



GUANGZHOU INVESTMENT COMPANY LIMITED

越秀投資有限公司

(Stock Code: 123)

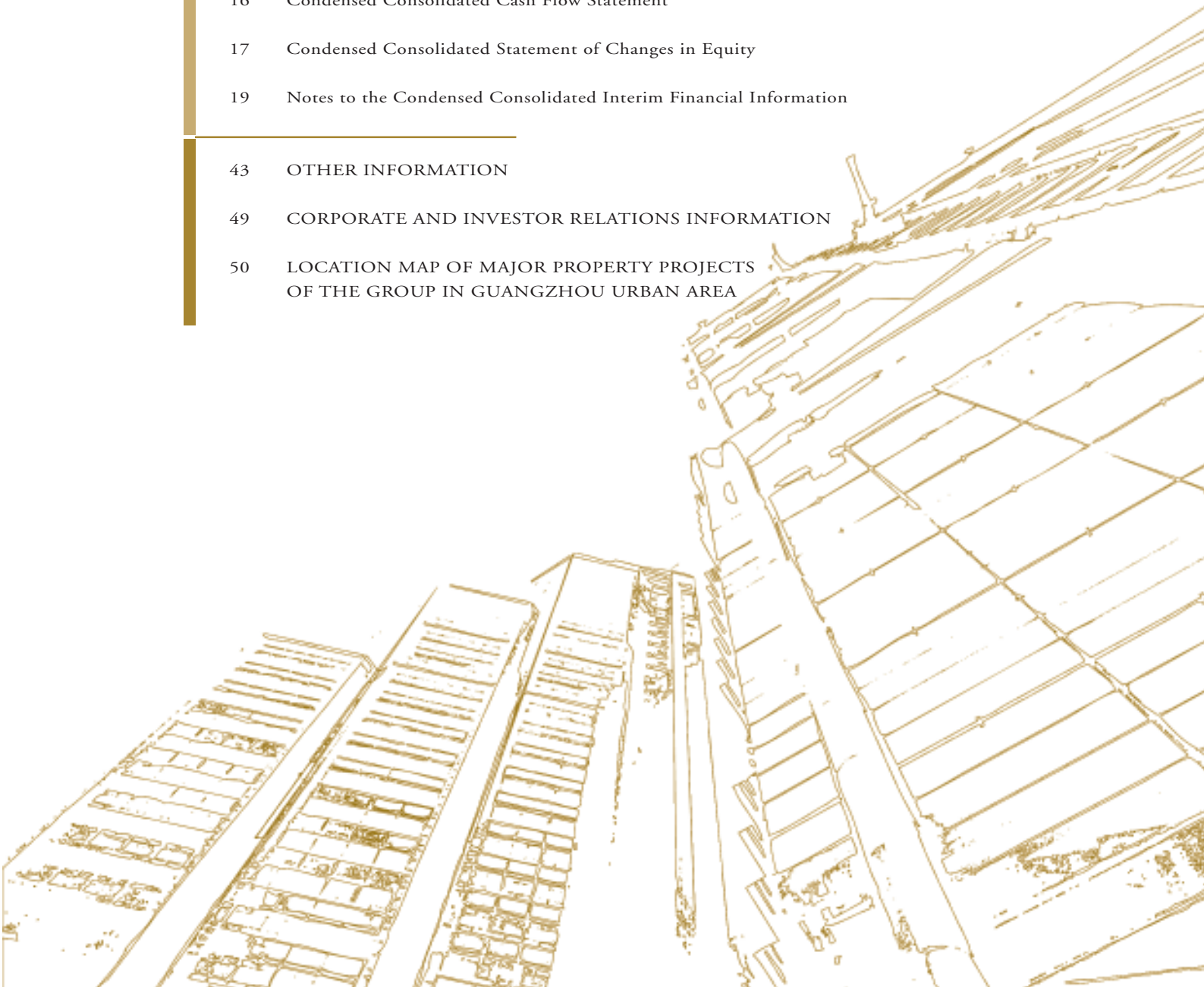


2008 Interim Report



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# Financial Highlights

	For the six months ended		Change %
	30 June 2008 (HK\$'000) Unaudited	30 June 2007 (HK\$'000) Unaudited	
Revenue	3,706,878	2,780,689	33.3 %
Profit attributable to equity holders of the Company	465,189	416,740	11.6 %
Earnings per share for profit attributable to the equity holders of the Company			
- Basic(HK cents)	6.53	6.12	6.7 %
Dividend per share - interim (HK cents)	2.60	2.30	13.0 %
Interest coverage	4.05 times	3.26 times	24.2 %

	As at		Change %
	30 June 2008 (HK\$'000) Unaudited	31 December 2007 (HK\$'000) Audited	
Total assets	48,401,803	44,144,382	9.6 %
Shareholders' equity per share (HK\$)*	2.08	1.94	7.2 %
Gearing ratio	40%	40%	—

\* excluding minority interests

The Board of Directors ("Board") of the Company announced the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008.

# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2008, the global economy was highly volatile, with the US subprime crisis continuing to affect the world's financial markets. Although China's economy was not immune from these challenges, to date, the overall economy has been operating under normal conditions as the Chinese government has adopted various macro-economic control measures. During the period, China's GDP saw a year-on-year increase of 10.4% to approximately RMB13,000 billion. Guangzhou GDP saw an increase of approximately 11.9% over the first half of 2007 to RMB373.35 billion, posting an economic growth slightly better than the national average.

During the period, the State adopted various macro-economic control measures to ensure a long-term healthy and stable development of the property market. These measures included raising the bank deposit reserve rate; exercising stringent controls on the credit scale of commercial banks; raising the lending rates for second-time housing purchases; and repossessing idled lands without compensation. Such measures had a deep impact on the property market in China. As a result, certain regions, including Guangzhou where the property business of the Group is mainly located, experienced corrections on a larger scale. In the first half, total area of transaction of commodity housing in Guangzhou saw a year-on-year decrease of 43% to 2.42 million square metres, while the average transaction price stood at a high level, representing a year-on-year surge of 31% to RMB9,925 per square metre. However, such transaction price still represented a downward adjustment of approximately 20% in average as compared to the highest price in October last year.

The Group is mainly engaged in property, toll road and newsprint businesses which are mainly located in Guangzhou, Guangdong Province, China. Since 2002, the core property business of the Group has been charting a healthy development course. In line with the Group's steady and stable investment strategies, and thoroughly taking into consideration the market risks, the Group exercised caution and refrained from substantially increasing its land bank at high prices, particularly in the second half of 2007 when the property market of China was hot. As a result, the current environment of a corrected domestic property market is beneficial to the Group as it will allow the Group to leverage its competitive advantages.

In the first half of 2008, total revenue of the Group amounted to approximately HK\$3,707 million, representing a year-on-year increase of 33.3%. Profit attributable to equity holders amounted to HK\$465 million, steadily increased by 11.6% over the same period of the previous year. Basic earnings per share increased by 6.7% to approximately HK6.53 cents.

The Board of the Company resolved to declare an interim dividend for 2008 of HK 2.60 cents per share.

## The Property Business

### Property Sales

In the first half, the Group's sales of property met expected targets amid a plunge in the overall property sales in Guangzhou. The property sales amounted to HK\$1,924 million and the corresponding gross floor area ("GFA") posted a slight increase of 3.5% from a year ago to 151,500 square metres, which reflected the fact that the premium quality and location of the Group's properties offset the extent of the slow down in the market.

During the period, recognised sales GFA reached approximately 93,800 square metres with sales revenue of approximately HK\$1,054 million. However, recognised average selling price saw a surge of 40% over the first half of 2007 to approximately HK\$11,200 per square metre. Gross profit margin amounted to approximately 37%.

Meanwhile, the Group disposed of the remaining portion of Yue Xiu Neo Metropolis Plaza to GZI Real Estate Investment Trust ("GZI REIT") by way of disposal of the property holding subsidiary. The property had a GFA of 61,964.3 square metres. This transaction was completed in June. Taking into account Yue Xiu Neo Metropolis Plaza in calculating the sold area, the property sales GFA of the Group reached 213,500 square metres in the first half, representing an increase of 45.9% over the same period of the previous year; recognised sales GFA reached 155,700 square metres, representing an increase of 4.6% over the same period of the previous year.

