significant increase in coal price, the profit margin for the Period had decreased substantially as compared to the same period in 2009. The profit before tax for the Period was HK$35,837,000 (2009: HK$73,169,000), a decrease of 51.0%.

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

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

The Group acquired the entire issued share capital of and shareholder's loan to Golden River Chain Limited ("Golden River") on 4 January 2010 at a total consideration of HK$600,000,000. In April 2010, the Group made further capital contribution into Yudean Jinghai Power amounted to HK$143,287,500. Golden River had an indirect equity interest of 25% of Yudean Jinghai Power, which has 2 power generation units with a total installed capacity of 1,200 MW. Revenue and profit before tax of Yudean Jinghai Power for the Period amounted to HK$1,094,361,000 and HK$64,234,000, respectively.

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. Revenue for the Period amounted to HK$753,648,000 (2009: HK$667,661,000), an increase of 12.9% which was mainly due to the increase in the electricity sales. Because of high operating cost and decrease in tariff, Yue Jiang Power suffered a loss before tax of HK$117,820,000 for the Period (2009: loss before tax HK$57,332,000).

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 (2009: Nil).

Toll Roads and Bridges

"1 Road and 2 Bridges"

During the Period, the profit before tax of the Group's 51% owned jointly-controlled entity (the "JCE") which holds interests in the "1 Road and 2 Bridges" project amounted to HK$101,544,000 in aggregate (2009: HK$101,197,000), an increase of 0.3%.

(i) Humen Bridge

The JCE has a profit sharing ratio of 23% in this project. During the Period, average daily traffic flow of this bridge increased by 19.8% to 65,386 vehicle trips (2009: 54,570 vehicle trips). Revenue for the Period amounted to HK$559,680,000 (2009: HK$459,884,000), an increase of 21.7%. Accordingly, the profit before tax for the Period increased by 20.2% to HK$442,280,000 (2009: HK$367,893,000).

(ii) Shantou Haiwan Bridge

The JCE holds a 30% interest in this project. During the Period, average daily traffic flow of this bridge increased by 6.6% to 14,407 vehicle trips (2009: 13,511 vehicle trips). Revenue for the Period increased by 10.6% to HK$101,644,000 (2009: HK$91,877,000). The profit before tax for the Period was HK$76,344,000 (2009: HK$68,926,000), an increase of 10.8%.

(iii) Guangzhou-Shantou Highway (Huizhou Section)

The JCE holds a 51% interest in this project. During the Period, the average daily traffic flow of this highway decreased by 2.2% to 14,523 vehicle trips (2009: 14,855 vehicle trips). As there were more heavy vehicles required to pay a higher tariff when using the road, revenue for the Period increased to HK$29,165,000 (2009: HK$28,188,000), an increase of 3.5%. Loss before tax for the Period was HK$4,331,000 (2009: profit before tax of HK$5,457,000), mainly due to the increase in an one-off staff housing compensation of approximately HK$6,351,000.

Yingkeng Highway

The Group's effective interest in this project is 70%. During the Period, average daily traffic flow of this highway increased by 4.3% to 4,158 vehicle trips (2009: 3,985 vehicle trips). Revenue increased by 110.7% to HK$17,136,000 (2009: HK$8,134,000) as a result of the implementation of weight-base charge method with effect from November 2009, and therefore overloaded vehicles were required to pay at a higher tariff. The profit before tax for the Period increased by 218.3% to HK$8,931,000 (2009: HK$2,806,000).

Panyu Bridge

The Group's effective interest in this project is 20%. During the Period, the average daily traffic flow of this bridge decreased by 8.4% to 48,185 vehicle trips (2009: 52,604 vehicle trips). As a result, revenue for the Period decreased by 3.4% to HK$63,432,000 (2009: HK$65,667,000). The profit before tax for the Period was HK$24,924,000 (2009: HK$26,129,000), a decrease of 4.6%.

Property Investment

Mainland China

Teem Plaza

As at 30 June 2010, the Group held an effective equity interest of 76.0% in 廣東天河城(集團)股份有限公司(Guangdong Teem (Holdings) Limited) ("GD Teem"), which owns the investment property Teem Plaza comprising of a shopping mall, an office building and a hotel.

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, during the Period reached HK$433,489,000 (2009: HK$400,677,000), an increase of 8.2%. The profit before tax for the Period increased by 63.8% to HK$398,851,000 (2009: HK$243,475,000), including the revaluation gain of HK$85,626,000 (2009: losses of HK$67,806,000) in respect of Teem Plaza.

The Teemall, one of the most popular shopping malls in the premier 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 (2009: 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 rental increase.

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 91% (31 December 2009: 87%) as at 30 June 2010, the total rental income for the Period was HK$73,659,000 (2009: HK$67,632,000), an increase of 8.9%. The profit before tax for the Period increased to HK$71,728,000 (2009: HK$66,173,000), an increase of 8.4%.

