



Guangdong Investment Limited
粵海投資有限公司

Stock Code 股份代號 : 270



Interim Report
中期報告 2010

Contents

2	Corporate Information
3	Report on Review of Interim Financial Information
	Unaudited Interim Condensed Consolidated Financial Statements
4	Condensed Consolidated Income Statement
5	Condensed Consolidated Statement of Comprehensive Income
6	Condensed Consolidated Balance Sheet
8	Condensed Consolidated Statement of Changes in Equity
10	Condensed Consolidated Cash Flow Statement
11	Notes to Interim Condensed Consolidated Financial Statements
31	Business Review, Discussion and Analysis, and Prospects
38	Directors' Interests and Short Positions in Securities
42	Substantial Shareholders' Interests
43	Share Options of the Company
44	Corporate Governance and Other Information

Corporate Information

as at 30 August 2010

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
Ms. XU Wenfang
Mr. ZHAI Zhiming
Mr. LI Wai Keung
Mr. SUN Yingming

Independent Non-Executive Directors

Dr. 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
(Committee Chairman)
Dr. CHAN Cho Chak, John
Mr. FUNG Daniel Richard
Dr. CHENG Mo Chi, Moses

Remuneration Committee

Dr. CHAN Cho Chak (Committee Chairman)
Dr. The Honourable LI Kwok Po, David
Mr. FUNG Daniel Richard
Dr. CHENG Mo Chi, Moses

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

28/F. and 29/F.
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	11 October 2010 and 12 October 2010
Interim Dividend Payable	5.0 HK cents per ordinary share 28 October 2010

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 30 which comprise the condensed consolidated balance sheet of Guangdong Investment Limited as at 30 June 2010 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
30 August 2010

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

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

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		For the six months ended 30 June	
	Note	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD		1,288,886	1,204,507
Fair value gains on property, plant and equipment		–	583
Exchange differences on translation of foreign operations		61,339	2,772
Net increase in hedging reserve	10	46,505	109,756
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		107,844	113,111
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,396,730	1,317,618
Attributable to:			
Equity holders of the Company		1,214,011	1,110,026
Minority interests		182,719	207,592
		1,396,730	1,317,618

Condensed Consolidated Balance Sheet

30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Unaudited) (Restated) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,134,664	3,033,699
Investment properties		5,259,927	4,810,466
Prepaid land lease payments		101,900	103,581
Goodwill		266,146	266,146
Interests in a jointly-controlled entity		893,767	909,136
Interests in associates		964,915	184,521
Intangible assets		16,276,105	16,667,163
Prepayments and deposits		–	120,111
Deferred tax assets		16,068	15,773
Total non-current assets		26,913,492	26,110,596
CURRENT ASSETS			
Available-for-sale investments		57,338	56,808
Inventories		54,817	49,399
Receivables, prepayments and deposits	9	952,187	563,315
Derivative financial instruments	10	144,585	136,009
Cash and cash equivalents		2,797,422	3,871,027
Total current assets		4,006,349	4,676,558
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(1,444,990)	(1,736,315)
Tax payable		(195,923)	(181,239)
Derivative financial instruments	10	(477,507)	(417,493)
Due to minority shareholders of subsidiaries		(377,686)	(367,013)
Interest-bearing bank borrowings	12	(1,368,790)	(1,584,903)
Other liabilities – current portion	13	(118,200)	(118,200)
Total current liabilities		(3,983,096)	(4,405,163)
NET CURRENT ASSETS		23,253	271,395
TOTAL ASSETS LESS CURRENT LIABILITIES		26,936,745	26,381,991

Condensed Consolidated Balance Sheet (Continued)

30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Unaudited) (Restated) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		26,936,745	26,381,991
NON-CURRENT LIABILITIES			
Derivative financial instruments	10	(136,727)	(155,988)
Due to minority shareholders of subsidiaries		(11,972)	(11,574)
Interest-bearing bank borrowings	12	(3,534,357)	(4,351,483)
Other liabilities	13	(1,696,338)	(1,525,263)
Deferred tax liabilities		(1,114,457)	(886,781)
Total non-current liabilities		(6,493,851)	(6,931,089)
Net assets		20,442,894	19,450,902
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	3,106,969	3,106,719
Reserves	16	14,459,337	13,550,498
Proposed dividends		310,697	372,806
Minority interests		17,877,003 2,565,891	17,030,023 2,420,879
Total equity		20,442,894	19,450,902

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	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 2009	3,080,694	2,374,157	3,350	12,947	1,430,009	(437,264)	651,610	831,042	10,677	7,068,617	369,683	15,395,522	2,086,109	17,481,631
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	-	-	4,883	-	-	-	-	-	-	-	-	4,883	-	4,883
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

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2010

	Attributable to equity holders of the Company													
	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	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000		
At 1 January 2010	3,106,719	2,421,477	13,217	14,247	1,430,009	(258,981)	734,098	840,346	-	8,356,085	372,806	17,030,023	2,420,879	19,450,902
Total comprehensive income	-	-	-	-	-	41,427	-	47,599	-	1,124,985	-	1,214,011	182,719	1,396,730
Share options exercised, net of share issue expenses	250	1,451	-	-	-	-	-	-	-	-	-	1,701	-	1,701
Acquisition of minority interests	-	-	-	17	-	-	-	-	88	-	-	105	(313)	(208)
Equity-settled share option arrangements	-	-	3,504	-	-	-	-	-	-	-	-	3,999	-	3,999
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(37,394)	(37,394)
Final 2009 dividend paid	-	-	-	-	-	-	-	-	-	(30)	(372,806)	(372,836)	-	(372,836)
Interim 2010 dividend declared (note 7)	-	-	-	-	-	-	-	-	-	(310,697)	310,697	-	-	-
At 30 June 2010	3,106,969	2,423,423	16,721	14,264	1,430,009	(217,554)	734,098	887,945	88	9,170,343	310,697	17,877,003	2,565,891	20,442,894