# Management Discussion and Analysis

During the period, recognised sales GFA and area sold through disposal of a subsidiary are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Victory Plaza (Tower portion)	Office	24,600	Tian He,Guangzhou
Southern Le Sand	Villa/Commercial	19,200	Nan Sha,Guangzhou
Ling Nan Ya Yuan	Residential	11,800	Bai Yun,Guangzhou
Cong Hua Glade Village	Villa	11,100	Cong Hua,Guangzhou
Binjiang Yiyuan	Residential	5,700	Hai Zhu,Guangzhou
Springland Garden	Residential	2,900	Hai Zhu,Guangzhou
Other Projects	N/A	18,500	N/A
Sub-total		approx. 93,800	
Yue Xiu Neo Metropolis Plaza	Office/Commercial	61,964	Yue Xiu,Guangzhou
Total		approx. 155,700	

Pre-sold GFA not yet recognised in the income statement amounted to approximately 200,000 square metres, with sales revenue of HK\$2,474 million. Details of pre-sold GFA are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Springland Garden	Residential	103,700	Hai Zhu,Guangzhou
Southern Le Sand	Villa	31,800	Nan Sha,Guangzhou
Ke Yi Hao Yuan	Residential	17,000	Hai Zhu,Guangzhou
Cong Hua Glade Village	Villa	15,700	Cong Hua,Guangzhou
Ling Nan Ya Yuan	Residential	10,800	Bai Yun,Guangzhou
Other Projects	N/A	21,000	N/A
Total		approx. 200,000	

## Land Bank

In January 2008, the Group acquired a residential site in Jin Sha Zhou, Bai Yun District, Guangzhou, at a land auction, with total GFA for development of approximately 160,000 square metres. As a certain amount of land bank was converted to properties under development during the period, the land bank owned by the Group amounted to approximately 3.31 million square metres as at 30 June 2008.

## Properties Under Development

During the period, the Group commenced the new development of 180,000 square metres for Block 17 to 22 of Springland Garden, and expected to commence sale in September 2009. On 30 June 2008, properties under development of the Group had a total area of approximately 1.98 million square metres.

## Investment Properties

In the first half, the Group sold a portion of investment properties such as commercial properties and car parks amounting to approximately 11,500 square metres. As at 30 June 2008, investment properties owned by the Group amounted to approximately 720,000 square metres. Rental income and revenue from property management business amounted to HK\$315 million, representing an increase of 24.3% over the same period of the previous year. During the period, revaluation gain of investment properties amounted to approximately HK\$12 million (First half in 2007: HK\$92 million).





## The Toll Road Business

During the first half of 2008, GZI Transport Limited (“GZI Transport”), the toll road business, overcame various obstacles such as the snowstorms in southern China in early 2008, the devastating earthquakes in Sichuan, surging oil prices and plummets in traffic volumes of Class 1 and Class 2 highways. Profit attributable to equity holders achieved an impressive result and hit a record high of approximately HK\$330 million, representing a year-on-year increase of 32%. As the Group holds a 45.28% interest in GZI Transport, its share of profit amounted to HK\$149 million.

## REIT Business

In the first half of 2008, the Group’s interest in units in GZI REIT increased from 31.33% to 35.58% as the Group disposed of the remaining portion of Yue Xiu Neo Metropolis Plaza in the form of a subsidiary to GZI REIT with part of consideration paid by the issue of new units. During the period, GZI REIT saw a steady growth in its operating results. Total distributable income increased by 18.8% to approximately HK\$132 million, which brought along distribution of HK\$47 million to the Group.

## The Newsprint Business

The operation of the newsprint business remained challenging. Despite the Beijing Olympics factors and domestic newsprint prices were raised several times, gross profit margin during the period dipped to 9% as raw material and energy costs continued to rise. During the period of first half in 2008, PM9 with designed annual production capacity of 280,000 tonnes at the Nan Sha Plant proceeded to commercial production successfully. PM5, 6 & 7, with total annual production capacity of 130,000 tonnes at the Hai Zhu Plant, which lacked competitiveness by reason of age, small scale and relative high costs at current circumstance, were considered to be old and underperforming. This led to an impairment of approximately HK\$246 million for the assessment, and resulted in a loss attributable to equity holders of approximately HK\$98 million.

## BUSINESS OUTLOOK

As China’s overall economy maintained its steady growth, we expect such trend may continue in the second half. Meanwhile, as the income of residents continues to grow and the Guangzhou property market will be rationalized, the Group is optimistic in the outlook of the property market in Guangzhou, the third largest city in China.

# Management Discussion and Analysis

## The Property Business

Currently, total GFA for development owned by the Group amounted to 5.29 million square metres, which were mainly located in Guangzhou. Of such amount, 60% is located in the downtown areas of Guangzhou, which will be the focus of the Group's development in the next two to three years. Due to the prime location of our lands, we stand in a better position to mitigate the impact of adverse market changes and to achieve impressive results amid an overall tough environment in the property market.

Approximately 80% of the GFA sold of 151,500 square metres by the Group in the first half was located in downtown areas in Guangzhou, which demonstrated the advantages of our property projects in downtown areas: strong demand from residents, and the tenability of our prices. Based on the sales situation, the Group adjusted its new development plan. While keeping the development plan for downtown areas unchanged, the Group appropriately delayed the development of property projects in suburban areas, cutting the original plan of 1.18 million square metres to 880,000 square metres. Excluding the newly commenced area of 180,000 square metres in the first half, the Group will commence new development of approximately 700,000 square metres in the second half.

Adding the newly commenced area of approximately 700,000 square metres in the previous year, the aggregated development area for the two years reached 1.58 million square metres, accounting for approximately 60% of the total under development area. The gradually accelerated pace of development was mainly due to the implementation by the management of a number of measures in the past few years that strengthened internal management, shortened development cycle and significantly improved the key points control of the construction process.

As at 30 June 2008, the Group had unpaid land premium of only HK\$570 million. It is believed that such item imposed no pressure on the cash flow of the Group. Investment properties sold in the first half amounted to approximately 11,500 square metres. The Group will continue to dispose of certain investment properties with high market value but low rental returns in future so that the capital can be used more efficiently. Currently, the Group has considerable amount of cash which is now planned to be used for increasing quality residential sites in downtown areas, so as to ensure a stable development of the Group.

In future, the Group will adhere to a strategy of stable operation by stringently controlling the level of bank borrowings, continuously enhancing management, accelerating development, and providing housings which meet market demands, with a view to bringing better investment returns to shareholders.

## The Toll Road Business

The Group will fully capitalise on its over 10 years of professional experience in the toll road business. With a proactive and pragmatic attitude, the Group will strive to seek opportunities in acquisition, investment and development of quality toll expressway projects with high profitability and lucrative returns in the areas with great potential and some hot-spot cities.

## REIT Business

In future, the Group will actively plan and develop new projects by capitalising on the experience in the disposal of Yue Xiu Neo Metropolis Plaza to GZI REIT in the first half of 2008. The Group will continuously explore new means of capital operation and will create win-win situations through interaction.

## The Newsprint Business

The prospects of the newsprint business are expected to remain gloomy in the second half amid severe market conditions. Accordingly, the management will give consideration to the strategic positioning of this business within the Group.





## FINANCIAL REVIEW

### Total revenue and gross profit

For the six months ended 30 June 2008, total revenue of the Group increased by 33.3% to approximately HK\$3,707 million over the same period of the previous year. Overall gross profit margin rose to 30% from 23% of the same period in previous year.

Total revenue from property business amounted to approximately HK\$1,718 million, which is similar to that of the same period of the previous year. Gross profit margin increased to 39% as compared to same period of previous year of 21%.

Total revenue from toll road business reported a surge of 42% to approximately HK\$494 million when compared with same period in 2007. The increase was mainly attributable to GNSR Expressway Co., with its six months' entire revenue of approximately HK\$259 million consolidated to the Group in the first half of 2008 (in the first half of 2007 only post acquisition revenue of the second quarter of GNSR Expressway Co. of HK\$120 million was consolidated to the Group). Revenue growth in the first half 2008 was also derived from Xian Expressway, Xiang Jiang Bridge II and Guanghua Highway with their respective growth of 12.5%, 25.8% and 16.7%.

For the newsprint business, following the commencement of commercial production of PM9 at the Nan Sha Plant but excluding 130,000 tonnes production capacity of the underperforming PM5, PM6 and PM7, total production capacity amounted to 600,000 tonnes per annum. Sales during the period reached approximately 390,000 tonnes and the revenue amounted to approximately HK\$1,495 million, increased by 104% as compared with same period of previous year. However, gross profit margin dipped to approximately 9% due to rising cost.

