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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 2011

Unaudited financial highlights for the six months ended 30 June

	2011	2010	Changes
	HK$' 000	HK$' 000	%
Revenue	**3,597,977**	3,271,801	+10.0
Profit attributable to owners of the Company	**1,616,943**	1,124,985	+43.7
Earnings per share – Basic	**25.95 HK cents**	18.10 HK cents	+43.4
Interim dividend per share	**7.00 HK cents**	5.00 HK cents	+40.0

CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 together with the comparative figures for the six months ended 30 June 2010. 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 2011

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2011

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2011

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

Notes:

1. ACCOUNTING POLICIES

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (continued)

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

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

Note: Excluding exchange gains/(losses), net

3. OPERATING SEGMENT INFORMATION (continued)

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

Note: Excluding exchange gains/(losses), net

3. OPERATING SEGMENT INFORMATION (continued)

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

Note: Excluding exchange gains/(losses), net

4. FINANCE COSTS

An analysis of finance costs is as follows:

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

(1) Net of government grants of HK$6,167,000 (six months ended 30 June 2010: HK$10,540,000) in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of Dongshen Water Supply Phase IV Renovation Project. 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income**	(34,361)	(23,018)
Changes in fair value of derivative financial instruments not qualified as hedges, net**	11,526	125,948
Cost of inventories sold*	224,752	192,358
Depreciation	83,915	81,209
Recognition of prepaid land lease payments	2,301	2,469
Amortisation of intangible assets*	406,188	404,567
Changes in fair value of investment properties	(347,480)	(47,694)
Impairment of items of property, plant and equipment^	-	7,167

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

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

^ 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current - Hong Kong	9,052	5,144
Current - Mainland China	379,138	318,866
Deferred	154,412	219,404
Total tax charge for the period	542,602	543,414

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

7. DIVIDENDS

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

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

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

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

	For the six months ended 30 June	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	1,616,943	1,124,985

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	Number of shares	
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,230,898,071	6,213,672,878
Effect of dilution - weighted average number of ordinary shares assumed to have been issued:		
Share options	20,935,662	30,808,622
For the purpose of diluted earnings per share calculation	6,251,833,733	6,244,481,500

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 related principally to the water distribution and electricity supply businesses giving rise to a certain concentration of credit risk whereby 47% (31 December 2010: 18%) of the total trade receivables was due from one of the Group's major customers.

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

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

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 end of the reporting period, based on the payment due date, is as follows:

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

BUSINESS REVIEW, DISCUSSION AND ANALYSIS, AND PROSPECTS

Results

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

Interim dividend

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

Financial review

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

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

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

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

Business Review

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

Water Distribution

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

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

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

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

Electric Power Generation

Zhongshan Power Plant

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

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

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

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

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

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

Meixian Power Plant

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

Toll Roads and Bridges

"2 Bridges"

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

(i) Humen Bridge

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

(ii) Shantou Haiwan Bridge

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

Yingkeng Highway

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

Panyu Bridge

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

Property Investment

Mainland China

Teem Plaza

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

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

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

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

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

Tianjin Teem Shopping Mall

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

Hong Kong

Guangdong Investment Tower

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

Department Stores

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

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

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

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

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

Hotel Operations and Management

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

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

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

Liquidity, Gearing and Financial Resources

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

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

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

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

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

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

Pledge of Assets

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

Capital Expenditure

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

Exposure to Fluctuations in Exchange and Interest Rates and Related Hedges

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

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

Employee and Remuneration Policy

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

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

Prospects

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code 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 2011.

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. Wu Jianguo, Ms. Xu Wenfang, Mr. Li Wenyue, Mr. Li Wai Keung and Mr. Sun Yingming, and three Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David and Mr. Fung, Daniel R.

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

Audit Committee

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

Review of Interim Results

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

Remuneration Committee

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

Purchase, Sale or Redemption of Listed Securities

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

Interim Dividend

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

Closure of Register of Members

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

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

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 29 August 2011

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