GDH

GUANGDONG INVESTMENT LIMITED
(粵海投資有限公司)

（*Incorporated in Hong Kong with limited liability*）
（**Stock code: 0270**）

2011 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights for the year ended 31 December

	2011	2010	Changes
	HK$'000	HK$'000	%
Revenue	**7,161,377**	6,351,741	+12.7
Profit for the year attributable to owners of the Company	**2,994,097**	2,420,174	+ 23.7
Earnings per share – Basic	**48.05HK cents**	38.93HK cents	+ 23.4
Dividends per share			
Interim	**7.00HK cents**	5.00HK cents	
Proposed final	**11.00HK cents**	10.00HK cents	
	18.00HK cents	15.00HK cents	+ 20.0

CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the "Board") of Guangdong Investment Limited (the "Company" or "GDI") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group" or the "GDI Group") for the year ended 31 December 2011 together with the comparative figures for 2010 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	4	7,161,377	6,351,741
Cost of sales		(2,533,832)	(2,159,474)
Gross profit		4,627,545	4,192,267
Other income and gains/(losses), net	4	132,203	(35,075)
Changes in fair value of investment properties		776,652	381,433
Selling and distribution costs		(149,828)	(106,592)
Administrative expenses		(841,036)	(694,887)
Other operating expenses, net		(152,813)	(26,747)
Finance costs	5	(161,760)	(173,391)
Share of profit of a jointly-controlled entity		82,588	89,585
Share of profits less losses of associates		107,976	133,744
PROFIT BEFORE TAX	6	4,421,527	3,760,337
Income tax expense	7	(949,193)	(942,350)
PROFIT FOR THE YEAR		3,472,334	2,817,987
Attributable to:			
Owners of the Company	9	2,994,097	2,420,174
Non-controlling interests		478,237	397,813
		3,472,334	2,817,987
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		48.05 HK cents	38.93 HK cents
Diluted		47.88 HK cents	38.75 HK cents

Details of the dividends payable and proposed for the year are disclosed in note 8 to the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR	3,472,334	2,817,987
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	463,477	285,952
Cash flow hedges:		
Net movement on cash flow hedges	105,928	84,627
OTHER COMPREHENSIVE INCOME FOR THE YEAR	569,405	370,579
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,041,739	3,188,566
Attributable to:		
Owners of the Company	3,453,391	2,726,059
Non-controlling interests	588,348	462,507
	4,041,739	3,188,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,294,283	3,165,098
Investment properties		7,106,639	5,934,101
Prepaid land lease payments		101,501	101,986
Goodwill		266,146	266,146
Investment in a jointly-controlled entity		806,620	859,406
Investments in associates		1,346,244	1,087,102
Intangible assets		14,933,423	15,862,440
Prepayments and deposits		342,702	-
Deferred tax assets		23,580	22,099
Total non-current assets		28,221,138	27,298,378
CURRENT ASSETS			
Available-for-sale investments		25	23
Tax recoverable		-	2,582
Inventories		61,317	59,749
Receivables, prepayments and deposits	10	2,941,673	596,158
Derivative financial instruments		64,453	122,958
Cash and cash equivalents		3,542,958	3,840,628
Total current assets		6,610,426	4,622,098
CURRENT LIABILITIES			
Payables and accruals	11	(2,545,073)	(1,956,658)
Tax payable		(399,606)	(323,438)
Derivative financial instruments		(265,473)	(425,064)
Due to non-controlling shareholders of subsidiaries		(317,919)	(401,770)
Interest-bearing bank borrowings		(2,484,400)	(720,249)
Total current liabilities		(6,012,471)	(3,827,179)
NET CURRENT ASSETS		597,955	794,919
TOTAL ASSETS LESS CURRENT LIABILITIES - page 5		28,819,093	28,093,297

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2011

	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES - page 4	28,819,093	28,093,297
NON-CURRENT LIABILITIES		
Derivative financial instruments	-	(94,704)
Due to non-controlling shareholders of subsidiaries	-	(4,973)
Interest-bearing bank borrowings	(1,346,206)	(3,222,000)
Other liabilities	(1,369,914)	(1,566,278)
Deferred tax liabilities	(1,654,827)	(1,296,960)
Total non-current liabilities	(4,370,947)	(6,184,915)
Net assets	24,448,146	21,908,382
EQUITY		
Equity attributable to owners of the Company		
Issued capital	3,116,499	3,115,449
Reserves	17,796,549	15,377,962
Proposed final dividends	685,630	623,090
	21,598,678	19,116,501
Non-controlling interests	2,849,468	2,791,881
Total equity	24,448,146	21,908,382

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1. BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group losses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year'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*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	*Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2010 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In November 2011, the HKICPA issued additions to HKFRS 9 to address financial liabilities. The changes resulting from the amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 Interests *in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 Consolidated *and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

Amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of “currently has a legally enforceable right of set-off” and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

3. OPERATING SEGMENT INFORMATION

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

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

(ii) The 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-fired power plants supplying electricity and steam in Guangdong Province, Mainland China;

(v) The hotel operations and management segment operates the Group's hotels and manages 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 Mainland China and engages in the provision of corporate services to other segments.