### Gain on disposal of a subsidiary

On 1 June 2008, the Group completed the disposal of a subsidiary to GZI REIT and received cash of approximately HK\$472 million and 65,972,687 new units of GZI REIT. The Group recorded a disposal gain of approximately HK\$29 million on this transaction.

While the Group's share of equity interest in GZI REIT increased from 31.33% to 35.58%, 65,972,687 units of GZI REIT were booked at the net asset value per unit of HK\$3.8 of GZI REIT as at the completion date, representing an increase of 31% over the closing price of HK\$2.9 per unit. Approximately HK\$41 million representing the excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost, was recorded as a gain.

### Operating profit

For the six months ended 30 June 2008, The Group's operating profit amounted to approximately HK\$408 million, reduced by 8.8% over the same period of HK\$448 million in 2007. Operating profit for property business amounted to approximately HK\$353 million, increased by 21% over the same period in 2007. Operating profit for toll road business increased by 46% over the same period in 2007. For newsprint business, the operating profit recorded a loss of approximately HK\$201 million after the impairment of plant and equipment amounted to approximately HK\$246 million was recognized during the period.

### Finance costs

For the six months ended 30 June 2008, due to the appreciation of RMB, the Group recognized a net foreign exchange gain on financing activities of approximately HK\$313 million (mainly from the HKD bank borrowings of the Company). Excluding the effect of net foreign exchange gain, finance costs of the Group amounted to approximately HK\$230 million due to the increase of bank borrowings, representing an increase of 42% over the same period of the previous year.

During the period, the interest coverage (measured by the ratio of earnings before interest, tax, depreciation and amortisation to interest expense) was 4.05 times, higher than the 3.26 times reported in same period of 2007.

# Management Discussion and Analysis

## Share of profits less losses of associated entities

For the six months ended 30 June 2008, share of after tax profits from associated entities amounted to approximately HK\$207 million, increased by 6% over the same period of 2007. It was mainly contributed by toll road business. Humen Bridge's net contribution recorded a 26.9% growth and increased to approximately HK\$123 million. As normal toll operation was interrupted by the redevelopment work in progress (upgrade from Class I highway into an expressway), Qinglian Highways continued to post negative result. Northern Ring Road experienced a drop of 11.9% in the first half of 2008 mainly due to repairs and maintenance work in progress of the neighboring GS Superhighway (Shenzhen to Guangzhou direction) since February 2008 for a period of approximately four months which prevented vehicles from traveling through to the Northern Ring Road. Shantou Bay Bridge's first half result in 2008 recorded its first time drop of 14.6% when its tax concession period ended in 2007.

During the period, profit attributable to unit holder of GZI REIT recorded a growth of 104.82% with the Group's equity interest in GZI REIT increased from 31.33% to 35.58%, the Group recorded a share of profit of approximately HK\$63 million during the period.

## Taxation

For the six months ended 30 June 2008, taxation charge of the Group amounted to approximately HK\$116 million. For the same period of the previous year, provision for deferred taxation dropped approximately HK\$251 million as the income tax rate under China Income Tax Law was lowered. Excluding this reduction by virtue of a drop in the tax rate, the Group recorded a decrease of 25% in taxation charge over the same period of 2007.

## Earnings per share

For the period ended 30 June 2008, the Group's basic earnings per share increased by 6.7% to HK6.53 cents (2007: HK6.12 cents).

## Interim dividend

The board of directors of the Company resolved to declare an interim dividend for 2008 of HK2.60 cents (2007: HK2.30 cents) per share payable on 26 November 2008 to shareholders whose names appear on the Register of Members of the Company on 5 November 2008. The dividend payout ratio was 39.83% (2007: 39%).

## Liquidity and financial resources

As at 30 June 2008, the Group's working capital (current assets less current liabilities) amounted to approximately HK\$7,700 million (31 December 2007: approximately HK\$7,100 million). Current ratio was 1.64 times (31 December 2007: 1.7 times). Cash and cash equivalent amounted to approximately HK\$4,200 million (31 December 2007: approximately HK\$3,600 million). Undrawn committed bank facilities amounted to approximately HK\$7,100 million.

The Group's major sources of liquidity are from recurring cash flows of its businesses and committed bank facilities. The Group insists on the importance of maintaining a healthy and stable liquidity position which is required to meet the demand of an ever-changing external market, and to safeguard the business development of the Group. Consequently, the Group places great emphasis on liquidity management and risk control. Other than proactively maintaining the current good relationships with financial institutions in Hong Kong and Mainland China, the Group strives to expanding financing channels, lowering financing costs, and monitoring the capital and debt structure from time to time.

## Capital structure

The Group's capital structure is summarized as follow:

	<b>30 June 2008 HK\$'000</b>	31 December 2007 HK\$'000
Bank borrowings (floating rate)		
Denominated in RMB	7,810,617	6,633,992
Denominated in Euro dollars and other currencies	1,224,280	1,135,994
Denominated in United States dollars	108,971	66,088
Denominated in Hong Kong dollars	4,253,500	4,401,494
	<hr/>	<hr/>
Total bank borrowings	13,397,368	12,237,568
Unsecured other borrowings	847,709	387,818
Finance lease	80	100
Overdrafts	196	362
	<hr/>	<hr/>
Total debts	<b>14,245,353</b>	12,625,848
	<hr/> <hr/>	<hr/> <hr/>
Ageing analysis:		
Repayable within one year	3,333,972	2,550,115
In the second year	5,484,546	6,280,623
In the third to fifth year	1,494,294	1,217,196
Over five year	3,576,731	2,244,494
With no fixed repayment terms	355,810	333,420
	<hr/>	<hr/>
Total debts	14,245,353	12,625,848
Less: Bank balances and cash	(4,182,522)	(3,587,607)
	<hr/>	<hr/>
Net borrowings	10,062,831	9,038,241
Shareholders' equity(excluding minority interests)	14,832,971	13,830,075
	<hr/>	<hr/>
Total capitalisation	<b>24,895,802</b>	22,868,316
	<hr/> <hr/>	<hr/> <hr/>
<b>Gearing ratio</b>	<b>40%</b>	40%

During the period, new bank borrowings had been increased by approximately HK\$1,300 million, mainly for financing the Group's property projects development. Of which approximately HK\$6,100 million of the Group's bank borrowings were secured while 24% of the bank borrowings will be due for repayment within one year.

# Management Discussion and Analysis

## Capital expenditures and investments

During the first six months of 2008, an acquisition of an additional 2.78% equity interest in Humen Bridge Co. was completed with capital expenditure amounting to approximately HK\$194 million being the balance consideration of the said acquisition (a deposit of approximately HK\$17 million was paid in late 2007).

Apart from the aforesaid, the capital expenditures on property, plant and equipment, intangible operating rights and investment properties amounted to approximately HK\$61 million during the period.

## Interest rate exposure

Interest expense accounted for a major proportion of the Group's finance costs. The Group's policy on interest rate risk management is to monitor and review from time to time the interest rate fluctuation, and to refinance existing loans at a lower cost or enter into new bank facilities when favorable pricing opportunities arise. Interest rate swaps to hedge exposure to floating rates will be used as and when appropriate.

## Foreign exchange exposure

As the business operations of the Group are mainly based in Mainland China, income and cash flows are primarily (excluding GZI Transport) denominated in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings. The Group's financing strategy is to raise funding in HK dollars or other currencies, and further invest in RMB-denominated assets in Mainland China, thereby reducing the Group's overall borrowing costs and at the same time enjoying the leverage provided by the appreciation of RMB. Currently RMB is keeping a continued stable trend, and the currency exposure is therefore considered to be minimal for the Group. The Group will review and monitor its currency exposure from time to time and will adopt appropriate currency swaps as and when appropriate to hedge its currency risks.

## Capital commitment

As at 30 June 2008, the Group had financial commitments in respect of equity capital to be injected into a jointly controlled entity and an associated entity of approximately HK\$119 million (31 December 2007: HK\$306 million).

Other than the above, the Group also had capital commitments in respect of property, plant and equipment amounted to approximately HK\$1,473 million as at 30 June 2008 (31 December 2007: HK\$1,531 million).

## Contingent liabilities

During the period, the Group provided guarantees in respect of mortgage facilities granted by certain bank relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchaser, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As at 30 June 2008, total contingent liabilities relating to these guarantees amounted to HK\$881 million (31 December 2007: HK\$774 million).

