



Interim Report
中期報告

2009

GDH

Guangdong Investment Limited
粵海投資有限公司

Stock Code 股份代號 : 270



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Corporate Information

(as at 14 September 2009)

Board of Directors

Executive Directors

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

Non-Executive Directors

Dr. CHENG Mo Chi, Moses, *GBS, OBE, JP*
Mr. HUANG Xiaofeng
Mr. ZHAI Zhiming
Ms. XU Wenfang
Mr. LI Wai Keung
Mr. SUN Yingming
Ms. WANG Xiaofeng

Independent Non-Executive Directors

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

Audit Committee

Dr. The Honourable LI Kwok Po, David, *GBM, GBS, OBE, JP*
(*Committee Chairman*)
Mr. CHAN Cho Chak, John, *GBS, JP*
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*
Dr. CHENG Mo Chi, Moses, *GBS, OBE, JP*

Remuneration Committee

Mr. CHAN Cho Chak, John, *GBS, JP*
(*Committee Chairman*)
Dr. The Honourable LI Kwok Po, David, *GBM, GBS, OBE, JP*
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*
Dr. CHENG Mo Chi, Moses, *GBS, OBE, JP*

Company Secretary

Mrs. HO LAM Lai Ping, Theresa

Auditors

Ernst & Young

Principal Bankers

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

Registered Office

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

Share Registrar

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

Share Information

Place of Listing	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code	270
Board lot	2,000 shares
Financial year end	31 December

Shareholders' Calendar

Closure of Register of Members	12 October 2009 and 13 October 2009
Interim Dividend Payable	5.0 HK cents per ordinary share 30 October 2009

Report on Review of Interim Financial Information



18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the Board of Directors of Guangdong Investment Limited

Introduction

We have reviewed the interim financial information set out on pages 4 to 29 which comprise the condensed consolidated balance sheet of Guangdong Investment Limited as at 30 June 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing 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 aspects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
14 September 2009

Unaudited Interim Condensed Consolidated Financial Statements

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	3	3,934,402	3,765,499
Cost of sales		(1,884,350)	(2,063,093)
Gross profit		2,050,052	1,702,406
Other income and gain		66,295	67,116
Selling and distribution costs		(37,988)	(41,746)
Administrative expenses		(273,100)	(270,526)
Other operating expenses, net		(182,277)	(57,233)
Finance costs	4	(141,786)	(190,584)
Share of profits of jointly-controlled entities		47,485	48,220
Share of profits less losses of associates		8,378	(6,907)
PROFIT BEFORE TAX	5	1,537,059	1,250,746
Tax	6	(332,552)	(293,036)
PROFIT FOR THE PERIOD		1,204,507	957,710
Attributable to:			
Equity holders of the Company		1,009,855	896,716
Minority interests		194,652	60,994
		1,204,507	957,710
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	16.37 HK cents	14.63 HK cents
Diluted		16.24 HK cents	14.43 HK cents

Unaudited Interim Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Note	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD		1,204,507	957,710
Fair value gains on property, plant and equipment		583	—
Exchange differences on translation of foreign operations		2,772	410,389
Net gains on cash flow hedges	10	109,756	88,216
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		113,111	498,605
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,317,618	1,456,315
Attributable to:			
Equity holders of the Company		1,110,026	1,305,452
Minority interests		207,592	150,863
		1,317,618	1,456,315

Unaudited Interim Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet

30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Unaudited) (Restated) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,561,363	2,271,930
Investment properties		3,968,757	4,032,698
Prepaid land lease payments		830,367	838,589
Goodwill		268,955	262,370
Interests in jointly-controlled entities		1,015,063	994,757
Interests in associates		196,502	274,118
Intangible assets		17,074,968	17,454,798
Deferred tax assets		15,648	16,361
Other long term assets		—	6
Total non-current assets		25,931,623	26,145,627
CURRENT ASSETS			
Available-for-sale investments		—	56,718
Tax recoverable		175	174
Inventories		57,168	50,190
Receivables, prepayments and deposits	9	908,024	722,807
Derivative financial instruments	10	135,522	169,367
Restricted cash and bank balances		2,831	2,831
Cash and cash equivalents		3,787,693	4,096,977
Total current assets		4,891,413	5,099,064
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(1,300,753)	(1,512,351)
Tax payable		(180,820)	(268,282)
Derivative financial instruments	10	(362,697)	(312,770)
Due to minority shareholders of subsidiaries		(376,610)	(346,825)
Interest-bearing bank borrowings	12	(310,550)	(310,409)
Other liabilities — current portion	13	(118,200)	(118,200)
Total current liabilities		(2,649,630)	(2,868,837)
NET CURRENT ASSETS		2,241,783	2,230,227
TOTAL ASSETS LESS CURRENT LIABILITIES		28,173,406	28,375,854
NON-CURRENT LIABILITIES			
Derivative financial instruments	10	(196,778)	(395,472)
Due to minority shareholders of subsidiaries		(11,121)	(18,007)
Interest-bearing bank borrowings	12	(7,092,682)	(8,083,401)
Other liabilities	13	(1,663,104)	(1,680,072)
Deferred tax liabilities		(798,009)	(717,271)
Total non-current liabilities		(9,761,694)	(10,894,223)
Net assets		18,411,712	17,481,631

Unaudited Interim Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet (continued)

30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Unaudited) (Restated) HK\$'000
	<i>Notes</i>		
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	3,093,169	3,080,694
Reserves	16	12,774,909	11,945,145
Proposed dividend		310,672	369,683
		16,178,750	15,395,522
Minority interests		2,232,962	2,086,109
Total equity		18,411,712	17,481,631

Unaudited Interim Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to equity holders of the Company											Total equity (Unaudited) HK\$'000		
	Issued capital (Unaudited) HK\$'000	Ordinary Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Expansion fund reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000 (note 16)	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000		Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000
At 1 January 2008	3,051,969	2,339,544	1,485	8,406	1,430,009	(150,817)	501,859	505,735	74,049	5,896,520	366,236	14,024,995	2,006,491	16,031,486
Profit for the period	—	—	—	—	—	—	—	—	—	896,716	—	896,716	60,994	957,710
Other comprehensive income	—	—	—	—	—	77,780	—	330,956	—	—	—	408,736	89,869	498,605
Total comprehensive income	—	—	—	—	—	77,780	—	330,956	—	896,716	—	1,305,452	150,863	1,456,315
Share options exercised, net of share issue expenses	24,225	28,151	—	—	—	—	—	—	—	—	—	52,376	—	52,376
Transfer from the income statement	—	—	—	—	—	—	1,480	—	—	(1,480)	—	—	—	—
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	—	—	(23,657)	(23,657)
Final 2007 dividend paid	—	—	—	—	—	—	—	—	—	(2,067)	(366,236)	(368,303)	—	(368,303)
Interim 2008 dividend declared (note 7)	—	—	—	—	—	—	—	—	—	(246,456)	246,456	—	—	—
Transfer from retained profits during the period in accordance with the Undertaking (note 16)	—	—	—	—	—	—	—	—	2,089	(2,089)	—	—	—	—
Transfer to retained profits upon issue of new Ordinary Shares during the period (note 16)	—	—	—	—	—	—	—	—	(52,393)	52,393	—	—	—	—
At 30 June 2008	3,076,194	2,367,695	1,485	8,406	1,430,009	(73,037)	503,339	836,691	23,745	6,593,537	246,456	15,014,520	2,133,697	17,148,217

Unaudited Interim Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2009

	Attributable to equity holders of the Company											Total equity (Unaudited) HK\$'000		
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Expansion fund reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000 (note 16)	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000		Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000
At 1 January 2009	3,080,694	2,374,157	3,350	12,947	1,430,009	(437,264)	651,610	831,042	10,677	7,088,617	369,683	15,395,522	2,086,109	17,481,631
Profits for the period	—	—	—	—	—	—	—	—	—	1,009,855	—	1,009,855	194,652	1,204,507
Other comprehensive income	—	—	—	447	—	97,484	—	2,240	—	—	—	100,171	12,940	113,111
Total comprehensive income	—	—	—	447	—	97,484	—	2,240	—	1,009,855	—	1,110,026	207,592	1,317,618
Share options exercised, net of share issue expenses	12,475	27,014	—	—	—	—	—	—	—	—	—	39,489	—	39,489
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	—	—	—	(31,778)	(31,778)
Equity-settled share option arrangements	—	—	4,893	—	—	—	—	—	—	—	—	4,893	—	4,893
Transfer from the income statement	—	—	—	—	—	—	(204)	—	—	204	—	—	—	—
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	—	—	(28,961)	(28,961)
Final 2008 dividend paid	—	—	—	—	—	—	—	—	—	(1,497)	(369,683)	(371,180)	—	(371,180)
Interim 2009 dividend declared (note 7)	—	—	—	—	—	—	—	—	—	(310,672)	310,672	—	—	—
Transfer from retained profits during the period in accordance with the Undertaking (note 16)	—	—	—	—	—	—	—	—	40,483	(40,483)	—	—	—	—
Transfer to retained profits upon issue of new Ordinary Shares during the period (note 16)	—	—	—	—	—	—	—	—	(39,518)	39,518	—	—	—	—
At 30 June 2009	3,093,169	2,401,171	8,243	13,394	1,430,009	(339,780)	651,406	833,282	11,642	7,765,542	310,672	16,178,750	2,232,962	18,411,712

Unaudited Interim Condensed Consolidated Financial Statements

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,615,502	1,227,727
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(866,244)	(513,949)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(1,498,901)	(735,404)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(749,643)	(21,626)
Cash and cash equivalents at beginning of period	3,216,194	1,812,337
Effect of foreign exchange rate changes, net	1,402	115,303
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,467,953	1,906,014
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,106,673	731,542
Non-pledged bank deposits with original maturity of less than three months when acquired	1,361,280	1,174,472
	2,467,953	1,906,014

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements

30 June 2009

1. Accounting Policies

The unaudited interim condensed consolidated financial statements of Guangdong Investment Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 2 to the interim condensed consolidated financial statements.