3. OPERATING SEGMENT INFORMATION (continued)

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), 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 gains (net) and share of profits less losses of a jointly-controlled entity and associates are excluded from such measurement.

Segment assets exclude investments in associates, investment in a jointly-controlled entity, deferred tax assets, tax recoverable, cash and cash equivalents, available-for-sale investments, derivative financial instruments and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated liabilities as these liabilities are managed on a group basis.

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.

(a) Operating segments

Group

	Property investment and development		Toll roads and bridges		Water distribution	
	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	939,522	859,542	35,808	36,624	4,493,385	4,067,140
Intersegment sales	99,935	94,050	-	-	-	-
Other revenue from external sources (note)	5,968	5,375	289	6,014	2,066	6,800
Other revenue from intersegment transactions (note)	-	-	-	-	-	-
Exchange differences, net	1,551	358	1,940	1,255	993	(14,986)
Total	1,046,976	959,325	38,037	43,893	4,496,444	4,058,954
Segment results	1,481,216	1,052,572	(108,762)	21,136	2,585,631	2,380,800
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	-	-	82,588	89,585	-	-
Associates	-	-	4,643	8,244	-	-
Profit before tax						
Income tax expense						
Profit for the year						

-

Note: Excluding exchange differences, net

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

Group

	Electric power generation		Hotel operations and management		Department stores	
	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	524,501	467,245	518,818	377,413	649,343	543,777
Intersegment sales	-	-	-	-	-	-
Other revenue from external sources (note)	12,666	10,876	1,480	459	36,771	31,129
Other revenue from intersegment transactions (note)	-	-	-	-	-	-
Exchange differences, net	(549)	(372)	7,643	1,418	-	-
Total	536,618	477,749	527,941	379,290	686,114	574,906
Segment results	49,356	81,244	89,753	73,246	257,801	234,858
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	-	-	-	-	-	-
Associates	54,173	85,775	-	-	49,160	39,725
Profit before tax						
Income tax expense						
Profit for the year						

Note: Excluding exchange differences, net

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

Group

	Others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	-	-	-	-	7,161,377	6,351,741
Intersegment sales	-	-	(99,935)	(94,050)	-	-
Other revenue from external sources (note)	9,895	1,802	-	-	69,135	62,455
Other revenue from intersegment transactions (note)	3,738	3,697	(3,738)	(3,697)	-	-
Exchange differences, net	14,836	5,342	-	-	26,414	(6,985)
Total	28,469	10,841	(103,673)	(97,747)	7,256,926	6,407,211
Segment results	(25,340)	(35,927)	-	-	4,329,655	3,807,929
Interest income					78,118	46,290
Other unallocated losses, net					(15,050)	(143,820)
Finance costs					(161,760)	(173,391)
Share of profits less losses of:						
A jointly-controlled entity	-	-	-	-	82,588	89,585
Associates	-	-	-	-	107,976	133,744
Profit before tax					4,421,527	3,760,337
Income tax expense					(949,193)	(942,350)
Profit for the year					3,472,334	2,817,987

Note: Excluding exchange differences, net

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

Group

	Property investment and development		Toll roads and bridges		Water distribution	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Segment assets	10,330,101	7,254,016	4,388	132,537	15,790,862	16,780,186
Investments in associates	-	-	69,269	68,981	-	-
Investment in a jointly-controlled entity	-	-	806,620	859,406	-	-
Unallocated assets						
Total assets						
Segment liabilities	649,781	649,878	94,423	91,071	1,563,108	1,643,111
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	36,558	33,688	9,970	8,299	866,675	866,684
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	15,050	143,820
Impairment losses recognised in the income statement	-	-	123,942	-	-	-
Impairment losses reversed in the income statement	(306)	-	-	-	-	-
Other non-cash income, net	(776,652)	(381,433)	-	-	(304)	(61)
Capital expenditure *	116,477	790,404	2,307	7,054	14,605	8,176