In connection with the disposal of a subsidiary to GZI REIT during the period, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately HK\$88 million. The Deed of Indemnity will expire on 30 May 2014.



## Employees and remuneration policy

As at 30 June 2008, the Group had approximately 9,500 employees (31 December 2007: 9,350 employees), of whom approximately 9,180 employees (31 December 2007: 9,020 employees) were primarily engaged in the properties, toll roads and newsprint business. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees accordingly to their performance. Promotion and salary adjustments are based on performance.

## Disclosures Pursuant to Rule 13.21 of the Listing Rules

Reference is made to HK\$2,500 million loan agreement dated 18 December 2006 (“Loan Agreement”) with a final maturity in December 2009. In accordance with the terms of the Loan Agreement, it shall be an event of default if (A) Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) ceases to maintain (i) its status as the single largest beneficial shareholder of the Company, or (ii) (whether directly or indirectly) a shareholding interest of not less than 35% in the issued voting share capital of the Company or (iii) an effective management control over the Company; or (B) Yue Xiu (with the Company) cease to maintain (i) their status as the single largest beneficial shareholder of GZI Transport, a subsidiary of the Company, or (ii) (whether combined directly or indirectly) a shareholder interest of not less than 35% in the issued voting share capital of GZI Transport. These obligations have been duly complied with for the period ended 30 June 2008.

By order of the Board

**Lu Zhifeng**

*Chairman*

Hong Kong, 17 September 2008

# Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

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

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 42, which comprises the condensed consolidated balance sheet of Guangzhou Investment Company Limited (“the Company”) and its subsidiaries as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 17 September 2008



# Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	Note	Unaudited	
		Six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
Revenue	4	3,706,878	2,780,689
Cost of sales	5	(2,600,234)	(2,131,781)
Gross profit		1,106,644	648,908
Fair value gains on revaluation of investment properties		11,653	91,529
Gain on disposal of a subsidiary	20	28,552	—
Impairment of plant and equipment	5	(246,263)	—
Selling and distribution expenses	5	(105,572)	(82,985)
General and administrative expenses	5	(386,757)	(209,813)
Operating profit		408,257	447,639
Interest income		36,845	14,808
Net foreign exchange gain on financing activities		313,381	1,698
Finance costs		(229,701)	(162,002)
Share of profits less losses of			
– jointly controlled entities		(21,095)	1,870
– associated entities		207,204	196,183
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost	20	40,988	—
Profit before taxation		755,879	500,196
Taxation	6	(116,477)	95,704
Profit for the period		639,402	595,900
Attributable to			
Equity holders of the Company		465,189	416,740
Minority interests		174,213	179,160
		639,402	595,900
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	7		
– Basic		6.53	6.12
– Diluted		6.49	6.07
Dividend	8	185,298	163,616

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	As at	
		30 June 2008 Unaudited HK\$'000	31 December 2007 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible operating rights	9	7,115,085	6,795,284
Property, plant and equipment	9	5,253,779	5,222,910
Investment properties	10	6,283,379	5,984,228
Leasehold land and land use rights	11	4,453,664	4,277,157
Interests in jointly controlled entities		419,355	419,388
Interests in associated entities		3,773,106	3,119,252
Goodwill	12	124,334	119,186
Other non-current assets		—	17,375
Available-for-sale financial assets		1,147,307	979,903
Deferred tax assets	19	140,543	71,240
		<b>28,710,552</b>	<b>27,005,923</b>
<b>Current assets</b>			
Properties under development		3,573,442	2,370,664
Properties held for sale		833,151	953,934
Leasehold land and land use rights	11	4,498,274	4,399,341
Prepayments for land use rights		4,181,090	3,139,344
Inventories		363,827	277,307
Trade receivables	13	733,314	477,692
Other receivables, prepayments and deposits		509,019	835,558
Taxation recoverable		155,831	177,575
Charged bank deposits		660,781	96,733
Cash and cash equivalents		4,182,522	3,587,607
		<b>19,691,251</b>	<b>16,315,755</b>
Non-current assets held for sale		—	822,704
		<b>19,691,251</b>	<b>17,138,459</b>

# Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	As at	
		30 June 2008 Unaudited HK\$'000	31 December 2007 Audited HK\$'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	14	802,521	577,319
Land premium payable		572,749	1,200,083
Other payables and accrued charges		6,758,915	5,155,391
Borrowings	15	3,333,972	2,550,115
Taxation payable		530,676	452,928
		<u>11,998,833</u>	<u>9,935,836</u>
Liabilities associated with non-current assets held for sale		—	98,748
		<u>11,998,833</u>	<u>10,034,584</u>
<b>Net current assets</b>		<u>7,692,418</u>	<u>7,103,875</u>
<b>Total assets less current liabilities</b>		<u>36,402,970</u>	<u>34,109,798</u>
<b>Non-current liabilities</b>			
Borrowings	15	10,911,381	10,075,733
Deferred tax liabilities	19	3,360,112	3,275,377
		<u>14,271,493</u>	<u>13,351,110</u>
<b>Net assets</b>		<u>22,131,477</u>	<u>20,758,688</u>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	712,678	712,192
Other reserves	18	9,561,314	8,853,108
Retained earnings			
– Proposed dividend	18	185,298	178,113
– Others	18	4,373,681	4,086,662
		<u>14,832,971</u>	<u>13,830,075</u>
Minority interests		<u>7,298,506</u>	<u>6,928,613</u>
<b>Total equity</b>		<u>22,131,477</u>	<u>20,758,688</u>

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Unaudited Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Net cash (used in)/generated from operating activities	(897,420)	537,810
Net cash generated from/(used in) investing activities	180,139	(2,398,216)
Net cash generated from financing activities	<u>1,212,990</u>	<u>1,715,398</u>
Increase/(decrease) in cash and cash equivalents	495,709	(145,008)
Cash and cash equivalents at the beginning of period	3,587,245	2,305,639
Exchange gains on cash and cash equivalents	<u>99,372</u>	<u>63,621</u>
Cash and cash equivalents at the end of period	<u><u>4,182,326</u></u>	<u><u>2,224,252</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	4,182,522	2,224,480
Bank overdrafts	<u>(196)</u>	<u>(228)</u>
	<u><u>4,182,326</u></u>	<u><u>2,224,252</u></u>

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Reserves HK\$'000	Minority interests HK\$'000	Total HK\$'000
Balance at 1 January 2008	712,192	13,117,883	6,928,613	20,758,688
Currency translation differences	—	706,021	341,897	1,047,918
Share of change in fair value of cash-flow hedges of an associated entity	—	14,510	—	14,510
Change in fair value of available-for-sale financial assets	—	33,530	6,990	40,520
Net income recognised directly in equity	—	754,061	348,887	1,102,948
Profit for the period	—	465,189	174,213	639,402
Total recognised income for the six months ended 30 June 2008	—	1,219,250	523,100	1,742,350
Employee share options scheme - value of employee services	—	901	—	901
Issue of shares net of issuing expenses	486	2,488	—	2,974
Acquisition of additional interests in a subsidiary	—	—	(12,998)	(12,998)
Disposal of a subsidiary	—	(42,066)	—	(42,066)
Dividend paid	—	(178,163)	(140,209)	(318,372)
	486	(216,840)	(153,207)	(369,561)
<b>Balance at 30 June 2008</b>	<b>712,678</b>	<b>14,120,293</b>	<b>7,298,506</b>	<b>22,131,477</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

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

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.



# Notes to the Condensed Consolidated Interim Financial Information

## 1 GENERAL INFORMATION

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

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

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited and Singapore Exchange Securities Trading Limited.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 17 September 2008.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Company’s audited consolidated financial statements for the year ended 31 December 2007.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008.

- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transactions;
- HK(IFRIC)-Int 12, Service Concession Arrangements; and
- HK(IFRIC)-Int 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Except for HK(IFRIC)-Int 12, the adoption of these interpretations do not have significant impact on the Group’s condensed consolidated interim financial information.

HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The adoption of HK(IFRIC)-Int 12 resulted in a retrospective change in accounting policy for the Group’s toll highways and bridges. Before the adoption of HK(IFRIC)-Int 12, the construction costs of the Group’s toll highways and bridges were recorded as tangible infrastructure. Following the adoption of HK(IFRIC)-Int 12, these construction costs shall be recognised as intangible operating rights to the extent that the Group receives a right (a license) to charge users of the public service. In addition, management applies units-of-usage method as amortisation method for the Group’s intangible operating rights retrospectively.



# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES (continued)

The following new standards, amendments/revisions to standards and interpretation have been issued but are not yet effective and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments/revisions to standards and interpretation to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

# Notes to the Condensed Consolidated Interim Financial Information

## 4 SEGMENT INFORMATION

Revenue and segment results for the period are as follows:

### *Primary reporting format - business segments*

The Group operates primarily in Hong Kong and China and in the following business segments:

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

There are no significant sales between these business segments.

### *Secondary reporting format - geographical segments*

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

Hong Kong - properties

China - properties, toll operations and paper

Others - properties

There are no significant sales between these geographical segments.

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

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

Capital expenditure comprises additions to intangible operating rights and property, plant and equipment (Note 9), investment properties (Note 10) and leasehold land and land use rights in relation to property, plant and equipment (Note 11), including additions resulting from acquisitions through business combinations.

# Notes to the Condensed Consolidated Interim Financial Information

## 4 SEGMENT INFORMATION (continued)

### Primary reporting format - business segments

	Properties and others		Toll operations		Paper		Group	
	Six months ended 30 June							
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue	1,717,734	1,699,079	493,695	348,346	1,495,449	733,264	3,706,878	2,780,689
Segment results	343,771	306,780	256,549	176,123	45,213	(19,430)	645,533	463,473
Unallocated operating costs							(19,565)	(15,834)
Gain on disposal of a subsidiary	28,552	—	—	—	—	—	28,552	—
Impairment of plant and equipment	—	—	—	—	(246,263)	—	(246,263)	—
Interest income							36,845	14,808
Net foreign exchange gain on financing activities							313,381	1,698
Finance costs							(229,701)	(162,002)
Share of profits less losses of:								
- jointly controlled entities	(2,011)	—	(19,084)	1,870	—	—	(21,095)	1,870
- associated entities	61,736	37,170	145,468	159,013	—	—	207,204	196,183
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost							40,988	—
Profit before taxation							755,879	500,196
Taxation							(116,477)	95,704
Profit for the period							639,402	595,900
Capital expenditure	16,158	59,761	2,964	4,594,755	42,202	148,492	61,324	4,803,008
Depreciation and amortisation	74,670	80,549	116,603	93,795	52,365	44,441	243,638	218,785

# Notes to the Condensed Consolidated Interim Financial Information

## 4 SEGMENT INFORMATION (continued)

### Primary reporting format - business segments (continued)

	Properties and others		Toll operations		Paper		Group	
	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000
Segment assets	27,282,027	24,986,841	9,767,234	9,403,559	6,694,856	5,918,826	43,744,117	40,309,226
Interests in jointly controlled entities	196,435	191,515	222,920	227,873	—	—	419,355	419,388
Interests in associated entities	1,643,279	1,363,731	2,129,827	1,755,521	—	—	3,773,106	3,119,252
Unallocated assets							465,225	296,516
Total assets							48,401,803	44,144,382
Segment liabilities	7,030,587	6,144,598	166,768	144,879	930,481	731,351	8,127,836	7,020,828
Unallocated liabilities							18,142,490	16,364,866
Total liabilities							26,270,326	23,385,694

### Secondary reporting format - geographical segments

	Revenue		Capital expenditure		Total assets	
	For the six months ended 30 June					
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000
Hong Kong	44,706	34,330	—	—	1,926,917	1,252,508
China	3,660,184	2,732,700	61,324	4,803,008	45,965,822	42,555,820
Overseas	1,988	13,659	—	—	43,839	39,538
	3,706,878	2,780,689	61,324	4,803,008	47,936,578	43,847,866
Unallocated assets					465,225	296,516
Total assets					48,401,803	44,144,382



# Notes to the Condensed Consolidated Interim Financial Information

## 5 EXPENSES BY NATURE

Cost of sales, selling and distribution expenses and general and administrative expenses included the following:

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Amortisation of intangible operating rights	113,877	92,001
Amortisation of leasehold land and land use rights	46,476	60,959
Depreciation:		
- Owned property, plant and equipment	83,267	65,809
- Leased property, plant and equipment	18	16
Provision for/(reversal of provision for) doubtful debts	53,469	(78,094)
Impairment of plant and equipment	246,263	—
Reversal of provision for impairment of properties under development and properties held for sale	—	(11,566)
	<u>          </u>	<u>          </u>

## 6 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 per cent (2007: 17.5 per cent) on the estimated assessable profit for the period.
- (b) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25 per cent with effect from 1 January 2008. As a result of the new CIT Law and the reduction of the corporate income tax rate, deferred taxation on temporary differences that are expected to be reversed after 1 January 2008 have been reduced with approximately HK\$250,959,000 and HK\$21,443,000 credited to the income statement and equity respectively in 2007. The New CIT Law also provides certain grandfathering provisions and concessions which are set out below.

### *Gradual changes of applicable tax rate*

Under the New CIT Law, certain subsidiaries, associated entities and jointly controlled entities of the Group with principal income tax rate of 18 per cent will be gradually accelerated to a higher tax rate of 25 per cent in a period of 5 years starting from 1 January 2008.

### *Corporate withholding income tax on dividend distribution*

Under the New CIT Law, corporate withholding income tax will be levied on the foreign investor for dividend which arises from profit of foreign investment enterprises earned after 1 January 2008, at tax rates ranging from 5 per cent to 10 per cent.

- (c) China land appreciation tax is levied at progressive rates ranging from 30 per cent to 60 per cent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

# Notes to the Condensed Consolidated Interim Financial Information

## 6 TAXATION (continued)

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

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
<b>Company and subsidiaries</b>		
Current taxation		
- Hong Kong profits tax	3,930	1,685
- China enterprise income tax	99,039	124,418
- China land appreciation tax	197,817	30,151
Deferred taxation		
- Origination and reversal of temporary differences	(201,500)	(999)
- Effect of change in tax rate	—	(250,959)
- Corporate withholding income tax on dividend distribution	17,191	—
	<u>116,477</u>	<u>(95,704)</u>

## 7 EARNINGS PER SHARE

### Basic

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

	Six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company (HK\$'000)	<u>465,189</u>	<u>416,740</u>
Weighted average number of ordinary shares in issue ('000)	<u>7,124,566</u>	<u>6,813,691</u>
Basic earnings per share (HK cents)	<u>6.53</u>	<u>6.12</u>

# Notes to the Condensed Consolidated Interim Financial Information

## 7 EARNINGS PER SHARE (continued)

### Diluted

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

	Six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company (HK\$'000)	<u>465,189</u>	<u>416,740</u>
Weighted average number of ordinary shares in issue ('000)	7,124,566	6,813,691
Adjustments for share options ('000)	<u>48,606</u>	<u>57,220</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>7,173,172</u>	<u>6,870,911</u>
Diluted earnings per share (HK cents)	<u>6.49</u>	<u>6.07</u>

## 8 INTERIM DIVIDEND

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
2008 interim, proposed of HK 2.60 cents (2007: HK 2.30 cents) per share	<u>185,298</u>	<u>163,616</u>

# Notes to the Condensed Consolidated Interim Financial Information

## 9 INTANGIBLE OPERATING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

	Intangible operating rights HK\$'000	Property, plant and equipment HK\$'000
<b>Opening net book amount at 1 January 2008</b>	<b>6,795,284</b>	<b>5,222,910</b>
Exchange differences	431,699	323,288
Additions	2,241	48,449
Disposals	(262)	(11,320)
Impairment	—	(246,263)
Amortisation/depreciation	(113,877)	(83,285)
<b>Closing net book amount at 30 June 2008</b>	<b>7,115,085</b>	<b>5,253,779</b>
Opening net book amount at 1 January 2007	1,943,681	2,354,331
Exchange differences	201,492	73,846
Additions	—	184,497
Acquisition of a subsidiary	4,592,168	1,419
Disposals	—	(6,817)
Amortisation/depreciation	(92,001)	(65,825)
Closing net book amount at 30 June 2007	6,645,340	2,541,451

## 10 INVESTMENT PROPERTIES

	2008 HK\$'000	2007 HK\$'000
At 1 January	5,984,228	5,625,185
Exchange differences	344,057	154,910
Additions	10,634	24,924
Transfer from properties held for sale, properties under development, leasehold land and land use rights	—	313,863
Disposals	(67,193)	(88,963)
Fair value gains credited to income statement	11,653	91,529
At 30 June	6,283,379	6,121,448

# Notes to the Condensed Consolidated Interim Financial Information

## 11 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2008 HK\$'000	2007 HK\$'000
At 1 January	8,676,498	6,920,196
Exchange differences	492,425	220,036
Additions	49,465	1,066,691
Disposals	(182,169)	(237,340)
Transfer to investment properties	—	(145,426)
Amortisation charged to income statement	(46,476)	(60,959)
Amortisation capitalised in properties under development	(37,805)	(27,273)
	<u>8,951,938</u>	<u>7,735,925</u>
At 30 June, analysed as:		
Non-current	4,453,664	5,008,599
Current (Note (i))	4,498,274	2,727,326
	<u>8,951,938</u>	<u>7,735,925</u>
At 31 December 2007, analysed as:		
Non-current		4,277,157
Current (Note (i))		4,399,341
		<u>8,676,498</u>

Note:

- (i) Included in the balance is an amount of approximately HK\$352 million (31 December 2007: HK\$340 million) which represents the land use right that the Group has contributed into a property project in exchange for certain property units to be developed on the land upon completion of the project.