2. Changes in Accounting Policies

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs which are generally effective for accounting periods beginning on or after 1 January 2009. Except for HKAS 1 (Revised) and its amendments and HKFRS 8 giving rise to changes in presentation and disclosures of financial statements as detailed below, the adoption of these new and revised standards, interpretations and amendments has had no material impact on these interim condensed consolidated financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment — Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording for annual periods beginning on or after 1 January 2009.

* Improvements to HKFRSs contains amendments to HKFRS 5[#], HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

[#] Effective for annual periods beginning on or after 1 July 2009

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

2. Changes in Accounting Policies (continued)

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

(a) HKAS 1 (Revised) "Presentation of Financial Statements"

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group adopted HKAS 1 (Revised) from 1 January 2009. The adoption of the revised standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain presentational changes in the presentation and disclosures of financial statements.

(b) Amendments to HKAS 1 (Revised) "Presentation of Financial Statements"

Amendments to HKAS 1 reaffirmed that if a financial liability is held primarily for trading purposes, it should be presented as current regardless of its maturity date. Also, derivatives that have a maturity of more than twelve months and are expected to be held for more than twelve months after the reporting period should be presented as non-current assets or liabilities. The Group has reclassified its derivative financial instruments with maturity of more than twelve months to non-current liabilities retrospectively in accordance with the amendments to HKAS 1.

(c) HKFRS 8 "Operating Segments"

HKFRS 8, which replaces HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group adopted HKFRS 8 from 1 January 2009. The adoption of the revised standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain presentational changes in the presentation and disclosures of financial statements.

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

3. Segment Information

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

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

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

3. Segment Information (continued)

The following table presents revenue and profit/(loss) for the Group's reportable segments for the six months ended 30 June 2009 and 2008.

	Property Investment and Development		Toll Roads and Bridges		Water Distribution	
	For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June	
	2009	2008	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	387,254	341,171	7,727	6,895	2,065,754	1,811,220
Intersegment sales	49,509	44,477	—	—	—	—
Other revenue from external sources (note)	8,402	10,191	53	44	2,302	780
Other revenue from intersegment (note)	—	—	—	—	—	—
Exchange gains/(losses), net	(15)	2,231	27	1,001	146	(57,086)
Total	445,150	398,070	7,807	7,940	2,068,202	1,754,914
Segment results	252,894	332,008	2,819	1,917	1,290,736	984,145
Interest income						
Other unallocated gains/(losses), net						
Finance costs						
Share of profits less losses of:						
Jointly-controlled entities	—	—	47,485	48,220	—	—
Associates	—	—	3,763	4,817	—	—
Profit before tax						
Tax						
Profit for the period						

Note: Excluding exchange gains/(losses), net

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

3. Segment Information (continued)

	Electric Power Generation		Hotel Operations and Management		Department Stores	
	For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June	
	2009	2008	2009	2008	2009	2008
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	198,463	406,379	137,241	168,039	1,137,963	1,031,795
Intersegment sales	—	—	—	—	—	—
Other revenue from external sources (note)	5,349	6,639	120	199	13,648	8,882
Other revenue from intersegment (note)	—	—	—	—	—	—
Exchange gain/(losses), net	(5)	(654)	(136)	107	30	3,035
Total	203,807	412,364	137,225	168,345	1,151,641	1,043,712
Segment results	(32,790)	(101,050)	(14,967)	49,236	115,601	103,789
Interest income						
Other unallocated gains/(losses), net						
Finance costs						
Share of profits less losses of:						
Jointly-controlled entities	—	—	—	—	—	—
Associates	(10,453)	(31,883)	—	—	15,068	20,159
Profit before tax						
Tax						
Profit for the period						

Note: Excluding exchange gains/(losses), net

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

3. Segment Information (continued)

	Others		Eliminations		Consolidated	
	For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June	
	2009	2008	2009	2008	2009	2008
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	—	—	—	—	3,934,402	3,765,499
Intersegment sales	—	—	(49,509)	(44,477)	—	—
Other revenue from external sources (note)	619	718	—	—	30,493	27,453
Other revenue from intersegment (note)	1,715	1,359	(1,715)	(1,359)	—	—
Exchange gain/(losses), net	(166)	1,731	—	—	(119)	(49,635)
Total	2,168	3,808	(51,224)	(45,836)	3,964,776	3,743,317
Segment results	(27,113)	(9,690)	—	—	1,587,180	1,360,355
Interest income					36,098	37,694
Other unallocated gains/(losses), net					(296)	1,968
Finance costs					(141,786)	(190,584)
Share of profits less losses of:						
Jointly-controlled entities	—	—	—	—	47,485	48,220
Associates	—	—	—	—	8,378	(6,907)
Profit before tax					1,537,059	1,250,746
Tax					(332,552)	(293,036)
Profit for the period					1,204,507	957,710

Note: Excluding exchange gains/(losses), net

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

4. Finance Costs

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable ⁽¹⁾ :		
Within five years	47,307	128,803
Over five years	6,394	13,470
Total interest expense on financial liabilities not at fair value through profit or loss	53,701	142,273
Finance charges on cash flow hedges, net (note 10)	88,085	48,311
Total finance costs for the period	141,786	190,584

⁽¹⁾ Net of government grants of HK\$15,757,000 (six months ended 30 June 2008: HK\$27,645,000) in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of Dongshen Water Supply Phase IV Renovation Project (the "Phase IV Renovation Project"). There are no unfulfilled conditions or contingencies relating to these grants.

5. Profit Before Tax

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

	Note	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest income**		(36,098)	(37,694)
Ineffectiveness of cash flow hedges**	10	296	206
Cost of inventories sold*		1,023,411	1,046,891
Depreciation		78,894	97,395
Recognition of prepaid land lease payments		8,262	8,223
Amortisation of intangible assets*		402,865	407,273
Changes in fair value of investment properties [^]		67,806	(12,526)
Loss on disposal of items of property, plant and equipment, net [^]		1,000	1,627
Impairment of interest in an associate [^]		75,385	—
Impairment of intangible assets [^]		—	55,415
Impairment of items of property, plant and equipment [^]		36,174	14,435
Write-back of impairments of receivables [^]		(113)	(5,960)

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

6. Tax

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current — Hong Kong	2,780	2,914
Current — Mainland China	248,626	270,048
Deferred	81,146	20,074
Total tax charge for the period	332,552	293,036

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in those places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The share of taxes attributable to jointly-controlled entities and associates amounting to HK\$4,125,000 (six months ended 30 June 2008: HK\$5,713,000) and HK\$2,652,000 (six months ended 30 June 2008: HK\$71,000) are included in "Share of profits of jointly-controlled entities" and "Share of profits less losses of associates", respectively, on the face of the condensed consolidated income statement.

7. Dividend

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interim — 5.0 HK cents (2008: 4.0 HK cents) per ordinary share	310,672	246,456

At a meeting of the board of directors held on 14 September 2009, the directors resolved to pay an interim dividend to shareholders of 5.0 HK cents (2008: 4.0 HK cents) for the six months ended 30 June 2009.

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

8. Earnings per Share Attributable to Ordinary Equity Holders of the Company

The calculations of the basic and diluted earnings per share for the six months ended 30 June 2009 and 2008 are based on:

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	1,009,855	896,716

	For the six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
Shares:		
Weighted average number of Ordinary Shares in issue during the period used in the basic earnings per share calculation	6,169,989,719	6,128,329,829
Effect of dilution — weighted average number of Ordinary Shares that assumed to have been issued:		
Share options	47,826,006	84,037,836
For the purpose of diluted earnings per share calculation	6,217,815,725	6,212,367,665

9. Receivables, Prepayments and Deposits

	Note	30 June	31 December
		2009 (Unaudited) HK\$'000	2008 (Audited) HK\$'000
Trade receivables, net of impairment		422,879	247,955
Other receivables, prepayments and deposits		483,274	470,634
Due from the immediate holding company	19(a)	1,198	1,991
Due from fellow subsidiaries	19(a)	673	2,227
		908,024	722,807

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water supply business from the Government of the HKSAR (31 December 2008: electricity supply business), giving rise to a certain concentration of credit risk of 64% (31 December 2008: 28%) of the total trade receivables.

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

9. Receivables, Prepayments and Deposits (continued)

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within 3 months	420,380	247,296
3 months to 6 months	949	770
6 months to 1 year	2,018	778
More than 1 year	10,411	11,372
	433,758	260,216
Less: Impairment	(10,879)	(12,261)
	422,879	247,955

10. Derivative Financial Instruments

Assets

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Interest rate swap agreements	135,522	169,367

Liabilities

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Unaudited) (Restated) HK\$'000
Interest rate swap agreements		
Current portion	362,697	312,770
Non-current portion	196,778	395,472
	559,475	708,242

The Group entered into certain interest rate swap agreements to hedge the interest rate risk arising from two credit facilities (the "Refinancing Facilities").

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

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

10. Derivative Financial Instruments (continued)

Cash flow hedges

At 30 June 2009, the Group had certain interest rate swap agreements with a total notional amount of HK\$4,600 million (31 December 2008: HK\$5,200 million) designated and qualified as hedges in respect of the Group's Refinancing Facilities, whereby the Group receives interest at Hong Kong Inter Bank Offered Rates ("HIBOR") per annum and pays interest at a range of fixed rates per annum on the notional amounts. The swap agreements converted the interest obligation arising from the Refinancing Facilities from the floating rate of HIBOR to a range of fixed interest rates per annum for the period from the effective dates of respective contracts to 2012.