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

Group

	Electric power generation		Hotel operations and management		Department stores	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Segment assets	172,953	165,285	2,470,212	1,541,547	144,033	60,596
Investments in associates	1,087,181	867,181	-	-	189,794	150,940
Investment in a jointly-controlled entity	-	-	-	-	-	-
Unallocated assets						
Total assets						
Segment liabilities	558,001	521,121	97,105	70,161	1,245,223	927,805
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	7,980	6,760	90,351	63,238	7,573	5,739
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	-	-
Impairment losses recognised in the income statement	-	-	224	7,167	-	-
Impairment losses reversed in the income statement	-	-	-	(572)	-	-
Other non-cash income, net	-	-	-	(18)	-	-
Capital expenditure *	8,952	1,365	193,630	22,192	33,626	4,306

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

Group

	Others 2011 HK$'000	Others 2010 HK$'000	Eliminations 2011 HK$'000	Eliminations 2010 HK$'000	Consolidated 2011 HK$'000	Consolidated 2010 HK$'000
Segment assets	8,702	40,269	-	-	28,921,251	25,974,436
Investments in associates	-	-	-	-	1,346,244	1,087,102
Investment in a jointly-controlled entity	-	-	-	-	806,620	859,406
Unallocated assets			-		3,757,449	3,999,532
Total assets					34,831,564	31,920,476
Segment liabilities	13,922	14,987	-	-	4,221,563	3,918,134
Unallocated liabilities					6,161,855	6,093,960
Total liabilities					10,383,418	10,012,094
Other segment information:						
Depreciation and amortisation	511	483	-	-	1,019,618	984,891
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	15,050	143,820
Impairment losses recognised in the income statement	-	-	-	-	124,166	7,167
Impairment losses reversed in the income statement	-	-	-	-	(306)	(572)
Other non-cash income, net	-	-	-	-	(776,956)	(381,512)
Capital expenditure *	801	766	-	-	370,398	834,263

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

3. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

The following table presents revenue and certain asset information for the Group's geographical information for the years ended 31 December 2011 and 2010.

Group

	2011 HK$'000	2010 HK$'000
Revenue from external customers		
Hong Kong	278,489	224,551
Mainland China	6,882,888	6,127,190
	7,161,377	6,351,741

The revenue information above is based on the location in which the Group operates.

	2011 HK$'000	2010 HK$'000
Non-current assets		
Hong Kong	1,711,784	1,539,087
Mainland China	26,485,774	25,737,192
	28,197,558	27,276,279

The non-current assets information above is based on the location of assets and excludes deferred tax assets.

(c) Information about a major customer

Revenue of approximately HK$3,344,000,000 (2010: HK$3,146,000,000) was derived from sales by the water distribution segment to a single customer.

4. REVENUE AND OTHER INCOME AND GAINS/(LOSSES), NET

Revenue, which is also the Group's turnover, represents the invoiced value of water and electricity sold; the gross invoiced revenue arising from the sale of goods in department stores; commissions from concessionaire sales; revenue from hotel ownership and operations; rental income; and toll revenue during the year.

An analysis of revenue, other income and gain/(losses) is as follows:

	2011 HK$'000	2010 HK$'000
Revenue		
Sale of water and electricity	5,017,886	4,534,385
Sale of goods	62,017	55,831
Commissions from concessionaire sales	587,326	487,946
Hotel and rental income	1,458,340	1,236,955
Toll revenue	35,808	36,624
	7,161,377	6,351,741
Other income		
Interest income	78,118	46,290
Others	69,135	62,455
	147,253	108,745
Other losses		
Changes in fair value of derivative financial instruments not qualified as hedges, net	(15,050)	(143,820)
	132,203	(35,075)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Interest on bank borrowings wholly repayable [1]:		
Within five years	34,452	35,515
Over five years	1,399	4,081
Total interest expense on financial liabilities not at fair value through profit or loss	35,851	39,596
Finance charges on cash flow hedges, net	125,909	133,795
Total finance costs for the year	161,760	173,391

[1] Net of government grants of HK$8,177,000 (2010: HK$17,642,000) in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of the Dongshen Water Supply Phase IV Renovation Project. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	2011 HK$'000	2010 HK$'000
Cost of inventories sold*	505,135	413,677
Depreciation	196,653	165,172
Recognition of prepaid land lease payments	4,643	4,493
Amortisation of intangible assets*	818,322	815,226
Minimum lease payments under operating leases in respect of land and buildings	62,484	47,884
Auditors' remuneration	7,798	6,855
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	503,895	412,823
Equity-settled share option expense	899	1,744
Pension scheme contributions	55,507	50,351
Less: Forfeited contributions	(3)	(44)
Net pension scheme contributions#	55,504	50,307
	560,298	464,874
Gross rental income from investment properties	(808,113)	(736,571)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	90,030	68,421
Net rental income from investment properties	(718,083)	(668,150)
Exchange differences, net	(26,414)	6,985
Impairment of items of property, plant and equipment^	-	7,167
Impairment of items of intangible assets^	123,942	-
Loss/(gain) on disposal of items of property, plant and equipment, net^	68	(230)
Loss/(gain) on disposal of items of intangible assets, net^	1,477	(320)

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

\# As at 31 December 2011 and 2010, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years.