## 12 GOODWILL

	2008 HK\$'000	2007 HK\$'000
At 1 January	119,186	—
Acquisition of a subsidiary	—	115,043
Exchange differences	7,514	2,309
Impairment losses	(2,366)	—
	<u>124,334</u>	<u>117,352</u>

# Notes to the Condensed Consolidated Interim Financial Information

## 13 TRADE RECEIVABLES

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

	As at	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000
0 - 30 days	398,552	211,793
31 - 90 days	206,563	161,820
91 - 180 days	43,849	23,470
181 - 365 days	37,354	46,815
Over 1 year	46,996	33,794
	<u>733,314</u>	<u>477,692</u>

## 14 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	As at	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000
0 - 30 days	439,747	109,559
31 - 90 days	311,723	257,029
91 - 180 days	22,459	193,915
181 - 365 days	25,132	6,831
Over 1 year	3,460	9,985
	<u>802,521</u>	<u>577,319</u>

# Notes to the Condensed Consolidated Interim Financial Information

## 15 BORROWINGS

	As at	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000
<b>Non-current</b>		
Long-term bank borrowings		
- Secured	4,916,148	3,977,940
- Unsecured	5,202,739	5,764,311
Obligations under finance leases	50	62
Bond payable	436,634	—
Loans from minority shareholders of subsidiaries	355,810	333,420
	<u>10,911,381</u>	<u>10,075,733</u>
<b>Current</b>		
Bank overdrafts	196	362
Short-term bank borrowings		
- Secured	285,649	165,528
- Unsecured	1,019,550	848,233
Current portion of long-term bank borrowings		
- Secured	898,064	812,687
- Unsecured	1,075,218	668,869
Loans from a related company (Note 25 (c))	55,265	54,398
Obligations under finance leases	30	38
	<u>3,333,972</u>	<u>2,550,115</u>
Total borrowings	<u>14,245,353</u>	<u>12,625,848</u>

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000
Within one year	3,278,677	2,495,679	55,295	54,436
In the second year	5,484,496	6,280,599	50	24
In the third to fifth year	1,494,294	1,217,158	—	38
Over five years	3,140,097	2,244,494	436,634	—
With no fixed repayment terms	—	—	355,810	333,420
	<u>13,397,564</u>	<u>12,237,930</u>	<u>847,789</u>	<u>387,918</u>

# Notes to the Condensed Consolidated Interim Financial Information

## 16 SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2007	6,803,538	680,354
Issue of shares upon exercise of share options (Note 17)	17,448	1,745
At 30 June 2007	6,820,986	682,099
At 1 January 2008	7,121,918	712,192
Issue of shares upon exercise of share options (Note 17)	4,860	486
<b>At 30 June 2008</b>	<b>7,126,778</b>	<b>712,678</b>

## 17 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options '000
At 1 January 2007	140,412
Exercised during the period	(17,448)
At 30 June 2007	122,964
At 1 January 2008	79,032
Granted during the period	5,800
Exercised during the period	(4,860)
<b>At 30 June 2008</b>	<b>79,972</b>



# Notes to the Condensed Consolidated Interim Financial Information

## 17 SHARE OPTIONS (continued)

Particulars of share options as at 30 June 2008 and 31 December 2007 are as follows:

Date of grant	Exercise period	Exercise price HK\$	Number of outstanding share options	
			As at 30 June 2008 '000	As at 31 December 2007 '000
2 May 2003	2 May 2003 — 1 May 2013	0.4100	11,870	12,430
2 June 2003	2 June 2003 — 1 June 2013	0.5400	7,000	7,000
27 October 2003	27 October 2003 — 26 October 2013	0.8140	2,620	2,620
23 December 2003	23 December 2003 — 22 December 2013	0.8460	11,440	11,620
23 June 2004	23 June 2004 — 22 June 2014	0.6300	41,242	45,362
28 May 2008	28 May 2008 — 27 May 2018	1.5560	5,800	—
			<b>79,972</b>	<b>79,032</b>

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

As at 30 June 2008, 75,912,000 (31 December 2007: all) of the outstanding share options were exercisable.

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

# Notes to the Condensed Consolidated Interim Financial Information

## 18 RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Statutory reserves HK\$000 (Note (a))	Exchange fluctuation reserve HK\$'000	Cash-flow hedging reserve HK\$'000	Asset revaluation reserve HK\$'000 (Note (a))	Available-for-sale financial assets fair value reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2008	6,530,583	1,815	208,693	1,335,130	(26,266)	211,625	580,160	11,368	4,264,775	13,117,883
Currency translation differences	—	—	—	668,047	—	—	37,974	—	—	706,021
Share of change in fair value of cash-flow hedges of an associated entity	—	—	—	—	14,510	—	—	—	—	14,510
Change in fair value of available-for-sale financial assets										
- gross	—	—	—	—	—	—	43,201	—	—	43,201
- tax	—	—	—	—	—	—	(9,671)	—	—	(9,671)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	465,189	465,189
Disposal of a subsidiary	—	—	—	(42,066)	—	—	—	—	—	(42,066)
Transfer	—	—	(417)	—	—	(6,761)	—	—	7,178	—
Employee share option scheme – value of employee services	—	—	—	—	—	—	—	901	—	901
Issue of shares net of issuing expenses	2,488	—	—	—	—	—	—	—	—	2,488
Transfer upon exercise of share options	595	—	—	—	—	—	—	(595)	—	—
Dividend paid	—	—	—	—	—	—	—	—	(178,163)	(178,163)
<b>At 30 June 2008</b>	<b>6,533,666</b>	<b>1,815</b>	<b>208,276</b>	<b>1,961,111</b>	<b>(11,756)</b>	<b>204,864</b>	<b>651,664</b>	<b>11,674</b>	<b>4,558,979</b>	<b>14,120,293</b>
Representing:										
2008 interim dividend proposed									185,298	
Others									4,373,681	
									<u>4,558,979</u>	

# Notes to the Condensed Consolidated Interim Financial Information

## 18 RESERVES (continued)

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

# Notes to the Condensed Consolidated Interim Financial Information

## 18 RESERVES (continued)

Note:

- (a) Statutory reserves represent enterprise expansion and general reserve funds set aside by the subsidiaries, jointly controlled entities and associated entities in China. As stipulated by regulations in China, the Company's subsidiaries, jointly controlled entities and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital.

The asset revaluation reserve represents the fair value gain which is attributable to the 40 percent equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co., Ltd.") previously held by the Group arising from the acquisition of 20 percent additional equity interest in GNSR Expressway Co., Ltd.

## 19 DEFERRED TAXATION

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

Deferred taxation as at 30 June 2008 and 31 December 2007 represents:

	As at	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Deferred tax assets		
- Hong Kong profits tax	728	6,377
- China enterprise income tax	139,815	64,863
	<u>140,543</u>	<u>71,240</u>
Deferred tax liabilities		
- Hong Kong profits tax	20,854	27,608
- China enterprise income tax	2,497,467	2,401,034
- China land appreciation tax	841,791	846,735
	<u>3,360,112</u>	<u>3,275,377</u>

# Notes to the Condensed Consolidated Interim Financial Information

## 20 DISPOSAL OF A SUBSIDIARY

On 1 June 2008, the Group disposed of the entire equity interest in Metrogold Development Limited (“Metrogold”), a subsidiary of the Group, to GZI Real Estate Investment Trust (“GZI REIT”), an associated entity of the Group, in exchange for cash and additional units in GZI REIT.