The terms of these swap agreements have been negotiated to match the respective terms of the Refinancing Facilities. The cash flow hedges of the Refinancing Facilities were assessed to be highly effective and the net fair value gain on cash flow hedges of HK\$97,484,000 (six months ended 30 June 2008: HK\$77,780,000) included in the hedging reserve was as follows:

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Total fair value gains included in the hedging reserve	2,701	39,905
Fair value losses transferred from the hedging reserve and recognised in the income statement*	107,055	48,311
Net movement on cash flow hedges	109,756	88,216
Portion shared by minority interests	(12,272)	(10,436)
Net movement attributable to the equity holders of the Company for the six months ended 30 June	97,484	77,780

* Included in the balance were amounts of HK\$88,085,000 (six months ended 30 June 2008: HK\$48,311,000) (note 4) charged to finance costs upon realisation of certain interest rate swap agreements and HK\$18,970,000 (six months ended 30 June 2008: nil) included in other income and gain upon revocation of designation of certain interest rate swap agreements for hedge accounting during the period.

Derivatives not qualified for hedge accounting

At 30 June 2009, the Group had various other interest rate swap agreements which did not meet the criteria for hedge accounting. The net loss in the fair value of these derivatives not qualified for hedge accounting amounting to HK\$296,000 (six months ended 30 June 2008: HK\$206,000) (note 5) was included in the income statement during the period.

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

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

11. Payables, Accruals and Other Liabilities

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Note</i>		
Trade and bills payables		181,333	241,486
Accruals and other liabilities		1,111,119	1,266,431
Due to the immediate holding company	19(a)	4,249	2,592
Due to fellow subsidiaries	19(a)	4,052	1,842
		1,300,753	1,512,351

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within 3 months	169,876	239,678
3 months to 6 months	10,472	840
6 months to 1 year	985	968
	181,333	241,486

12. Interest-Bearing Bank Borrowings

	Effective interest rate	Maturity	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current				
Bank loan — secured	4.38%	2009	310,550	310,409
Non-current				
Bank loans — secured	0.47%–5.54%*	2010–2017	7,092,682	8,083,401
			7,403,232	8,393,810

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

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

13. Other Liabilities

At 30 June 2009, included in the other liabilities was a non-interest-bearing receipt in advance amounting to HK\$1,654,800,000 (31 December 2008: HK\$1,654,800,000). In a prior year, the HKSAR granted a loan facility with a principal amount of HK\$2,364 million (the "Loan Facility") to the Guangdong Provincial Government (the "GPG") for the purpose of the Phase IV Renovation Project. Pursuant to the concession agreement dated 18 August 2000 entered into between the GPG and Guangdong Yue Gang Water Supply Company Limited ("WaterCo"), a 87.93% (2008: 87.57%) subsidiary of the Group, the Loan Facility was utilised for the construction of the Phase IV Renovation Project. Upon the completion of the Phase IV Renovation Project during the year ended 31 December 2003, the Group acquired and recorded the assets of the Phase IV Renovation Project and assumed the repayment obligations of the Loan Facility from the GPG as a non-interest-bearing receipt in advance, through the deduction of future water revenue to be received by the Group from the Government of the HKSAR, by an annual amount of HK\$118,200,000 for 20 years commencing from December 2003.

14. Share Capital

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Authorised: 8,000,000,000 (31 December 2008: 8,000,000,000) ordinary shares of HK\$0.50 each ("Ordinary Shares")	4,000,000	4,000,000
Issued and fully paid: 6,186,338,071 (31 December 2008: 6,161,388,071) Ordinary Shares	3,093,169	3,080,694

A summary of movements of the Company's issued and fully paid Ordinary Shares and Ordinary Share premium account is as follows:

Note	Number of Ordinary Shares in issue (Unaudited)	Issued capital (Unaudited) HK\$'000	Ordinary Share premium account (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2009	6,161,388,071	3,080,694	2,374,157	5,454,851
Share options exercised (i)	24,950,000	12,475	27,014	39,489
At 30 June 2009	6,186,338,071	3,093,169	2,401,171	5,494,340

- (i) During the six months ended 30 June 2009, the subscription rights attaching to 24,950,000 (six months ended 30 June 2008: 48,450,000) share options were exercised at subscription prices ranging from HK\$1.25 to HK\$1.59 (six months ended 30 June 2008: HK\$0.96 to HK\$1.59) per Ordinary Share (note 15), resulting in the issue of 24,950,000 (six months ended 30 June 2008: 48,450,000) Ordinary Shares for a total consideration, net of expenses, of HK\$39,489,000 (six months ended 30 June 2008: HK\$52,376,000).

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

15. Share Option Schemes

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

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

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

The following share options were outstanding under the Company's share option schemes during the period:

	2009		2008	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.686	114,350	1.244	180,500
Exercised during the period	1.584	(24,950)	1.081	(48,450)
Lapsed during the period	—	—	0.960	(28,000)
At 30 June	1.715	89,400	1.396	104,050

The weighted average share price at the date of exercise for share options exercised during the period was HK\$3.274 per share (six months ended 30 June 2008: HK\$3.779 per share).

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

15. Share Option Schemes (continued)

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date are as follows:

2009		
Number of options '000	Exercise price* HK\$ per share	Exercise period** (dd.mm.yyyy)
27,100	1.25	25-08-2004 to 24-08-2009
1,500	3.405	11-06-2006 to 10-06-2011
24,320	1.88	24-10-2010 to 23-04-2014
18,240	1.88	24-10-2011 to 23-04-2014
6,080	1.88	24-10-2012 to 23-04-2014
12,160	1.88	24-10-2013 to 23-04-2014
89,400		

2008		
Number of options '000	Exercise price* HK\$ per share	Exercise period (dd.mm.yyyy)
20,500	1.22	08-08-2003 to 07-08-2008
45,050	1.25	25-08-2004 to 24-08-2009
37,000	1.59	07-05-2004 to 06-05-2009
1,500	3.405	11-06-2006 to 10-06-2011
104,050		

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

** Further details regarding the share options granted under the 2008 Scheme are set out in (i) the "Share Option Scheme adopted on 24 October 2008" in the "Directors' Interests and Short Positions in Securities" section of this report on page 37; and (ii) the "2008 Scheme" in the "Share Options of the Company" section of this report on page 41.

16. Reserves

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



Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

16. Reserves (continued)

During the six months ended 30 June 2009, the release of provision as determined above was HK\$40,483,000 (six months ended 30 June 2008: HK\$2,089,000); and no profit was distributed from the Company's subsidiaries in both the current and prior periods as determined above, resulting in an aggregate transfer from retained profits to the Special Reserve of the Group of HK\$40,483,000 (six months ended 30 June 2008: HK\$2,089,000).

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

During the six months ended 30 June 2009, the reduction of the Special Reserve and the capitalisation of the same amount to retained profits, which resulted from the aggregate increase in paid-up share capital and share premium account due to the issue of the Company's Ordinary Shares in the current period (before any share issue expenses), amounted to HK\$39,517,500 (six months ended 30 June 2008: HK\$52,393,000). In effecting the reduction and capitalisation as aforesaid, the amount transferred from the Special Reserve is kept to an amount not exceeding the balance of the Special Reserve before such transfer.

The amount credited to the Special Reserve shall not at any time exceed HK\$2,984,676,517 (the "Limit"). The Limit may be reduced by the amount of any increase, after the Effective Date, in the paid-up share capital or share premium account of the Company which results from the issue of shares as referred to above. The Limit may also be reduced by the amount of any non-permanent loss of the Company as at 30 June 2003 which subsequently turns into a permanent loss. During the period, there was no non-permanent loss which has turned into a permanent loss of the Group and the Company (2008: Nil).

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

As at 30 June 2009, the Limit of the Special Reserve was reduced by an increase in paid-up share capital due to the issue of the Company's Ordinary Shares during the period of HK\$39,517,500.

The Limit, as adjusted, was HK\$600,070,533 (31 December 2008: HK\$639,588,033) and the amount standing to the credit of the Special Reserve was HK\$11,641,616 (31 December 2008: HK\$10,676,525) as at 30 June 2009.

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

17. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to fifteen years (31 December 2008: one to nineteen years).

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	17,134	26,238
In the second to fifth years, inclusive	73,551	71,409
After five years	101,134	116,757
	191,819	214,404

In addition to the operating lease arrangements as disclosed above, the Group leases certain leasehold properties for the department store operations of a subsidiary of the Group. The rental charge for the six months ended 30 June 2009 amounting to HK\$9,184,068 (year ended 31 December 2008: HK\$8,050,000) is calculated with reference to the revenue generated by the subsidiary of the Group.

18. Commitments

In addition to the operating lease commitments detailed in note 17 above, the Group had the following commitments at the balance sheet date:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
(a) Capital commitments in respect of property, plant and equipment:		
Contracted for	817,135	567,632
Authorised, but not contracted for	2,831,949	1,015,919
	3,649,084	1,583,551

- (b) Pursuant to WaterCo's article of association, Guangdong Holdings Limited, which directly holds an 1% equity interest in WaterCo and is the Company's ultimate holding company, is not entitled to receive any distributed profits of WaterCo for the first fifteen years of operation from 2000 and 100% of the distributed profits for that period shall be made to GH Holdings. Starting from the sixteenth year of WaterCo's operation, 1.01% of the distributed profits of WaterCo for the first fifteen years of operation plus simple interest at a rate of 8% per annum on the unpaid amount of the distributed profits shall be made to Guangdong Holdings Limited (collectively referred to as the "Deferred Dividend"). Once Guangdong Holdings Limited has received the Deferred Dividend in full, all of the WaterCo's distributable profits are to be distributed to GH Holdings and Guangdong Holdings Limited according to their respective equity interests in WaterCo during the remaining operating period.