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

7. INCOME TAX EXPENSE

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

Under the PRC Corporate Income Tax Law, which became effective from 1 January 2008, enterprises are subject to corporate income tax ("CIT") at a rate of 25%. According to the "Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Income Tax Law", the applicable tax rates in the coming years for enterprises which previously enjoyed a lower CIT rate of 15% are 18% in 2008; 20% in 2009; 22% in 2010; 24% in 2011; and 25% in 2012 and thereafter.

	2011 HK$'000	2010 HK$'000
Group:		
Current - Hong Kong		
Charge for the year	19,717	13,433
Overprovision in prior years	(189)	-
Current - Mainland China		
Charge for the year	637,614	551,481
Under/(over) provision in prior years	(6,625)	6,837
Deferred	298,676	370,599
Total tax charge for the year	949,193	942,350

8. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Interim – 7.0 HK cents (2010: 5.0 HK cents) per ordinary share	436,310	310,697
Proposed final – 11.0 HK cents (2010: 10.0 HK cents) per ordinary share	685,630	623,090
	1,121,940	933,787

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The total final dividend payable is based on the total number of shares as at the date of approval of these financial statements by the board of directors which includes the shares issued subsequent to the end of the reporting period.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2011 HK$'000	2010 HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	2,994,097	2,420,174

	Number of shares 2011	 2010
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,231,841,633	6,216,931,989
Effect of dilution - weighted average number of ordinary shares that assumed to have been issued:		
Share options	21,056,729	28,920,943
For the purpose of diluted earnings per share calculation	6,252,898,362	6,245,852,932

10. RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the Group's receivables, 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 due 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 distribution and electricity supply business and the Group has a certain concentration of credit risk as 16% (2010: 18%) of the total trade receivables were due from one of the Group's major customers. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2011 HK$'000	2010 HK$'000
Within 3 months	292,251	247,877
3 months to 6 months	15,786	2,190
6 months to 1 year	5	310
More than 1 year	10,917	11,535
	318,959	261,912
Less: Impairments	(10,794)	(10,642)
	308,165	251,270

11. PAYABLES AND ACCRUALS

Included in the Group's payables and accruals 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:

	Group	
	2011 HK$'000	2010 HK$'000
Within 3 months	480,783	379,775
3 months to 6 months	966	108
6 months to 1 year	2,481	2,154
	484,230	382,037

12. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of 68% equity interests in Wanye

On 10 January 2012, 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.) ("Tianhecheng Investco"), an indirect non-wholly owned subsidiary of the Company, received a notification issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services) ("GEMAS") that the bid for a 68% equity interest in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited) ("Wanye") from 廣州市番禺資訊技術投資發展有限公司 (Guangzhou City Panyu Information Technology Investment Development Company Limited) ("SOE Vendor") in the auction was successful. As a result, Tianhecheng Investco and the SOE Vendor entered into a co-operation agreement and articles in relation to Wanye (collectively, the "Cooperation Agreement").

Wanye is a company established in the PRC holding a land parcel situated at 中國廣州市番禺區南村鎮里仁洞村迎賓路東側 (the east to Yingbin Road, Lirendong Village, Nancun Zhen, Panyu District, Guangzhou City, the PRC) ("the Land"). The provisional fair value of the Land was RMB1,425,000,000.

The total consideration paid by the Group will be RMB1,944,000,000. The consideration is payable as to RMB50 million (before deduction of an auction fee in the amount of RMB2 million) deposited to GEMAS on 30 December 2011 and recorded as purchase deposit by the Group at 31 December 2011, RMB156,400,000 (including the abovementioned deposit) as contribution to the registered capital of Wanye to be settled within five business days after the date of the Cooperation Agreement, RMB1,635,600,000 as contribution to Wanye to be settled by instalment within 5 years from the date of the Cooperation Agreement and RMB150 million as 50% share of the land premium to be payable by Wanye.

The transaction was completed on 12 March 2012, upon which Wanye is accounted for as a 68% owned subsidiary of Tianhecheng Investco.

Further details on the investment are included in the Company's announcement on 10 January 2012.