Details of the assets and liabilities disposed of and the gain on disposal are as follows:

	2008 HK\$'000
Assets and liabilities disposed of	
Investment properties	730,255
Goodwill	7,402
Other receivables, prepayments and deposits	9,955
Cash and cash equivalents	29,439
Other payables and accrued charges	(29,935)
Taxation payable	(728)
Deferred tax liabilities	(69,587)
	<hr/>
Net assets disposed of	676,801
	<hr/> <hr/>
Purchase consideration:	
Cash received	472,201
Fair value of additional units in GZI REIT	191,320
	<hr/>
Total consideration	663,521
Direct costs attributable to the disposal	(8,501)
Less: Net assets disposed of	(676,801)
	<hr/>
	(21,781)
Less: Unrealised portion	8,267
Add: Release of exchange reserve	42,066
	<hr/>
Gain on disposal of a subsidiary	28,552
	<hr/> <hr/>
Inflow of cash arising from disposal of a subsidiary:	
Cash consideration	472,201
Direct costs attributable to the disposal	(8,501)
Cash and cash equivalents in the subsidiary disposed of	(29,439)
	<hr/>
Net cash inflow from disposal of a subsidiary	434,261
	<hr/> <hr/>

# Notes to the Condensed Consolidated Interim Financial Information

## 20 DISPOSAL OF A SUBSIDIARY (continued)

Details of the additional share of GZI REIT's net assets acquired and the resulting goodwill are as follows:

	<b>2008</b>
	<b>HK\$'000</b>
Purchase consideration – Fair value of additional units in GZI REIT received	<b>191,320</b>
Share of the fair value of GZI REIT's net assets acquired (Note (i))	<b>(232,308)</b>
	<hr/>
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost (Note (ii))	<b>(40,988)</b>
	<hr/> <hr/>

Notes:

- (i) The share of the fair value of GZI REIT's net assets acquired represents the share of the net asset value of GZI REIT attributable to the additional units in GZI REIT as at 1 June 2008.
- (ii) The amount is recognised in the condensed consolidated income statement.

## 21 CONTINGENT LIABILITIES

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note (a))	<b>881,056</b>	774,723
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) In connection with the disposal of a subsidiary to GZI REIT during the period, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately HK\$88 million. The Deed of Indemnity will be expired on 30 May 2014.

# Notes to the Condensed Consolidated Interim Financial Information

## 22 COMMITMENTS UNDER OPERATING LEASES

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

	As at	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Not later than one year (Note (a))	475,817	433,807
Later than one year and not later than five years	197,895	126,721
Later than five years	375,572	230,412
	<u>1,049,284</u>	<u>790,940</u>

Note:

- (a) Included in this amount were commitments totalling approximately HK\$429 million as at 30 June 2008 (31 December 2007: HK\$372 million) relating to certain land use rights for which ownership certificates have not yet been obtained. As at 30 June 2008, total consideration for these land use rights amounted to approximately HK\$4,610 million (31 December 2007: HK\$3,511 million) for which the Group has prepaid approximately HK\$4,181 million (31 December 2007: HK\$3,139 million).

## 23 OTHER COMMITMENTS

	As at	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Capital commitments in respect of property, plant and equipment:		
- contracted but not provided for	675,105	669,327
- authorised but not contracted for	798,036	861,985
	<u>1,473,141</u>	<u>1,531,312</u>

At 30 June 2008, the Group had financial commitments in respect of equity capital to be injected into a jointly controlled entity and an associated entity of approximately HK\$119,345,000 (31 December 2007: HK\$305,600,000).

# Notes to the Condensed Consolidated Interim Financial Information

## 24 SECURITIES FOR BANKING FACILITIES

At 30 June 2008, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with an aggregate carrying value of approximately HK\$1,809 million (31 December 2007: HK\$1,392 million), HK\$320 million (31 December 2007: HK\$180 million), HK\$3,163 million (31 December 2007: HK\$2,610 million) and HK\$13 million (31 December 2007: HK\$13 million) respectively;
- (b) mortgages of certain of the Group's leasehold land and land use rights with an aggregate carrying value of approximately HK\$234 million (31 December 2007: HK\$236 million);
- (c) pledge of the Group's investments in certain subsidiaries with net assets value of approximately HK\$549 million (31 December 2007: HK\$544 million);
- (d) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately HK\$2,676 million (31 December 2007: HK\$3,974 million);
- (e) corporate guarantee provided by a minority shareholder of a subsidiary in the amount of approximately HK\$2,685 million (31 December 2007: HK\$2,388 million); and
- (f) toll fee collection right of a toll highway of the Group.

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table below summarises the names of related parties, with whom the Group has significant transactions during the period, and their relationship with the Company as at 30 June 2008:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	A substantial shareholder
Yue Xiu Finance Company Limited ("YXF")	A subsidiary of YXE
Yue Xiu International Development Limited ("YXIDL")	A subsidiary of YXE
Guangzhou Construction & Development Group Co., Ltd. ("GCDGL")	A minority shareholder of certain subsidiaries
Guangzhou Paper Holdings Limited ("GZPHL")	A minority shareholder of a subsidiary
Guangdong Humen Bridge Co., Ltd. ("GHB")	An associated entity
Guangdong Shantou Bay Bridge Co., Ltd. ("GSB")	An associated entity
GZI Real Estate Investment Trust ("GZI REIT")	An associated entity



# Notes to the Condensed Consolidated Interim Financial Information

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (b) Transactions with related parties

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

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Transactions with YXE		
Rental expenses and property management fees paid to YXE	(999)	(950)
Service fees paid to YXE	(300)	(300)
Transactions with GZPHL		
Rental and utility expenses paid to GZPHL (Note (i))	(213,850)	(155,700)
Transactions with YXF		
Management fees paid to YXF	(181)	(181)
Transaction with YXIDL		
Loan interest paid to YXIDL	(868)	(1,329)
Transactions with GZI REIT		
Asset management fees received from GZI REIT	13,423	11,883
Tenancy service fees received from GZI REIT	7,809	6,524
Rental expenses paid to GZI REIT	(1,192)	(1,584)
Transaction with GHB		
Loan interest received from GHB	4,517	11,740
Transaction with GSB		
Loan interest received from GSB	115	135

Note:

- (i) The rental and utility expenses paid to GZPHL were conducted in accordance with the terms of the waiver granted by the shareholders in early 2005.

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

# Notes to the Condensed Consolidated Interim Financial Information

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (c) Balances with related parties

	As at	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Amount due to a substantial shareholder (Note (i) and (v))	(78,034)	(30,174)
Loan receivables from associated entities (Note (iv), (vi) and (ix))	81,105	149,665
Amounts due from associated entities (Note (ii), (vii) and (ix))	83,220	154,045
Amounts due to associated entities (Note (ii) and (v))	(112,150)	(112,150)
Amounts due from jointly controlled entities (Note (ii), (vi) and (ix))	152,643	149,224
Amounts due to jointly controlled entities (Note (ii) and (v))	(153,992)	(146,044)
Amounts due from a minority shareholder of a subsidiary (Note (ii), (v) and (ix))	—	251,300
Amounts due to minority shareholders of subsidiaries (Note (ii) and (v))	(772,869)	(56,182)
Loans from a related company (Note (iii) and (viii))	(55,265)	(54,398)
Amounts due from related companies (Note (ii), (v) and (ix))	—	6,772
Amounts due to related companies (Note (ii) and (v))	(25,677)	(10,064)
	<u>          </u>	<u>          </u>

Note:

- (i) The balance at 30 June 2008 and 31 December 2007 is unsecured, interest free and repayable on demand.
- (ii) All balances are unsecured, interest free and have no fixed repayment terms.
- (iii) The loan balance at 30 June 2008 and 31 December 2007 is unsecured, interest bearing at Hong Kong Interbank Offered Rate plus 1 percent per annum and repayable within one year.
- (iv) The loan balances are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rates at 6 percent (31 December 2007: ranging from 7.25 percent to 8.25 percent) per annum and lending rates of financial institutions in China at 7.83 percent (31 December 2007: ranging from 6.12 percent to 7.47 percent) per annum.
- (v) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (vi) These balances are included in interests in jointly controlled entities or interests in associated entities, as appropriate.
- (vii) The balance is included in interests in associated entities except for an amount of approximately HK\$14,381,000 as at 30 June 2008 (31 December 2007: HK\$15,463,000) which is included in other receivables, prepayments and deposits.
- (viii) These balances are included in short-term or long-term borrowings.
- (ix) These balances were not in default or impaired as at 30 June 2008 and 31 December 2007, except for a provision for impairment losses of approximately HK\$33,179,000 made for an amount due from a jointly controlled entity as at 30 June 2008 and 31 December 2007.