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

19. Significant Related Party Transactions

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

(a) Outstanding balances with related parties

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Balances due from:			
Immediate holding company	(i)	1,198	1,991
Fellow subsidiaries	(ii)	673	2,227
Associate	(iii)	21,268	7,280
Balances due to:			
Immediate holding company	(i)	(4,249)	(2,592)
Fellow subsidiaries	(ii)	(4,052)	(1,842)

Notes:

- (i) The balance with the immediate holding company is unsecured, non-interest-bearing and has no specific terms of repayment.
- (ii) The balances with fellow subsidiaries are unsecured, non-interest-bearing and have no specific terms of repayment.
- (iii) The balance with the associate is unsecured, non-interest-bearing and has no specific terms of repayment.

(b) Compensation of directors and key management personnel of the Group

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Short term employee benefits	1,969	1,383
Post-employment benefits	174	121
Equity-settled share option expense	3,405	—
Total compensation paid to directors and key management personnel	5,548	1,504

Unaudited Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2009

20. Capital Expenditure

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment, investment properties and intangible assets of approximately HK\$430,066,000 (six months ended 30 June 2008: HK\$58,677,000), in aggregate.

21. Post Balance Sheet Event

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

22. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 14 September 2009.

Results

The Board is pleased to report the results of the Group for the six months ended 30 June 2009 (the "Period"). The Group's unaudited consolidated net profit attributable to shareholders amounted to HK\$1,010 million (2008: HK\$897 million), representing an increase of 12.6% as compared with the same period last year. The basic earnings per share was 16.37 HK cents (2008: 14.63 HK cents) representing an increase of 11.9% as compared with the same period last year.

Interim dividend

The Board declares an interim dividend of 5.0 HK cents per share for the Period (2008: 4.0 HK cents).

Financial review

The unaudited consolidated revenue of the Group for the Period was HK\$3,934 million (2008: HK\$3,765 million), an increase of 4.5% as compared with the same period last year. The growth was mainly contributed by the water distribution business and the department stores business, but partially offset by the decrease in the power generation business.

The unaudited consolidated net profit attributable to shareholders of the Group for the Period amounted to HK\$1,010 million (2008: HK\$897 million), an increase of 12.6%. The increase was mainly contributed by water distribution business as a result of the new Hong Kong Water Supply Agreement for 2009 to 2011.

During the Period, the Company recorded a decrease in the fair value of investment properties for HK\$68 million (2008: an increase in the fair value for HK\$13 million) and an impairment of interest in associate for the power generation business for HK\$75 million (2008: nil). Mainly because of the lower interest rate, the finance cost decreased by 25.6% to HK\$142 million.

The basic earnings per share was 16.37 HK cents (2008: 14.63 HK cents), representing an increase of 11.9% as compared with the same period of last year.

Business Overview

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

Water Distribution

Profit contribution from the Dongshen Water Supply Project remained significant to the Group. The Company's interest in the holding company of the Dongshen Water Supply Project has increased by 0.37% to 88.82% during the Period. The holding company in turn has a 99% interest in the Dongshen Water Supply Project.

The designed annual capacity of water supply is 2.423 billion cubic meters. The total water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.009 billion cubic meters (2008: 1.084 billion cubic meters), a decrease of 6.9%, generating revenue of HK\$2,065,754,000 (2008: HK\$1,811,220,000), an increase of 14.1%.

Under the Hong Kong Water Supply Agreement for 2009 to 2011 as concluded between the Government of Hong Kong and the Guangdong Provincial Government last year, the total annual revenue for water sales to Hong Kong for the three years 2009, 2010 and 2011 are to be HK\$2,959 million, HK\$3,146 million and HK\$3,344 million, respectively. Compared to the total annual revenue of HK\$2,494.8 million for 2008, there will be a 18.6% increase in the Hong Kong water sales revenue this year.

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

The water sales volume to the Shenzhen area decreased by 0.9% to 458 million cubic meters during the Period (2008: 462 million cubic meters). However, benefiting from the increase in the RMB exchange rate, the water sales revenue to the Shenzhen area for the Period increased by 2.3% to HK\$393,126,000 (2008: HK\$384,106,000).

Affected by the economic slowdown, some factories in Dongguan either were closed down or had moved to other areas. The water sales volume to the Dongguan area decreased by 18.3% to 170 million cubic meters during the Period (2008: 208 million cubic meters). The water sales revenue to the Dongguan area for the Period decreased by 11.4% to HK\$58,750,000 (2008: HK\$66,314,000).

The profit before tax of the water distribution business for the Period was HK\$1,151,412,000 (2008: HK\$796,473,000), 44.6% higher than that in the same period last year. The EBITDA of the water distribution business during the Period amounted to HK\$1,724,292,000 (2008: HK\$1,433,430,000), an increase of 20.3%.

Electric Power Generation

Zhongshan Power Plant

The Group's effective interest in Zhongshan Power Plant is 59.85% (a 95% owned subsidiary of the Company holding a 63% interest in the project). Zhongshan Power Plant has 2 power generating units with a total installed capacity of 110 MW. In the Period, sales of electricity amounted to 311 million kwh (2008: 373 million kwh), a decrease of 16.6%. Revenue for the Period amounted to HK\$198,463,000 (2008: HK\$201,747,000), a decrease of 1.6%. The decrease in revenue was mainly due to decrease in demand in electricity under the current economic environment but compensated by a 9.6% increase in average electricity tariff. In any event, because of the decrease in the coal price, the profit margin for the Period significantly increased as compared to the first six months of 2008. The profit before tax for the Period was HK\$73,169,000 (2008: loss before tax HK\$51,475,000, including an impairment loss of HK\$55,415,000).

Shaoguan Power Plant D ("Shaoguan PPD")

The Group's effective interest in Shaoguan PPD is 45.9%. Guangdong Power (International) Limited, a 51% owned subsidiary of the Company, holds a 90% interest in Shaoguan PPD. As reported in the Company's 2008 Annual Report, Shaoguan PPD's power generation unit was closed down at the end of last year.

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

The Group's effective interest in Yue Jiang Power Plant is 11.48% (Shaoguan PPD holding 25% interest in this project). Yue Jiang Power Plant has 2 power units with a total installed capacity of 600 MW. Revenue for the Period amounted to HK\$667,661,000 (2008: HK\$649,940,000), an increase of 2.7% which was mainly due to the increase in the tariff. As Yue Jiang Power Plant needed time to use up the coal it had purchased last year when the coal price was high, the cost of coal remained high in the beginning of the Period. As a result, Yue Jiang Power Plant suffered a loss before tax of HK\$57,332,000 for the Period (2008: HK\$175,952,000). Considering the profitability of Yue Jiang Power Plant, an impairment provision of HK\$75,385,000 in relation to the investment in Yue Jiang Power Plant has been made during the Period.

Meixian Power Plant

The Group's effective interest in Meixian Power Plant is 12.25% (a 49% associate of the Company, Guangdong Power Investment Limited ("GD Power Investment"), holding a 25% interest in the project). Revenue for the Period amounted to HK\$577,073,000 (2008: HK\$541,904,000), an increase of 6.5%. Because of the decrease in the coal price, the profit before tax for the Period was HK\$25,256,000 (2008: loss before tax HK\$59,656,000). During the Period, no dividend income was received by GD Power Investment from this investment (2008: HK\$20,540,000).

Toll Roads and Bridges

"1 Road and 2 Bridges"

In the Period, the profit before tax of the Group's 51% owned jointly-controlled entity (the "JCE") which holds interests in the "1 Road and 2 Bridges" projects amounted to HK\$101,197,000 in aggregate (2008: HK\$105,750,000), a decrease of 4.3%.

(i) Humen Bridge

The JCE holds a 23% interest in this project. During the Period, average daily traffic flow of this bridge decreased by 20.9% to 54,570 vehicle trips (2008: 68,950 vehicle trips). Revenue for the Period amounted to HK\$459,884,000 (2008: HK\$600,797,000), a decrease of 23.5%. This was mainly because with the completion of the repair and maintenance works at the Guangshen Highway last year, the Humen Bridge can no longer benefit from the traffic that would otherwise be diverted to it as a result. Accordingly, the profit before tax for the Period decreased by 17.7% to HK\$367,893,000 (2008: HK\$447,222,000).

(ii) Shantou Haiwan Bridge

The JCE holds a 30% interest in this project. During the Period, the average daily traffic flow of this bridge increased by 1.2% to 13,511 vehicle trips (2008: 13,357 vehicle trips). Revenue for the Period increased by 4.7% to HK\$91,877,000 (2008: HK\$87,788,000). The profit before tax for the Period was HK\$68,926,000 (2008: HK\$65,092,000), an increase of 5.9%.

(iii) Guangzhou-Shantou Highway (Huizhou Section)

The JCE holds a 51% interest in this project. During the Period, the average daily traffic flow of this highway has decreased by 3.1% to 14,855 vehicle trips (2008: 15,336 vehicle trips). Revenue for the Period was HK\$28,188,000 (2008: HK\$28,520,000), a decrease of 1.2%. Profit before tax for the Period was HK\$5,457,000 (2008: HK\$6,077,000), a decrease of 10.2%.