(b) Acquisition of Water Processing Plant in China

On 8 February 2012, Guangdong Water Group (H.K.) Limited ("HK Water Co"), a wholly owned subsidiary of the Company, and 廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited) ("Guangdong Water Co"), a wholly owned subsidiary of 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings"), collectively, the "Purchasers" signed a transaction confirmation (成交確認書) with 廣州南沙基礎設施投資有限公司(Guangzhou Nansha Infrastructure Investment Limited) and 廣州南沙工化投資有限公司(Guangzhou Nansha Industry Investment Limited) (as vendors) and GEMAS confirming that the bid by the Purchasers on the same day for the acquisition of a 60% equity interest in 廣州臨海水務有限公司 (Guangzhou Coastal Water Limited (now known as Nansha GDH Water Co., Ltd.)) ("Project Co") in an auction was successful. HK Water Co and Guangdong Water Co severally acquired 49% and 11%, respectively of the registered capital of Project Co.

Project Co is a company established in the PRC and is principally engaged in the construction, operation and maintenance of water supply facilities and the supply of water to Nansha District, Guangzhou.

12. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) Acquisition of Water Processing Plant in China (continued)

The consideration for the acquisition of 49% of the registered capital of Project Co by HK Water Co is approximately RMB120.56 million in cash. HK Water Co also intends to inject additional capital, provide shareholders' loan to, and act as guarantor for, Project Co.

The transaction was completed on 8 March 2012, upon which Project Co is accounted for as a 49% owned associate of the Group.

The Group is assessing the fair value of assets and liabilities of the acquired business and it is impracticable to disclose the financial effects at this stage.

Further details on the investment are included in the Company's announcement on 8 February 2012.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report to the shareholders that our results for 2011 maintained a steady growth. The Group's audited consolidated profit attributable to shareholders for 2011 amounted to HK$2,994 million (2010: HK$2,420 million), an increase of 23.7% over 2010. Basic earnings per share was 48.05 HK cents (2010: 38.93 HK cents), an increase of 23.4% over 2010.

DIVIDEND

The board of directors (the "Board") recommends the payment of a final dividend of 11.0 HK cents per share for 2011. Aggregating such dividend with the interim dividend of 7.0 HK cents per share paid in 2011, the total dividend for the entire year will be 18.0 HK cents (2010: 15.0 HK cents) per share. The said 2011 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on 18 July 2012.

REVIEW

Confronted with challenges of continuous domestic and international economic turmoil against a backdrop of the deteriorating European debt crisis in 2011, the Group has managed to adopt scientific planning and take preventive measures by effectively integrating advantageous resources and optimising our core businesses' competitive edge. By tapping the potential synergies in-depth, innovating the business model, creating a solid management foundation, grasping the opportunity to enhance efficiency, the Group has achieved good operating results in the increasingly competitive markets and secured a sustainable and healthy corporate development.

Through efforts made by the management, the Group's profit attributable to shareholders increased by 23.7% to HK$2,994 million, and profit before tax increased by 17.6% or HK$662 million to HK$4,422 million. The growth was mainly attributable to the contributions from our property investment and water distribution businesses but offset by the decrease in power generation business.

PROSPECTS

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

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

Finally, on behalf of the Board, I would like to thank all investors for their support in the year and also all our management and staff for their dedication, hard work and the good results they have assisted the Group to achieve.

HUANG Xiaofeng
Chairman
Hong Kong, 19 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2011 was HK$7,161 million (2010: HK$6,352 million), an increase of 12.7% as compared with that in 2010. The growth was mainly contributed by the water distribution business, hotel businesses, department stores businesses and the property investment businesses.

The consolidated profit attributable to shareholders of the Group increased by 23.7% to HK$2,994 million (2010: HK$2,420 million). The profit before tax increased by 17.6% or HK$662 million to HK$4,422 million (2010: HK$3,760 million). The growth was mainly contributed by property investment and water distribution businesses but offset by the decrease in power generation business.

An increase in the fair value of investment properties of HK$777 million (2010: HK$381 million) was recorded during the year. Mainly because of the low interest rate and the decrease of financial borrowing of the Group, the finance cost decreased by 6.4% to HK$162 million.

The basic earnings per share were 48.05 HK cents (2010: 38.93 HK cents), representing an increase of 23.4% as compared with that in 2010.

BUSINESS OVERVIEW

A summary of the performance of the Group's major businesses during 2011 is as follows:

Water Distribution

Profit contribution from the Dongshen Water Supply Project remained a significant part of the Group. The Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") increased by 5.39% to 94.47% as at 31 December 2011. During the year, the Company has acquired additional interest in GH Water Holdings for a total consideration of HK$596,369,000. 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 year amounted to 2.163 billion cubic meters (2010: 1.963 billion cubic meters), an increase of 10.2%, generating revenue of HK$4,493,385,000 (2010: HK$4,067,140,000), an increase of 10.5%.