### (d) Key management compensation

Key management compensation amounted to HK\$33,700,000 for the six months ended 30 June 2008 (for six months ended 30 June 2007: HK\$21,184,000).

# Other Information

## INTERESTS OF DIRECTORS

As at 30 June 2008, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) were as follows:

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

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Wang Hongtao	Personal	160,000	0.002
Ms Zhou Jin	Personal	100,000	0.001
Mr Lee Ka Lun	Personal	3,500,000	0.049

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

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding as at 1 January 2008	granted during the period(c)	outstanding as at 30 June 2008
Mr Tang Shouchun	23/06/2004(a)	0.630	1,560,000	—	1,560,000
Mr Lau Hon Chuen Ambrose	28/05/2008(b)	1.556	—	2,800,000	2,800,000
Mr Zhang Huaqiao	28/05/2008(b)	1.556	—	3,000,000	3,000,000

Notes:

- The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.
- The share options are exercisable from 28 May 2008 to 27 May 2018, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.
- The closing price per share immediately before 28 May 2008, the date of grant, was HK\$1.53.

Save as disclosed herein, as at 30 June 2008, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## Other Information

### DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 30 June 2008, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Long position in shares	Approximate % of interest
Yue Xiu <sup>(a)</sup>	Interests of controlled corporations	3,333,935,248	46.78
The Children's Investment Fund Management (UK) LLP <sup>(b)</sup>	Investment manager	365,482,000	5.13
The Children's Investment Master Fund <sup>(b)</sup>	Beneficial owner	365,482,000	5.13

Notes:

- (a) Yue Xiu is deemed by the SFO to be interested in 3,333,935,248 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long position in shares
Excellence Enterprises Co., Ltd. ("Excellence")	3,325,548,981
Bosworth International Limited ("Bosworth")	2,430,846,821
Sun Peak Enterprises Ltd. ("Sun Peak")	565,683,000
Novena Pacific Limited ("Novena")	565,683,000
Shine Wah Worldwide Limited ("Shine Wah")	158,049,000
Morrison Pacific Limited ("Morrison")	158,049,000
Perfect Goal Development Co., Ltd. ("Perfect Goal")	135,737,000
Greenwood Pacific Limited ("Greenwood")	135,737,000
Seaport Development Limited ("Seaport")	35,233,160
Goldstock International Limited ("Goldstock")	35,233,160
Yue Xiu Finance Company Limited ("YXF")	8,386,267

- (i) 2,430,846,821 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
- (ii) 565,683,000 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 158,049,000 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 135,737,000 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 35,233,160 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.
- (vi) 8,386,267 shares were held by YXF, which was wholly-owned by Yue Xiu.
- (b) The Children's Investment Fund Management (UK) LLP is the investment manager of The Children's Investment Master Fund and is accordingly deemed to be interested in the shares held by The Children's Investment Master Fund.



## SHARE OPTIONS

### (i) The Company

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

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

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

## Other Information

No options had been cancelled or lapsed during the period. Movements during the period of the options granted under the share option scheme of the Company to the employees of the Group other than the directors of the Company as disclosed on page 43 were as follows:

Number of share options			Exercise price per share HK\$	Date of grant	Exercisable period	Weighted average closing price (b) HK\$
outstanding as at 1 January 2008	exercised during the period	outstanding as at 30 June 2008				
12,430,000	(560,000)	11,870,000	0.4100	02/05/2003	02/05/2003 - 01/05/2013 (a)	1.59
7,000,000	—	7,000,000	0.5400	02/06/2003	02/06/2003 - 01/06/2013 (a)	N/A
2,620,000	—	2,620,000	0.8140	27/10/2003	27/10/2003 - 26/10/2013 (a)	N/A
11,620,000	(180,000)	11,440,000	0.8460	23/12/2003	23/12/2003 - 22/12/2013 (a)	1.32
43,802,000	(4,120,000)	39,682,000	0.6300	23/06/2004	23/06/2004 - 22/06/2014 (a)	1.65

Notes:

- (a) The options granted were exercisable in 3 tranches.
- (b) The weighted average closing price per share immediately before the dates on which the options were exercised.

The fair value of the share options granted during the period with exercise price per share of HK\$1.556 is estimated at a weighted average fair value of HK\$0.4236 using the Binomial option pricing model. Values are appraised based on the risk-free rate of 3.124% per annum with reference to the rate prevailing on the Hong Kong Exchange Fund Bills & Notes, an approximately 10-year period historical volatility of 46.134%, assuming dividend yield at 2.96% per annum and an expected option life of ten years. Inputs are applied throughout the Binomial option pricing models with different vesting schedules.

The Binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

### (ii) GZI Transport

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

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



## CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, except for the following deviations:

### Code Provision A.2.1

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

As at 30 June 2008, Mr Ou Bingchang was then the Chairman and General Manager of the Company. The Chairman is responsible for overseeing the operation of the Board and providing leadership and direction towards achieving the Company’s objectives. In contrast the General Manager of the Company is responsible for the operation of the business under the direction of the Board and the implementation of the policies and strategies set by the Board. The combination of the roles of the Chairman and the General Manager in one person is intended to ensure that the Board is in full control of the affairs of the Company and that the policies and strategies set by the Board would be efficiently and effectively implemented.

At the board meeting of the Company held on 31 July 2008, Mr Ou Bingchang resigned as Chairman and General Manager of the Company with effect from 31 July 2008. On the same date, Mr Lu Zhifeng was appointed as Chairman of the Company and Mr Zhang Zhaoxing was appointed as Vice Chairman and General Manager of the Company. Accordingly, the deviation ceased to apply upon the appointment of the new Chairman and the new General Manager.

### Code Provision A.4.1

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

## REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed and approved the Interim Results Announcement and the Interim Report for the six months ended 30 June 2008 and the relevant financial information has not been audited.

The auditor of the Company, PricewaterhouseCoopers, has performed a review on the interim financial information of the Group for the six months ended 30 June 2008 prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting”, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and a report was issued by them dated 17 September 2008.

## Other Information

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2008.

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

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES**

The Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 3 November 2008 to Wednesday, 5 November 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company’s Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Friday, 31 October 2008.



# Corporate and Investor Relations Information

## BOARD OF DIRECTORS

### Executive directors

Mr Lu Zhifeng (*Chairman*)  
(appointed with effect from 31 July 2008)  
Mr Zhang Zhaoxing  
(appointed with effect from 31 July 2008)  
Mr Liang Yi  
Mr Tang Shouchun  
Mr Wang Hongtao  
Ms Zhou Jin  
Mr Li Xinmin  
Mr He Zili

### Non-executive director

Mr Zhang Huaqiao

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

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

## COMPANY SECRETARY

Mr Yu Tat Fung

## QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

## HONG KONG LEGAL ADVISORS

Baker & McKenzie  
Jones Day

## PRINCIPAL BANKERS

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

## WEBSITES TO ACCESS COMPANY INFORMATION

<http://www.irasia.com/listco/hk/gzinvestment>  
<http://www.gzinvestment.com.hk>  
<http://www.hkexnews.hk>

## REGISTERED OFFICE

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

## SHARE REGISTRAR

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

## SHARE LISTING

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

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

## INVESTOR RELATIONS

For further information about  
Guangzhou Investment Company Limited,  
please contact:  
Mr He Zili  
Telephone : (852) 2511 6671  
Facsimile : (852) 2598 7688  
Email : [contact@gzinvestment.com.hk](mailto:contact@gzinvestment.com.hk)

## ADR DEPOSITARY BANK

The Bank of New York  
American Depositary Receipts  
620 Avenue of the Americas, 6th Floor  
New York, NY 10011, USA  
Telephone : (646) 885 3218  
Facsimile : (646) 885 3043

本集團在廣州市區主要房地產項目位置分佈圖  
 Location Map of Major Property Projects of the Group in Guangzhou Urban Area