Yingkeng Highway

The Group's effective interest in this project is 70%. During the Period, the average daily traffic flow of this highway increased by 5.7% to 3,985 vehicle trips (2008: 3,770 vehicle trips). Revenue increased by 18.0% to HK\$8,134,000 (2008: HK\$6,895,000). The profit before tax for the Period increased by 206.3% to HK\$2,806,000 (2008: HK\$916,000).

Panyu Bridge

The Group's effective interest in this project is 20%. During the Period, the average daily traffic flow of this bridge decreased by 4.6% to 52,604 vehicle trips (2008: 55,149 vehicle trips). As a result, revenue for the Period has decreased by 4.9% to HK\$65,667,000 (2008: HK\$69,073,000). The profit before tax for the Period was HK\$26,129,000 (2008: HK\$26,466,000), a decrease of 1.3%.

Property Investment

Mainland China

Teem Plaza

At 30 June 2009, the Group held an effective equity interest of 75.91% in 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited) ("Guangdong Teem"), which owns the investment property Teem Plaza comprising of a shopping mall, an office building and a hotel.

Revenue of Teem Plaza, comprising rental income from both the shopping mall (including rentals from department store run by the Group) and the office building, during the Period reached HK\$400,677,000 (2008: HK\$351,716,000), an increase of 14%. The profit before tax for the Period decreased by 19% to HK\$243,475,000 (2008: HK\$300,597,000), which included the effect of the losses of HK\$67,806,000 (2008: nil) arising from the revaluation of Teem Plaza.

The Teemall, one of the most popular shopping malls in the premier area of Guangzhou, has a total gross floor area and lettable area of approximately 160,000 square meters and 97,000 square meters, respectively. The mall continued to enjoy high average occupancy rate of approximately 99% during the Period (2008: 99%). The mall is successful in retaining existing brand-name tenants and attracting new ones. The strong demands for shop spaces in the mall and the introduction of the open tender system for selecting tenants resulted in substantial rental increases.

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

The office building, known as the Teem Tower (粵海天河城大廈), is a 45-storey Grade A office tower with a total gross floor area and lettable area of approximately 102,000 square meters and 90,000 square meters, respectively. Colliers International has been engaged to market and promote the leasing of all the office building units. With an occupancy rate of 81% (2008: 80%) as at 30 June 2009, the total rental income for the Period was HK\$67,632,000 (2008: HK\$52,189,000), an increase of 30%. The profit before tax for the Period increased to HK\$66,173,000 (2008: HK\$48,040,000).

The hotel, which will be a 5-star hotel with approximately 450 hotel rooms, is expected to be completed in early 2010. Sheraton Overseas Management Corporation has been engaged to operate, manage and promote the hotel under the name of Sheraton Guangzhou Hotel (粵海喜來登酒店) for an initial 10-year term. The estimated total development cost of the hotel (inclusive of also the historic land and further development costs) is about HK\$780 million, of which approximately HK\$319 million has been invested as at 30 June 2009.

Tianjin Teem Shopping Mall

During the Period, Guangdong Teem acquired a piece of land in Tianjin. The land will be developed into a large-scale modern shopping mall ("Tianjin Teem Shopping Mall"). The planned shopping mall will have a total gross floor area above ground and underground of approximately 137,100 square meters and 56,000 square meters respectively. The estimated total investment of the Tianjin Teem Shopping Mall is about HK\$2,416 million, of which approximately HK\$307 million has been invested as at 30 June 2009. The Tianjin Teem Shopping Mall is expected to be completed in 2013.

Hong Kong

Guangdong Investment Tower

Average occupancy rate of the Guangdong Investment Tower for the Period was 94.4% (2008: 100%), 5.6% lower than the same period last year. The total rental income for the Period was HK\$17,017,000 (2008: HK\$16,333,000), an increase of 4.2% which was due to an increase in the average rental.

Department Stores

At 30 June 2009, the Group held an effective equity interest of 85.06% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) which operates the Teemall store and Ming Sheng store and 廣州市天河城萬博百貨有限公司 which operates the Wan Bo store.

The Teemall store, with a total leased area of approximately 37,700 square meters (2008: 36,700 square meters), sells a wide range of products. Its sales revenue rank very high among the major department stores in Guangzhou. The revenue of the Teemall store slightly decreased to HK\$923,897,000 (2008: HK\$927,558,000) under the volatile retail environment driven by a global economic recession during the Period. As a result of its effort in reducing expenditure, the profit before tax for the Period was HK\$112,400,000 (2008: HK\$100,247,000), an increase of 12%.

The Ming Sheng store was opened in August 2008 with a total leased area of approximately 12,000 square meters. This new store contributed revenue of HK\$81,147,000 during the Period. The profit before tax for the Period was HK\$1,755,000.

The Wan Bo store operates as an outlet mall with a total leased area of approximately 12,400 square meters selling brand name products at substantial discounts. The revenue of Wan Bo store for the Period was HK\$132,919,000 (2008: HK\$104,237,000), an increase of 28%. The profit before tax for the Period increased to HK\$12,970,000 (2008: HK\$9,568,000).

Hotel Operations and Management

As at 30 June 2009, our hotel management team managed a total of 35 hotels (30 June 2008: 50 hotels), of which 2 were in Hong Kong, 1 in Macau and 32 in Mainland China. Of these 35 hotels, 9 were owned by the Group (2 in Hong Kong, 4 in Shenzhen, 1 in Zhuhai, 1 in Zhengzhou and 1 in Changzhou).

During the Period, the average room rate of the 5 existing star-rated hotels of the Group in Hong Kong, Shenzhen, Zhuhai, and Changzhou was HK\$431, a decrease of 16.0% as compared with that of the same period last year. For the hotel management business as a whole together with all the 5 hotels as aforesaid, the revenue for the Period decreased by 23.3% to HK\$119,752,000 (2008: HK\$156,051,000), and loss before tax amounted to HK\$6,170,000 was incurred (2008: profit before tax HK\$49,585,000) as a result of global economic downturn and impairments made on Guangdong Hotel (Zhu Hai) and 常州粤海之星有限公司 amounted to HK\$20,419,000 and HK\$11,210,000, respectively.

The Group also operated a chain of limited service hotels under the “粤海之星商務快捷連鎖酒店” brand name to meet the increasing demands of budget-conscious travelers in Mainland China. The aggregate revenue from these hotels for the Period increased by 45.9% to HK\$17,489,000 (2008: HK\$11,987,000). But they suffered a loss before tax of HK\$5,095,000 (2008: profit before tax of HK\$1,116,000) because of the fierce competition from other budget hotels that are targeting essential the same clientele.

Liquidity, Gearing and Financial Resources

As at 30 June 2009, the cash and bank balances of the Group decreased by HK\$309 million to HK\$3,791 million (31 December 2008: HK\$4,100 million), of which 12% in Hong Kong dollars, 78% in Renminbi and 10% in US dollars.

During the Period, the level of the Group's financial borrowing decreased by HK\$991 million, mainly due to the repayment of certain interest-bearing debts.

As at 30 June 2009, the Group's financial borrowings amounted to HK\$9,058 million (31 December 2008: HK\$10,049 million), of which 10% was in Renminbi and 90% was in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK\$1,655 million. Of the Group's total financial borrowings, HK\$429 million was repayable within one year while the remaining balance of HK\$6,925 million and HK\$1,704 million are repayable within two to five years and beyond five years from 30 June 2009 respectively.

Other than the bank debts incurred in respect of our water distribution business, the Group maintained credit facilities of RMB50 million as at 30 June 2009 (31 December 2008: RMB50 million).

The gearing (i.e. net financial indebtedness/net asset value (excluded minority interests)) of the Group as at 30 June 2009 was 0.35 times (31 December 2008: 0.41 times). The improvement is in fact a reflection of the reduction in the level of the Group's financial borrowings and the increase in the net assets of the Group. The Group is in a healthy debt servicing position as the EBITDA/finance cost is 14.9 times (31 December 2008: 9.73 times).

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

Pledge of Assets

As at 30 June 2009, none of the Group's property, plant and equipment, investment properties and bank deposits was pledged to secure general banking facilities granted to the Group (31 December 2008: Nil).

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

Capital Expenditure

The Group's capital expenditure in the first six months of 2009 amounted to HK\$430 million which was principally related to the construction in progress of the Sheraton Guangzhou Hotel and the acquisition of land in Tianjin for the new Tianjin Teem Shopping Mall.

Exposure to Fluctuations in Exchange and Interest Rates and Related Hedges

As at 30 June 2009, total Renminbi borrowings amounted to HK\$930 million (31 December 2008: HK\$930 million).

As at 30 June 2009, the Group's total floating rate borrowings amounted to HK\$7,403 million (31 December 2008: HK\$8,394 million). For the purpose of interest rate risk management, the group entered into certain fixed interest rate swap agreements, amounting to HK\$5,400 million (31 December 2008: HK\$5,400 million), with an average remaining life of 3 1/2 years.

Employee and Remuneration Policy

As at 30 June 2009, the Group had a total of 4,087 employees, of which 814 were at the managerial level. Among the employees, 3,885 were employed by subsidiaries in Mainland China and 202 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$182,132,000 (2008: HK\$167,665,000).