Pursuant to the Hong Kong Water Supply Agreement for 2009 to 2011 entered into between the Government of Hong Kong Special Administrative Region ("HKSAR") and the Guangdong Provincial Government ("GPG") 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 Supply Agreement for 2012 to 2014 was signed between the Government of HKSAR and GPG during the year. Under the new Hong Kong Water Supply Agreement, the annual revenue for water sales to Hong Kong for the three years 2012, 2013 and 2014 are to be HK$3,538.70 million, HK$3,743.30 million and HK$3,959.34 million respectively.

The Hong Kong water sales revenue for the year increased by 6.3% to HK$3,344 million (2010: HK$3,146 million). The water sales revenue to Shenzhen and Dongguan areas for the year increased by 24.8% to HK$1,149,385,000 (2010: HK$921,140,000). The profit before tax of the water distribution business for the year was HK$2,424,171,000 (2010: HK$2,067,922,000), 17.2% higher than that in 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. Sales of electricity during the year amounted to 749 million kwh (2010: 713 million kwh), an increase of 5%. As a result of the increase in both the electricity sales and average electricity tariff, revenue for the year amounted to HK$448,750,000 (2010: HK$402,600,000), an increase of 11.5%. However, due to the increase in coal price, the profit margin for the year had decreased as compared to that in 2010. The profit before tax for the year was HK$56,054,000 (2010: HK$80,622,000).

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 year, the Group made capital contributions into Yudean Jinghai Power amounted to HK$206,350,000. Sales of electricity for the year amounted to 7,068 million kwh (2010: 6,856 million kwh), an increase of 3.1%. Revenue for the year amounted to HK$3,640,257,000 (2010: HK$3,335,023,000), an increase of 9.2% which was mainly due to the increase in both the electricity sales and tariff. Due to the increase in coal price, profit before tax for the year decrease by 35.8% to HK$293,476,000 (2010:HK$456,977,000).

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 year amounted to 3,512 million kwh (2010: 3,001 million kwh), an increase of 17.0%. Revenue for the year amounted to HK$2,061,454,000 (2010: HK$1,589,515,000) an increase of 29.7% which was mainly due to the increase in both the electricity sales and tariff. Due to the increase in coal price off setting the increase in revenue, loss before tax for the year amounted to HK$196,968,000 (2010: HK$200,407,000). 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 year.

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 year, no dividend income was received by GD Power Investment from this investment (2010: Nil).

Toll Roads and Bridges

"2 Bridges"

During the year, 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$82,588,000 in aggregate (2010: HK$89,585,000), a decrease of 7.8% as a result of tax rate of Humen Bridge increase to 24% (2010: 11%).

(i) Humen Bridge

The JCE has a profit sharing ratio of 23% in this project. During the year, average daily traffic flow of this bridge increased by 8.2% to 72,571 vehicle trips (2010: 67,080 vehicle trips). Revenue for the year amounted to HK$1,261,564,000 (2010: HK$1,160,920,000), an increase of 8.7%. Accordingly, the profit before tax for the year increased by 6.8% to HK$956,737,000 (2010: HK$895,890,000).

(ii) Shantou Haiwan Bridge

The JCE holds a 30% interest in this project. During the year, average daily traffic flow of this bridge increased by 9.7% to 15,871 vehicle trips (2010: 14,467 vehicle trips). Revenue for the year increased by 15.5% to HK$248,362,000 (2010: HK$215,118,000). The profit before tax for the year was HK$165,182,000 (2010: HK$158,125,000), an increase of 4.5%.

Yingkeng Highway

The Group's effective interest in this project is 70%. During the year, average daily traffic flow of this highway increased by 11.4% to 4,598 vehicle trips (2010: 4,127 vehicle trips). Revenue decreased by 2.2% to HK$35,808,000 (2010: HK$36,624,000) as the increase in traffic flow comprised mainly light vehicles paying a lower tariff. The loss before tax for the year was HK$110,612,000 (2010: profit before tax of HK$19,935,000) attributable to an impairment of approximately HK$124 million. After a nation-wide review of the toll road industry by government authorities, Yingkeng Highway may be classified as non-commercial toll road and may be required to stop collecting toll shortly.

Panyu Bridge

The Group's effective interest in this project is 20%. 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 year, the average daily traffic flow of this bridge decreased by 12.4% to 41,506 vehicle trips (2010: 47,367 vehicle trips). As a result, revenue for the year decreased by 14.5% to HK$110,401,000 (2010: HK$129,072,000). The profit before tax for the year decreased to HK$33,651,000 (2010: HK$59,430,000) due to the decrease in traffic flow and no land compensation (a compensation received for certain land resumed by government amounted to RMB12,952,000 in last year).