The hotel, which will be a 5-star hotel with approximately 450 hotel rooms, is expected to be completed in near future. Sheraton Overseas Management Corporation has been engaged to operate, manage and promote the hotel under the name of Sheraton Guangzhou Hotel (粵海喜來登酒店) for an initial 10-year term. The estimated total development cost of the hotel (inclusive of both the historic land and further development costs) is about HK$993 million, of which approximately HK$592 million has been invested as at 30 June 2010.

Tianjin Teem Shopping Mall

In 2009, GD Teem acquired a piece of land in Tianjin. The land will be developed into a large-scale modern shopping mall with a total gross floor area above ground and underground of approximately 137,100 square meters and 56,000 square meters respectively. The estimated total investment of the mall is about RMB2,130 million, of which approximately HK$941 million has been invested as at 30 June 2010. The mall is expected to be completed in 2013.

Hong Kong

Guangdong Investment Tower

Average occupancy rate of the Guangdong Investment Tower for the Period was 100% (2009: 94.4%), 5.6% higher than the same period last year. The total rental income for the Period was HK$16,927,000 (2009: HK$17,017,000), a decrease of 0.5% which was due to the decrease in average rental.

Department Stores Operations

As at 30 June 2010, the Group held an effective interest of 85.12% in (i) 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) which operates the Teemall Store and Teemall Store – Beijing road branch ("Ming Sheng Store"); and (ii) 廣州市天河城萬博百貨有限公司 which operates the 天河城百貨歐萊斯折扣店("Wan Bo Store"). The 3 stores in aggregate with leased area of approximately 62,100 square meters (2009: 62,100 square meters) generated revenue of HK$284,454,000 (2009: HK$257,227,000), an increase of 10.6%. The profit before tax for the Period was HK$145,293,000 (2009: HK$127,121,000), an increase of 14.3%.

The Teemall Store sells a wide range of products and its sales rank very high among the major department stores in Guangzhou. The revenue of the Teemall Store increased by 6.7% to HK$232,354,000 (2009: HK$217,700,000) arising from the improvement of the retail market and the success of various promotion activities launched at Teemall Store during the Period.

The revenue of Ming Sheng Store for the Period was HK$21,031,000 (2009: HK$15,790,000), an increase of 33.2%.

The Wan Bo Store operates as an outlet mall selling brand-name products at substantial discount. The revenue of Wan Bo Store for the Period was HK$31,069,000 (2009: HK$23,737,000), an increase of 30.9%.

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 26.6% associate of the Group, amounted to HK$17,915,000 (2009: HK$15,068,000), an increase of 18.9%.

Hotel Operations and Management

As at 30 June 2010, our hotel management team managed a total of 36 hotels (31 December 2009: 38 hotels), of which 2 were in Hong Kong, 1 in Macau and 33 in Mainland China. Of these 36 hotels, 7 were owned by the Group (2 in Hong Kong, 2 in Shenzhen, 1 in Zhuhai, 1 in Zhengzhou and 1 in Changzhou).

Among the 7 hotels owned by the Group, 4 were star-rated hotels and 3 were limited service hotels. During the Period, the average room rate of the star-rated hotels of the Group in Hong Kong, Shenzhen and Zhuhai was HK$559 (2009:HK$509), an increase of 9.8%. The average room rate of the 3 limited service hotels of the Group in Shenzhen, Zhengzhou and Changzhou was HK$202 (2009:HK$200), an increase of 1.0%.

For the hotel business as a whole, the revenue for the Period increased by 16.7% to HK$160,120,000 (2009: HK$137,241,000), and profit before tax increased to HK$39,055,000 (2009: loss before tax HK$13,127,000). The increase was due to the economic recovery during the Period and impairments of HK$36,174,000 was made in the same period last year.

Liquidity, Gearing and Financial Resources

As at 30 June 2010, the cash and bank balances of the Group decreased by HK$1,074 million to HK$2,797 million (31 December 2009: HK$3,871 million), of which 9% in Hong Kong dollars, 90% in Renminbi and 1% in US dollars.

During the Period, the Group's financial borrowing decreased by HK$1,033 million due to the repayment of certain interest-bearing debts.

As at 30 June 2010, the Group's financial borrowings amounted to HK$6,440 million (31 December 2009: HK$7,473 million), of which 10% in Renminbi and 90% in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK$1,537 million. Of the Group's total financial borrowings, HK$1,487 million was repayable within one year while the remaining balance of HK$3,527 million and HK$1,426 million are repayable within two to five years and beyond five years from the balance sheet date, respectively.

Other than the bank debts incurred in respect of our water distribution business, the Group maintained credit facilities of RMB50 million as at 30 June 2010 (31 December 2009: RMB50 million).

The gearing (i.e. net financial indebtedness/net asset value (excluded minority interests)) of the Group as at 30 June 2010 was 0.226 times (31 December 2009: 0.234 times). The improvement is in fact a reflection of the reduction in the level of the Group's financial borrowings and the increase in the net assets of the Group. The Group is in a healthy debt servicing position as the EBITDA/finance cost is 25.76 times (31 December 2009: 15.84 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 2010, 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 2009: Nil).