In 2009, even when facing the challenges of the continuing severe external economic crisis, the Group has continued its efforts to build up and strengthen its human resources, to fully mobilize the productivity and creativity of its staff and to enhance the competitiveness of the enterprise as a whole. At the same time, the Group further improves the standard of its management and through it enhances both our efficiency and competitive advantages. All these measures have made it possible for the Group to successfully maintain its stable and healthy growth despite all the unfavourable external conditions in the first half of the year. To ensure the Group will be able to sustain its growth and development in the long term, the Group has implemented in earnest the "Credibility, Integrity and Profitability" core value of our corporate culture and created an environment with its emphasis on fair competition and an impartial reward and discipline system that is most conducive to the grooming and nurturing of our human resources. The Group has in place the mechanism for regular performance appraisals of and feedback to our senior management staff to ensure their integrity and high performance. Our remuneration and incentive packages for our employees are driven mainly by the operating results of their respective companies. In order to effectively motivate our staff to actively create added value in their work, the incentive bonuses we pay to our management, key staff in their respective fields and staff with outstanding performance are determined not only by reference to the operating net cash flow and profits after tax of their respective companies, but also by applying a measure that links bonuses with the operating results of their companies and further taking into account of the individual performance of the staff concerned. The Group has adopted a new share option scheme in 2008 to better attract, retain and motivate outstanding staff to contribute to the continuing success of the Group in the long run. In terms of staff training and development, the Group encourages its staff to actively participate in relevant professional development and training programs. The Group has also continued to offer on an ongoing basis its various functional skilled-based and general corporate culture internal training to upgrade the overall quality of all our staff and thereby laying a solid foundation for the continual growth and development of the Group in years to come.

Prospects

Management is at present closely tracking the market situation, making efforts to keep costs down and continuing our push to optimise both our businesses and effectiveness. Our water distribution business is expected to maintain its solid market position and to bring in strong market share, stable profit and cash flow for the Group. Our property investment and development, and department stores businesses are also expected to maintain a steady growth. The overall business and cash flow of the Group are expected to maintain their healthy and steady growth.

The Group will continue to focus on its existing core businesses, with particular emphasis on utilities, infrastructure, and department stores including actively exploring a number of possible water resources and power generation related projects, as well as possible new investments in highway projects.

Directors' Interests and Short Positions in Securities

As at 30 June 2009, the interests and short positions of the Directors and chief executive 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 (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Interests and short positions in the Company

(i) Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note)
Li Wenyue	Personal	28,820,000	Long position	0.466%
Zhang Hui	Personal	3,000,000	Long position	0.048%
Cheng Mo Chi, Moses	Personal	1,000,000	Long position	0.016%
Wang Xiaofeng	Personal	1,000,000	Long position	0.016%
Chan Cho Chak, John	Personal	5,450,000	Long position	0.088%
Li Kwok Po, David	Personal	6,000,000	Long position	0.097%

Note: The approximate percentage of interests held was calculated on the basis of 6,186,338,071 ordinary shares of the Company in issue as at 30 June 2009.

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

(1) Share Option Scheme adopted on 31 May 2002 ("2002 Scheme")

Name of Director	Number of share options				At 30 June 2009	Date of grant of share options* (dd.mm.yyyy)	Total consideration paid for share options HK\$	Exercise period of share options (both days inclusive)* (dd.mm.yyyy)	Exercise price of share options** HK\$/per share	Price of ordinary share*** at date immediately before date of grant HK\$/per share	Price of ordinary share*** immediately before the exercise date HK\$/per share
	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period							
Li Wenyue	3,000,000	—	(3,000,000)	—	—	06.02.2004	1	07.05.2004 to 06.05.2009	1.59	1.57	3.30
	2,500,000	—	—	—	2,500,000	24.05.2004	1	25.08.2004 to 24.08.2009	1.25	1.25	—
Zhang Hui	3,000,000	—	(3,000,000)	—	—	06.02.2004	1	07.05.2004 to 06.05.2009	1.59	1.57	3.21
	2,500,000	—	—	—	2,500,000	24.05.2004	1	25.08.2004 to 24.08.2009	1.25	1.25	—
Cheng Mo Chi, Moses	1,000,000	—	(1,000,000)	—	—	06.02.2004	1	07.05.2004 to 06.05.2009	1.59	1.57	3.17
	450,000	—	—	—	450,000	24.05.2004	1	25.08.2004 to 24.08.2009	1.25	1.25	—
Wang Xiaofeng	1,000,000	—	(1,000,000)	—	—	06.02.2004	1	07.05.2004 to 06.05.2009	1.59	1.57	3.21
	650,000	—	—	—	650,000	24.05.2004	1	25.08.2004 to 24.08.2009	1.25	1.25	—
Li Kwok Po, David	1,000,000	—	(1,000,000)	—	—	06.02.2004	1	07.05.2004 to 06.05.2009	1.59	1.57	3.44
	450,000	—	(450,000)	—	—	24.05.2004	1	25.08.2004 to 24.08.2009	1.25	1.25	

Directors' Interests and Short Positions in Securities (continued)

(2) Share Option Scheme adopted on 24 October 2008 ("2008 Scheme")

Name of Director	Number of share options				At 30 June 2009	Date of grant of share options* (dd.mm.yyyy)	Total consideration paid for share options HK\$	Exercise price of share options** HK\$/ per share	Price of ordinary share*** at date immediately before date of grant HK\$/ per share	Price of ordinary share*** immediately before the exercise date HK\$/ per share
	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period						
Li Wenyue	9,500,000	—	—	—	9,500,000	24.10.2008	—	1.88	1.73	—
Zhang Hui	4,400,000	—	—	—	4,400,000	24.10.2008	—	1.88	1.73	—
Tsang Hon Nam	2,950,000	—	—	—	2,950,000	24.10.2008	—	1.88	1.73	—
Cheng Mo Chi, Moses	2,500,000	—	—	—	2,500,000	24.10.2008	—	1.88	1.73	—
Huang Xiaofeng	5,700,000	—	—	—	5,700,000	24.10.2008	—	1.88	1.73	—
Zhai Zhiming	3,900,000	—	—	—	3,900,000	24.10.2008	—	1.88	1.73	—
Xu Wenfang	3,300,000	—	—	—	3,300,000	24.10.2008	—	1.88	1.73	—
Li Wai Keung	3,350,000	—	—	—	3,350,000	24.10.2008	—	1.88	1.73	—
Sun Yingming	3,500,000	—	—	—	3,500,000	24.10.2008	—	1.88	1.73	—
Wang Xiaofeng	3,200,000	—	—	—	3,200,000	24.10.2008	—	1.88	1.73	—

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

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

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

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

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

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

- * The vesting period of the share options granted under the 2002 Scheme is from the date of the grant until the commencement of the exercise period. Details of the vesting periods of the share options granted under the 2008 Scheme are set out in the "Share Option Scheme adopted on 24 October 2008" section of this report.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- *** The price of the Company's ordinary share disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

The price of the Company's ordinary share disclosed as "immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the options were exercised by each of the Directors or all other participants as an aggregate whole.
- # Under the 2002 Scheme, the option period of any share option is the period expiring at 5:01 p.m. on the business day immediately preceding the fifth anniversary of the commencement date of the option period for the share option in question.

Interests and short positions in Kingway Brewery Holdings Limited

Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note)
Cheng Mo Chi, Moses	Personal	600,000	Long position	0.035%
Wang Xiaofeng	Personal	20,000	Long position	0.001%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Kingway Brewery Holdings Limited in issue as at 30 June 2009.

Interests and short positions in Guangnan (Holdings) Limited

(i) Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note)
Li Wenyue	Personal	800,000	Long position	0.088%
Tsang Hon Nam	Personal	300,000	Long position	0.033%
Wang Xiaofeng	Personal	120,000	Long position	0.013%
Li Kwok Po, David	Personal	15,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 905,603,285 ordinary shares of Guangnan (Holdings) Limited in issue as at 30 June 2009.

Directors' Interests and Short Positions in Securities (continued)

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

Name of Director	Number of share options				At 30 June 2009	Date of grant of share options* (dd.mm.yyyy)	Total consideration paid for share options HK\$	Exercise period of share options (both days inclusive)** (dd.mm.yyyy)	Exercise price of share options HK\$/ per share	Price of ordinary share*** at date immediately before date of grant HK\$/ per share	Price of ordinary share immediately before the exercise date HK\$/ per share
	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period							
Tsang Hon Nam	300,000	—	—	—	300,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.66	1.61	—

Notes to share option scheme of Guangnan (Holdings) Limited adopted on 11 June 2004

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

Interests and short positions in Guangdong Tannery Limited

Interests in ordinary shares

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note)
Li Wenyue	Personal	194,000	Long position	0.036%
Wang Xiaofeng	Personal	20,000	Long position	0.004%

Note: The approximate percentage of interests held was calculated on the basis of 537,504,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

Substantial Shareholders' Interests

As at 30 June 2009, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note 1)
廣東粵海控股有限公司 (Guangdong Holdings Limited) (Note 2)	Interest of controlled corporation	3,765,770,781	Long position	60.87%
GDH Limited (Note 3)	Beneficial owner/ Interest of controlled corporation	3,765,770,781	Long position	60.87%
Guangdong Trust Ltd.	Beneficial owner/ Interest of controlled corporation	576,404,918	Long position	9.32%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 6,186,338,071 ordinary shares of the Company in issue as at 30 June 2009.
2. The attributable interest which 廣東粵海控股有限公司 (Guangdong Holdings Limited) has in the Company is held through its 100% direct interest in GDH Limited.
3. The interests of GDH Limited set out above include attributable interest held through its wholly-owned subsidiary, Guangdong Trust Ltd.

Save as disclosed above, as at 30 June 2009, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had, or were deemed or taken to have interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Share Options of the Company

As at 30 June 2009, save as disclosed in the section of “Directors’ Interests and Short Positions in Securities”, certain eligible persons (other than Directors of the Company) had the following interests in rights to subscribe for shares of the Company granted under the 2002 Scheme and the 2008 Scheme. Each option gives the holder the right to subscribe for one share of par value HK\$0.5 each of the Company. Further details are set out in note 15 to the financial statements.