Property Investment

Mainland China

Teem Plaza

As at 31 December 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 property Teem Plaza comprising of a shopping mall, an office building and a hotel. The shopping mall and the office building are investment properties of the Group. The Sheration Guangzhou Hotel (粵海喜來登酒店), which was completed and opened in July 2011, is a owner-occupied hotel property.

During the year, 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$966,434,000 (2010: HK$883,037,000), an increase of 9.4%. The profit before tax for the year, excluding the revaluation gain, increased by 6.8% to HK$676,934,000 (2010: HK$633,777,000).

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 year (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 98% (2010: 93%) as at 31 December 2011, the total rental income for the year was HK$178,202,000 (2010: HK$152,710,000), an increase of 16.7%. The profit before tax for the year increased to HK$152,121,000 (2010: HK$147,294,000), an increase of 3.3%.

Tianjin Teem Shopping Mall

GD Teem acquired a piece of land in Tianjin in 2009. The land will be developed into a large-scale modern shopping mall with a total gross floor area above ground and underground of approximately 137,100 square meters and 56,000 square meters respectively. Due to the delay in the completion of the interchange station of Routes 3 and 4 of the metro mass transit lines, on top of which the Tianjin Teem Shopping Mall will be built, and the demolition and relocation work problem together with certain historical and heritage property within the land that needs to be resolved, it is anticipated that the construction work of the Tianjin Teem Shopping Mall will be completed around the end of 2016. The estimated total investment of the project is now revised from RMB2.13 billion to about RMB2.3 billion, of which approximately HK$1,224 million has been invested as at 31 December 2011.

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

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

As at 31 December 2011, an amount of RMB135 million was paid by GD Teem to Guangdong Holdings for the transfer of equity interest in the Target Companies to GD Teem. In addition, an amount of RMB2,013 million was made to Guangdong Holdings, representing a 40% share of the shareholders' loans made to the Target Companies by Guangdong Holdings, in form of entrusted loans (the "Entrusted Loans") through a PRC Bank. In connection to the amount made, Guangdong Holdings has assigned all the rights and obligations relating to 40% of the Entrusted Loans to GD Teem through various assignment agreements.

Further details on the Acquisition are included in the Company's announcement on 28 November 2011 and the Company's circular dated 12 December 2011.

Hong Kong

Guangdong Investment Tower

Average occupancy rate of the Guangdong Investment Tower for the year was 99.5% (2010: 99.5%), which was the same as that in 2010. Due to the increase in average rental, the total rental income for the year was HK$33,369,000 (2010: HK$32,890,000), an increase of 1.5%.

Department Stores Operations

As at 31 December 2011, the Group held an effective interest of approximately 85.18% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) ("GDTDS") and 廣州市天河城萬博百貨有限公司（"天河城萬博"）. GDTDS operates the Teemall Store in Teem Plaza, it also operates Teemall Store – Beijing road branch ("Ming Sheng Store"), 奧體歐萊斯名牌折扣店 ("Ao Ti Store"), 白雲新城店 ("Baiyun New Town Store") and 東圃店 ("Dong Pu Store"). 天河城萬博 operates the 天河城百貨歐萊斯折扣店 ("Wan Bo Store"). The 6 stores in aggregate with leased area of approximately 126,700 square meters (2010: 63,000 square meters) generated revenue of HK$649,343,000 (2010: HK$543,777,000), an increase of 19.4%. The profit before tax for the year was HK$279,504,000 (2010: HK$254,049,000), an increase of 10.0%.

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 14.8% to HK$497,469,000 (2010: HK$433,505,000) arising from the improvement of the retail market and the success of various promotional activities launched at Teemall Store during the year.

The revenue of Ming Sheng Store for the year was HK$57,666,000 (2010: HK$46,677,000), an increase of 23.5%. The Ao Ti Store, which is operated as an outlet mall, was opened in April 2011 and its revenue for the year was HK$12,725,000. The Baiyun New Town Store was opened in November 2011 and its revenue for the year was HK$1,939,000. The Dong Pu Store was opened in December 2011 and its revenue for the year was HK$134,000.

The Wan Bo Store, which is operated as an outlet mall, sells brand-name products at a substantial discount. The revenue of Wan Bo Store for the year was HK$79,410,000 (2010: HK$63,595,000), an increase of 24.9%.

During the year, 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.), an 26.63% associate of the Group, amounted to HK$49,160,000 (2010: HK$39,725,000), an increase of 23.8%.