Capital Expenditure

The Group's capital expenditure in the first six months of 2010 amounted to HK$551 million which was principally related to the land and development cost for the Tianjin Teem Shopping Mall and the construction in progress of the Sheraton Guangzhou Hotel.

Exposure to Fluctuations in Exchange and Interest Rates and Related Hedges

As at 30 June 2010, total Renminbi borrowings amounted to HK$626 million (31 December 2009: HK$620 million). The foreign currency risk exposure was considered minimal and no hedging was considered necessary.

As at 30 June 2010, the Group's total floating rate borrowings amounted to HK$4,903 million (31 December 2009: HK$5,936 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 2009: HK$5,400 million), with remaining life of 2.5 years.

Employee and Remuneration Policy

As at 30 June 2010, the Group had a total of 3,540 employees, of which 777 were at the managerial level. Among the employees, 3,336 were employed by subsidiaries in Mainland China and 204 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK$167,864,000 (2009: HK$182,132,000).

In 2010, there is a gradual recovery of the global economy from the gloomy financial crisis. Amidst lingering uncertainties, the Group further enhanced its structure of human resources, staff productivity and creativity in order to strengthen the overall competitiveness of the enterprise. At the same time, the Group raised and improved its management standard further for efficiency and competitive advantages. Despite the unfavourable external conditions in the first half of the year, all these measures have made it possible for the Group to successfully maintain a stable and healthy growth. To sustain our growth in the long term, the Group has implemented the core value of corporate culture, "Credibility, Integrity and Profitability", and aimed at creating an environment of fair competition with an impartial reward and discipline system conducive to nurturing our human resources. The Group has put in place the mechanism for regular performance appraisals of and feedback to senior management staff to ensure their integrity and performance. Our remuneration and incentive packages are driven mainly by the operating results. In order to effectively motivate our employees, the incentive bonuses we pay to our management, key staff and employees with outstanding performance are determined by reference to the operating net cash flows and profits after tax, as well as by a policy that links rewards with individual performance. The Group has adopted a share option scheme to attract and motivate outstanding employees to contribute to the continuing success of the Group in the long run. In terms of staff training and development, the Group encourages and subsidizes our staff to actively participate in relevant professional development and training programs. The Group has also continued to offer its various functional skilled-based and general corporate culture internal training to upgrade the overall quality of all our staff and thereby lay down a solid foundation for the sustainable growth and development of the Group in the years ahead.

Prospects

Operating environment in the second half of 2010 is still not optimistic, we shall raise our management standard even further so as to secure its healthy and sustainable development. With our strong cash flow and low debt level, we shall continue to seek for investment opportunities prevailing in the present economic environment that will give us a leading position. In accordance with the Group's investment and development strategies, we shall be focusing on the utility, commercial property and infrastructure industries while actively looking for water resources, commercial property, expressways and power generation related projects as long-term development targets so as to create higher values for shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of 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 2010.

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 of 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 2010.

Board of Directors

At present, the Board comprises three Executive Directors, being Mr. Li Wenyue, Mr. Zhang Hui and Mr. Tsang Hon Nam, six Non-Executive Directors, being Dr. Cheng Mo Chi, Moses, Mr. Huang Xiaofeng, Ms. Xu Wenfang, Mr. Zhai Zhiming, Mr. Li Wai Keung and Mr. Sun Yingming, and three Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David and Mr. Fung, Daniel R. During the six months ended 30 June 2010, Ms. Wang Xiaofeng resigned as a Non-Executive Director on 5 January 2010.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated 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.

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 condensed consolidated financial statements of the Group and the Company's interim report for the six months ended 30 June 2010. In addition, the Company's external auditors, Messrs. Ernst & Young, have also reviewed the aforesaid unaudited interim financial statements.

Remuneration Committee

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

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2010, 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 31 May 2002:

	No. of new ordinary shares issued	**Exercise price per ordinary share** HK$	**Cash consideration** HK$
	500,000	3.405	1,702,500
Total	500,000		1,702,500

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of 5.0 HK cents (2009: 5.0 HK cents) per ordinary share for the six months ended 30 June 2010. The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company on Tuesday, 12 October 2010. The interim dividend will be paid on Thursday, 28 October 2010.

Closure of Register of Members

The register of members of the Company will be closed on Monday, 11 October 2010 and Tuesday, 12 October 2010. During these two days, no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 8 October 2010.

By Order of the Board
LI Wenyue
Chairman

Hong Kong, 30 August 2010

As at the date of this announcement, the Board comprises three Executive Directors, Mr. LI Wenyue, Mr. ZHANG Hui and Mr. TSANG Hon Nam; six Non-Executive Directors, Dr. CHENG Mo Chi, Moses, Mr. HUANG Xiaofeng, Ms. XU Wenfang, Mr. ZHAI Zhiming, Mr. LI Wai Keung and Mr. SUN Yingming; and three Independent Non-Executive Directors, Dr. CHAN Cho Chak, John, Dr. The Honourable LI Kwok Po, David and Mr. FUNG, Daniel R.