(1) 2002 Scheme

Category of participants	Number of share options					Date of grant of share options* (dd.mm.yyyy)	Total consideration paid for share options HK\$	Exercise period of share options (both days inclusive) [†] (dd.mm.yyyy)	Exercise price of share options** HK\$/per share	Price of ordinary share*** at date immediately before date of grant HK\$/per share	Price of ordinary share*** immediately before the exercise date HK\$/per share
	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	At 30 June 2009						
Employees	15,500,000	—	(15,500,000)	—	—	06.02.2004	1	07.05.2004 to 06.05.2009	1.59	1.57	3.22
	21,000,000	—	—	—	21,000,000	24.05.2004	1	25.08.2004 to 24.08.2009	1.25	1.25	—
	1,500,000	—	—	—	1,500,000	10.03.2006	1	11.06.2006 to 10.06.2011	3.405	3.30	—

(2) 2008 Scheme

Category of participants	Number of share options					Date of grant of share options* (dd.mm.yyyy)	Total consideration paid for share options HK\$	Exercise price of share options** HK\$/per share	Price of ordinary share at date immediately before date of grant*** HK\$/per share	Price of ordinary shares immediately before the exercise date*** HK\$/per share
	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	At 30 June 2009					
Employees	18,500,000	—	—	—	18,500,000	24.10.2008	—	1.88	1.73	—

Additional information regarding the above share options granted in 2008 is set out in the “Notes to the above share options granted pursuant to the 2008 Scheme” in the “Directors’ Interests and Short Positions in Securities” section of this report on page 37.

(3) Details regarding the reconciliation of share options outstanding during the period are set out in the “Notes to the reconciliation of share options outstanding during the period” in the “Director’s Interests and Short Positions in Securities” section of this report on page 38.



Corporate Governance and Other Information

Code on Corporate Governance Practices

The Company has applied the principles and met the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

Board of Directors

At present, the board of Directors (the "Board") comprises three Executive Directors, being Mr. Li Wenyue, Mr. Zhang Hui and Mr. Tsang Hon Nam, seven Non-Executive Directors, being Dr. Cheng Mo Chi, Moses, Mr. Huang Xiaofeng, Mr. Zhai Zhiming, Ms. Xu Wenfang, Mr. Li Wai Keung, Mr. Sun Yingming and Ms. Wang Xiaofeng, and three Independent Non-Executive Directors, being Mr. Chan Cho Chak, John, Dr. Li Kwok Po, David and Mr. Fung, Daniel R.

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

Directors' Profile

Mr. Li Wenyue, aged 58, was appointed an Executive Director and the Managing Director of the Company on 14 March 2000. When he was appointed Chairman of the Company on 16 March 2001, he resigned his post as Managing Director. He was appointed a Director and the General Manager of 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") and GDH Limited ("GDH") in July 2000 and August 2000, respectively and has acted as the Chairman of both Guangdong Holdings and GDH since April 2005. Mr. Li subsequently ceased to act as General Manager of both Guangdong Holdings and GDH in February 2009. Guangdong Holdings and GDH are the ultimate holding company and the immediate holding company of the Company, respectively. Mr. Li was appointed Chairman of Kingway Brewery Holdings Limited ("Kingway Brewery"), a subsidiary of GDH, in July 2008. Before joining the Company, Mr. Li was with Guangdong Power Group in a number of positions from 1977 to 1994 including Director and Deputy General Manager; and thereafter, he acted as Deputy Secretary-General of the Guangdong Provincial Government from 1994 to 2000, mainly assisting the Governor in the management of transport, industry, energy, communication, labour and, subsequently, the restructuring of Guangdong Enterprises (Holdings) Limited ("GDE"). He has a Master's degree in Engineering.

Corporate Governance and Other Information (continued)

Mr. ZHANG Hui, aged 50, was appointed an Executive Director of the Company on 28 October 2002 and was subsequently appointed the Managing Director of the Company in December 2002. Mr. Zhang graduated from Tsinghua University and holds a Master's degree in Business Administration from International East-West University, USA. He worked for the Guangdong Province Dongshen Water Supply Management Bureau and worked in a number of positions including Section Chief and Vice President from July 1996 to September 2000. He joined the Company in July 2002. He is currently the Chairman of Guangdong Teem (Holdings) Limited, a subsidiary of the Company. He was appointed a Director of GDH in December 2008.

Mr. TSANG Hon Nam, aged 40, was appointed an Executive Director and Chief Financial Officer of the Company on 17 April 2008. Mr. Tsang graduated from The Chinese University of Hong Kong and holds a Bachelor's degree in Science. He is an Associate of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr. Tsang acted as an Executive Director and the Chief Financial Officer of Guangnan (Holdings) Limited ("Guangnan"), a subsidiary of GDH, during the period from February 2004 to April 2008. Before joining Guangnan, he had acted as Deputy General Manager of the Finance Department of GDH. He joined GDE in 1998.

Dr. CHENG Mo Chi, Moses, *GBS, OBE, JP*, aged 59, was appointed an Independent Non-Executive Director of the Company on 25 November 1999. He was re-designated as a Non-Executive Director of the Company on 13 October 2004.

Dr. Cheng is a practising solicitor and the senior partner of Messrs. P.C. Woo & Co.. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng currently holds directorships in City Telecom (H.K.) Limited, China COSCO Holdings Company Limited, China Mobile Limited, China Resources Enterprise, Limited, Towngas China Company Limited, Hong Kong Exchanges and Clearing Limited, K. Wah International Holdings Limited, Liu Chong Hing Investment Limited, Kader Holdings Company Limited, and Tian An China Investments Company Limited, all being public listed companies in Hong Kong. His other directorships in public listed companies in the last 3 years include Beijing Capital International Airport Company Limited, Galaxy Entertainment Group Limited and Shui On Construction and Materials Limited, all being public listed companies in Hong Kong. He is also an Independent Non-Executive Director of ARA Asset Management Limited, a company whose shares are listed on Singapore Exchange Limited, and an Independent Director of ARA Asset Management (Singapore) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on Singapore Exchange Limited.

Mr. HUANG Xiaofeng, aged 50, was appointed a Non-Executive Director of the Company on 26 June 2008. Mr. Huang graduated from South China Normal University and holds a Bachelor's degree in History. He also holds a Master's degree in Public Administration from the Sun Yat-Sen University. From 1987 to 1999, he worked with the General Office of the Communist Party of China ("CPC") Guangdong Committee in a number of positions. Between 1999 and 2003, Mr. Huang was the Deputy Director General of the General Office of the CPC Guangzhou Committee and thereafter the Deputy Secretary General of the CPC Guangzhou Committee. Between 2003 and 2008, Mr. Huang was the Deputy Director General of the General Office of the Guangdong Provincial Government and then the Deputy Secretary General of the Guangdong Provincial Government. Mr. Huang was appointed as a Director and a Deputy General Manager of Guangdong Holdings in April 2008 and was subsequently appointed as an Executive Director and a Deputy General Manager of GDH. Mr. Huang was appointed General Manager of both Guangdong Holdings and GDH in February 2009. He was also appointed a Non-Executive Director of respectively Kingway Brewery and Guangnan in October 2008.

Mr. ZHAI Zhiming, aged 60, was appointed a Non-Executive Director of the Company on 21 April 2006. He had been a Non-Executive Director of the Company for the period from 18 January 2002 to 16 September 2004. Mr. Zhai graduated from Xian Foreign Language University in 1976. After his graduation, Mr. Zhai worked with the Tianjin Bureau for Economic Relations with Foreign Countries until 1992 in a number of positions including Section Chief and Vice Director. He undertook further study abroad from 1993 to 1995 and obtained his Master's degree in Business Administration from the Business School of Emory University, USA. From 1996 to 1999, he worked for IVY International LLC in USA as General Manager. Mr. Zhai worked for the Guangdong Provincial Government in 2000. Mr. Zhai has been working for GDH since 2001. He is currently an Executive Director of GDH and the Chairman of Supertime Development Limited, a wholly-owned subsidiary of GDH. He was appointed a Director and Deputy General Manager of Guangdong Holdings in February 2006.

Ms. XU Wenfang, aged 55, was appointed a Non-Executive Director of the Company on 3 March 2005. She is a Senior Economist and holds a Master's degree in Business Administration. Ms. Xu was appointed a Director of GDH in December 2008 and was subsequently appointed a Deputy General Manager of Guangdong Holdings and an Executive Director of GDH in February 2009. She is also the Chief Personnel and Appraisal Officer and the General Manager of the Personnel and Appraisal Department of both Guangdong Holdings and GDH, and is responsible for human resources management. Ms Xu is also a Director of Guangdong Assets Management Limited, a wholly-owned subsidiary of GDH.

Mr. LI Wai Keung, aged 52, was appointed a Non-Executive Director of the Company on 30 May 2000. He acted as an Executive Director and the Chief Financial Officer of the Company from 19 July 2006 to 16 April 2008 and was thereafter re-designated as a Non-Executive Director of the Company. Mr. Li graduated from the Hong Kong Polytechnic and holds a Master's degree in Business Administration from the University of East Asia. He is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Li had worked for Sino Land Company Limited and Henderson Land Development Company Limited. Mr. Li who has been an Executive Director and the Financial Controller of GDH since August 2000 is currently the Financial Controller of Guangdong Holdings as well. He is also an Independent Non-Executive Director of Shenzhen Investment Limited, Hans Energy Company Limited and China South City Holdings Limited and a Director of Shenzhen City Airport (Group) Company Limited. He is a member on the Council of the Hong Kong Chinese Orchestra Limited.