Hotel Operations and Management

As at 31 December 2011, our hotel management team managed a total of 43 hotels (2010: 38 hotels), of which 2 were in Hong Kong, 1 in Macau and 40 in Mainland China. Of these 43 hotels, 7 were owned or lease owned by the Group (2 in Hong Kong, 2 in Shenzhen, 1 in Zhuhai, 1 in Zhengzhou and 1 in Changzhou). Another hotel, namely Sheraton Guangzhou Hotel, which was opened in July 2011, is owned by the Group and under the management of Sheraton Overseas Management Corporation.

Among the 8 hotels owned or lease owned by the Group, 5 are star-rated hotels and 3 are limited service hotels. During the year, the average room rate of the star-rated hotels of the Group (excluding Sheraton Guangzhou Hotel) in Hong Kong, Shenzhen and Zhuhai was HK$751 (2010: HK$612), an increase of 22.7%, while Sheraton Guangzhou Hotel recorded an average room rate of HK$1,318 during the year. The average room rate of the 3 limited service hotels of the Group in Shenzhen, Zhengzhou and Changzhou was HK$213 (2010: HK$202), an increase of 5.4%.

For the hotel operations and management business as a whole, the revenue for the year increased by 37.5% to HK$518,818,000 (2010: HK$377,413,000), and profit before tax increased by 23.9% to HK$93,472,000 (2010: HK$75,448,000).

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2011, the cash and bank balances of the Group decreased by HK$298 million to HK$3,543 million (2010: HK$3,841 million), of which 15% in Hong Kong dollars, 81% in Renminbi and 4% in US dollars.

During the year, the Group's financial borrowing decreased by HK$230 million due to the repayment of certain interest-bearing debts.

As at 31 December 2011, the Group's financial borrowings amounted to HK$5,131 million (2010: HK$5,361 million), of which 12% in US dollars and 88% in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK$1,300 million. Of the Group's total financial borrowings, HK$2,603 million was repayable within one year while the remaining balance of HK$1,659 million and HK$869 million are repayable within two to five years and beyond five years from the end of reporting period respectively.

The Group maintained credit facilities of USD20 million and RMB50 million as at 31 December 2011 (2010: Nil).

The gearing (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) of the Group as at 31 December 2011 was 9% (2010: 10%). 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 33.5 times (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 31 December 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 (2010: Nil).

CAPITAL EXPENDITURE

The Group's capital expenditure in 2011 amounted to HK$370 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 31 December 2011, total US dollars borrowings amounted to HK$609 million (2010: Renminbi borrowings: HK$320 million). The foreign currency risk exposure was considered to be minimal and no hedging was considered necessary.

As at 31 December 2011, the Group's total floating rate borrowings amounted to HK$3,831 million (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 (2010: HK$5,400 million), which will be terminated at the end of 2012.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2011, the Group had a total of 4,295 employees, of which 770 were at the managerial level. Among the employees, 4,070 were employed by subsidiaries in Mainland China and 225 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK$503,895,000 (2010: HK$412,823,000).

In 2011, even when facing the challenges of global economic recession and domestic growth slowdown, the Group has raised its management standard further for efficiency and competitive advantages guided by the scientific approach to development. All these measures have made it possible for the Group to successfully maintain a stable and healthy growth. In the past year, 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, incentive mechanisms and human resources management system, creating an environment of nurturing, training and developing management and technical personnel, so as to satisfy the requirement of corporate rapid development. Hong Kong, with its geographical advantage and attractiveness to excellent talents, will be treated as a platform by the Group to recruit various talents from home and abroad. In addition, the Group will strive to build a good environment for them to grow, so as to nurture and develop various excellent employees according with our growth. 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group recognizes the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of 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.

In the opinion of the directors of the Company, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2011 and, where appropriate, the applicable recommended best practices of the CG Code.

REVIEW OF RESULTS

The results of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, 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 year pursuant to the Company's share option scheme adopted on 24 October 2008:

	Number of new ordinary shares issued	**Exercise price per ordinary share** HK$	**Cash consideration** HK$
Total	2,100,000	1.88	3,948,000

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from Wednesday, 30 May 2012 to Friday, 1 June 2012 (both days inclusive), for the purpose of determining shareholders’ entitlement to attend and vote at the forthcoming annual general meeting, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, 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 Tuesday, 29 May 2012; and

(ii) from Monday, 11 June 2012 to Wednesday, 13 June 2012 (both days inclusive) for the purpose of determining shareholders' entitlement to the proposed final dividend, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at address as set out in sub-paragraph (i) above not later than 4:30 p.m. on Friday, 8 June 2012.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 19 March 2012

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