Mr. SUN Yingming, aged 56, was appointed a Non-Executive Director of the Company on 15 December 2006. Mr. Sun obtained a Diploma in Political Theory from South China Normal University. He had worked for the Finance Section of the Commercial Bureau of Guangdong Province. From 1990 to 2000, he worked for GDE as Manager of the Finance Department and the Chief Audit and Supervision Officer and the General Manager of the Audit and Supervision Department. He has been the Chief Audit and Supervision Officer and the General Manager of the Audit and Supervision Department of GDH since 2000 and a Director of GDH since 2001. Mr. Sun is currently also the Chief Audit and Supervision Officer and the General Manager of the Audit and Supervision Department of Guangdong Holdings.

Ms. WANG Xiaofeng, aged 53, was appointed a Non-Executive Director of the Company on 18 January 2002. Ms. Wang graduated from Guangzhou Non-Ferrous Metals Industry School and the Department of Computer Science in South China Normal University and completed a graduate study in Economics. Ms. Wang worked for the Guangdong Metallurgy and Industry Office as the Deputy Section Chief and was responsible for the technological work related to the production of iron and steel. She was then transferred to the General Office of the Guangdong Provincial Government and worked in a number of positions including Vice Director and Research & Investigator. She was mainly responsible for the secretarial and co-ordination work in relation to different sectors namely transport, industry, agriculture and price. Ms. Wang is the Chief Administration Officer and General Manager of the Administration Department of both Guangdong Holdings and GDH.

Corporate Governance and Other Information (continued)

Mr. CHAN Cho Chak, John, *GBS, JP*, aged 66, was appointed an Independent Non-Executive Director of the Company on 25 June 1998.

Mr. Chan is also a Non-Executive Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited, a Non-Executive Director and Chairman of RoadShow Holdings Limited and an Independent Non-Executive Director of Hang Seng Bank Limited. He is the Chairman of the Hong Kong Jockey Club, Chairman of the Council of the Sir Edward Youde Memorial Fund and a Vice Patron of the Community Chest.

Mr. Chan was educated in Hong Kong and graduated from the University of Hong Kong in 1964 with an Honours Degree in English Literature. He later obtained a Diploma in Management Studies from the same University following the completion of evening studies. He was awarded the degree of Doctor of Business Administration (*honoris causa*) by the International Management Centres in October 1997.

Mr. Chan served in the Hong Kong Government for two periods: from 1964 to 1978 and from 1980 to 1993. Initially appointed as an Executive Officer Class II, he rose through the ranks of the civil service to become one of the Cabinet-level Policy Secretaries of the Government. Among the key posts he held over the years were those of Private Secretary to the Governor, Deputy Secretary (General Duties), Director of Information Services, Deputy Chief Secretary, Secretary for Trade and Industry and Secretary for Education and Manpower. He also served as a Member of the Executive Council from October 1992 to May 1993.

Mr. Chan was also the Executive Director and General Manager of Sun Hung Kai Finance Company Limited from 1978 to 1980, the Managing Director of The Kowloon Motor Bus Company (1933) Limited from 1993 to 2006 and the Managing Director of Transport International Holdings Limited from 1997 to April 2008.

Mr. Chan was appointed as a Justice of the Peace (JP) in 1994 and was awarded the Gold Bauhinia Star (GBS) in 1999.

Dr. The Honourable LI Kwok Po, David, *GBM, GBS, OBE, MA Cantab. (Economics & Law), Hon. DSc. (Imperial), Hon. DBA (Napier), Hon. D.Hum. Litt. (Trinity, USA), Hon. DSocSc (Lingnan), Hon. LLD (Hong Kong), Hon. LLD (Warwick), Hon. LLD (Cantab), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBSC, CITP, FCIArb, JP, Officier de L'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Officier de la Légion d'Honneur*, aged 70, was appointed an Independent Non-Executive Director of the Company on 25 June 1998.

Dr. Li is Chairman and Chief Executive of The Bank of East Asia, Limited. Dr. Li is a Member of the Legislative Council of Hong Kong. He is a Member of the Banking Advisory Committee and a Member of the Council of the Treasury Markets Association. Dr. Li is the Pro-Chancellor of the University of Hong Kong, an Honorary Adviser of the Business and Economics Association of HKUSU and an Advisory Committee Member of the Chinese University of Hong Kong S.H. Ho College.

Dr. Li is the Chairman of The Chinese Banks' Association, Limited and the Chairman of the Hong Kong Management Association. He is the Honorary Advisor of The International Chamber of Commerce — Hong Kong, China and the First Honorary Chairman of Hong Kong Chamber of Commerce in China. He is also the Honorary Chairman of the Chamber of Hong Kong Listed Companies. Dr. Li is the Vice President of the Council of the Hong Kong Institute of Bankers, the Chairman of Saint Joseph's College Foundation Limited and the Chairman of the Advisory Council to the Australian International School. He is also an Emeritus Trustee of the Cambridge Foundation and a Trustee of the Cambridge Overseas Trust. Dr. Li is the Chairman of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, the Chairman of the Executive Committee of St. James' Settlement and he also serves on the Hong Kong Red Cross Advisory Board. He is a Council Member of the Employers' Federation of Hong Kong, a Director of the David Li Kwok-po Charitable Foundation Limited, a Founder Member and an Executive Committee Member of the Heung Yee Kuk Foundation Limited.

Dr. Li is a Director of China Overseas Land & Investment Limited, COSCO Pacific Limited, Criteria CaixaCorp, S.A., The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited, Vitasoy International Holdings Limited, AFFIN Holdings Berhad and IMG Worldwide Inc. Dr. Li was previously a Director of China Merchants China Direct Investments Limited and Dow Jones & Company, Inc. respectively.

Dr. Li is a member of the Board of Trustees of the Asia Society International Council and the Asia Business Council, a member of the Deutsche Bank Asia Pacific Advisory Board. He serves on the international advisory boards of Carlos P. Romulo Foundation for Peace and Development, Crédit Agricole SA, Federal Reserve Bank of New York International Advisory Committee, Hospital for Special Surgery and Scripps International Network. Dr. Li is the Chairman of INSEAD East Asia National Council, the Non-Executive Chairman for Edelman Asia-Pacific and a Senior Adviser of Metrobank.

Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*, aged 56, was appointed an Independent Non-Executive Director of the Company on 3 January 2000.

Mr. Fung is Senior Counsel of the Hong Kong Bar. Called to the English Bar in Middle Temple in 1975 and to the Hong Kong Bar in 1977, Mr. Fung has been in continuous practice for over two decades, achieving in 1990 appointment as Queen's Counsel.

In 1994, Mr. Fung became the first person of Chinese extraction to serve as Solicitor General of Hong Kong, a position he occupied for four years, becoming in 1997 the first Solicitor General of the Hong Kong Special Administrative Region of the People's Republic of China.

In 1998, Mr. Fung left public office to take up successive appointments as Visiting Scholar at Harvard Law School and Senior Visiting Fellow at Yale Law School, prior to becoming in mid-1999 the founding President of the China Law Council, non-profit organization dedicated to legal and judicial education in the PRC.

Mr. Fung served as Chairman of the Broadcasting Authority (2002–2008) and on respectively the Basic Law Consultative Committee (1985–1990) and the Central Policy Unit of the Hong Kong Government (1993–1994) and was Distinguished Fulbright Scholar for Hong Kong in the Year 2000. Additionally, Mr. Fung currently serves as President of the International Law Association Hong Kong Branch, Member of the World Bank International Advisory Council on Law and Justice, International Consultant to the UNDP on Corporate Governance in the PRC, Special Advisor to the UNDP on the Rule of Law Development Program in Cambodia and in Laos, and Advisory Committee Member of the American Bar Association/United Nations Development Program Legal Resource Unit.

Mr. Fung is a Hong Kong Delegate to the Chinese People's Political Consultative Conference.

Changes in Directors' Remuneration

Commencing 1 January 2009, Mr. Zhang Hui's salary, allowances and benefits in kind will amount to approximately HK\$590,000 per annum.

Commencing 1 January 2009, Mr. Tsang Hon Nam's salary, allowances and benefits in kind will amount to approximately HK\$1,306,000 per annum.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance and Other Information (continued)

Audit Committee

The Company has established an audit committee (the "Audit Committee") since September 1998 and its terms of reference are in line with the CG Code. The Audit Committee comprises three Independent Non-Executive Directors, being Dr. Li Kwok Po, David, Mr. Chan Cho Chak, John and Mr. Fung, Daniel R. and one Non-Executive Director, being Dr. Cheng Mo Chi, Moses. Dr. Li Kwok Po, David is the Chairman of the Audit Committee. The principal duties of the Audit Committee include, inter alia, the review of the completeness, accuracy and fairness of the Company's financial reports and the Group's internal controls and risk management systems.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group and the Company's interim report for the six months ended 30 June 2009. In addition, the Company's external auditors, Messrs. Ernst & Young, have also reviewed the aforesaid unaudited interim financial statements.

Remuneration Committee

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

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2009, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange save and except that the Company has issued the following new ordinary shares to certain option holders during the period pursuant to the Company's 2002 Scheme:

	No. of new ordinary shares issued	Exercise price per ordinary share HK\$	Cash consideration HK\$
	450,000	1.25	562,500
	24,500,000	1.59	38,955,000
Total	24,950,000		39,517,500

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of 5.0 HK cents (2008: 4.0 HK cents) per ordinary share for the six months ended 30 June 2009. The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company on Tuesday, 13 October 2009. The interim dividend will be paid on Friday, 30 October 2009.

Closure of Register of Members

The register of members of the Company will be closed on Monday, 12 October 2009 and Tuesday, 13 October 2009, during these two days no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 9 October 2009.

By Order of the Board

LI Wenyue

Chairman

Hong Kong, 14 September 2009



Guangdong Investment Limited

粵海投資有限公司