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,781,490	1,615,502
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(459,718)	(866,244)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(1,585,620)	(1,498,901)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(263,848)	(749,643)
Cash and cash equivalents at beginning of period	2,487,702	3,216,194
Effect of foreign exchange rate changes, net	24,578	1,402
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,248,432	2,467,953
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	965,126	1,106,673
Non-pledged bank deposits with original maturity of less than three months when acquired	1,283,306	1,361,280
	2,248,432	2,467,953

Notes to Interim Condensed Consolidated Financial Statements

30 June 2010

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 2010 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) as disclosed in note 2 to the interim condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

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

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

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

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

3. OPERATING SEGMENT INFORMATION

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2010 and 2009.

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

Note: Excluding exchange gains/(losses), net

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

3. OPERATING SEGMENT INFORMATION (Continued)

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

Note: Excluding exchange gains/(losses), net

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

3. OPERATING SEGMENT INFORMATION (Continued)

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

Note: Excluding exchange gains/(losses), net

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable ⁽¹⁾ :		
Within five years	16,502	47,307
Over five years	3,274	6,394
Total interest expense on financial liabilities not at fair value through profit or loss	19,776	53,701
Finance charges on cash flow hedges, net (note 10)	71,049	88,085
Total finance costs for the period	90,825	141,786

⁽¹⁾ Net of government grants of HK\$10,540,000 (six months ended 30 June 2009: HK\$15,757,000) in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of Dongshen Water Supply Phase IV Renovation Project (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	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) (Restated) HK\$'000
Interest income**		(23,018)	(36,098)
Changes in fair value of derivative financial instruments not qualified as hedges, net**	10	125,948	296
Cost of inventories sold*		192,358	142,675
Depreciation		81,209	84,926
Recognition of prepaid land lease payments		2,469	2,230
Amortisation of intangible assets*		404,567	402,865
Changes in fair value of investment properties [^]		(47,694)	67,806
Impairment of interest in an associate [^]		–	75,385
Impairment of items of property, plant and equipment [^]		7,167	36,174

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

6. TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

7. DIVIDENDS

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

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

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

The calculations of the basic and diluted earnings per share for the six months ended 30 June 2010 and 2009 are based on:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	1,124,985	1,009,855
	<hr/>	
	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,213,672,878	6,169,989,719
Effect of dilution – weighted average number of ordinary shares that assumed to have been issued:		
Share options	30,808,622	47,826,006
	<hr/>	
For the purpose of diluted earnings per share calculation	6,244,481,500	6,217,815,725
	<hr/>	

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Note	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Trade receivables, net of impairment		495,544	188,573
Other receivables, prepayments and deposits		454,243	494,561
Due from fellow subsidiaries	19(b)	2,400	292
		952,187	683,426
Less: Portion classified as non-current assets		-	(120,111)
		952,187	563,315

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water supply business from the Government of the HKSAR (31 December 2009: electric power generation business), giving rise to a certain concentration of credit risk of 58% (31 December 2009: 22%) of the total trade receivables.

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

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

10. DERIVATIVE FINANCIAL INSTRUMENTS**Assets**

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Interest rate swap agreements	144,585	136,009

Liabilities

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Interest rate swap agreements		
Current portion	477,507	417,493
Non-current portion	136,727	155,988
	614,234	573,481

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.

Cash flow hedges

At 30 June 2010, the Group had certain interest rate swap agreements with a total notional amount of HK\$2,950 million (31 December 2009: HK\$3,850 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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

10. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**Cash flow hedges (continued)**

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\$41,427,000 (six months ended 30 June 2009: HK\$97,484,000) included in the hedging reserve was as follows:

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Total fair value gains/(losses) included in the hedging reserve	(89,581)	2,701
Fair value losses reclassified from other comprehensive income and recognised in the income statement*	136,086	107,055
Net movement on cash flow hedges	46,505	109,756
Portion shared by minority interests	(5,078)	(12,272)
Net movement attributable to the equity holders of the Company for the six months ended 30 June	41,427	97,484

* Included in the balance were amounts of HK\$71,049,000 (six months ended 30 June 2009: HK\$88,085,000) (note 4) charged to finance costs upon realisation of certain interest rate swap agreements and HK\$65,037,000 (six months ended 30 June 2009: HK\$18,970,000) included in other income and gain/(loss) 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 2010, 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\$125,948,000 (six months ended 30 June 2009: HK\$296,000) (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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

	Note	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Trade payables		239,591	323,860
Accruals and other liabilities		1,197,362	1,410,309
Due to the immediate holding company	19(b)	4,339	1,762
Due to fellow subsidiaries	19(b)	3,698	384
		1,444,990	1,736,315

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

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

12. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Current				
Bank loan – secured	0.47% – 4.38%	2010	1,368,790	1,584,903
Non-current				
Bank loans – secured	0.65% – 5.30%*	2011 – 2017	3,534,357	4,351,483
			4,903,147	5,936,386

* 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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

13. OTHER LIABILITIES

At 30 June 2010, included in the other liabilities was a non-interest-bearing receipt in advance amounting to HK\$1,536,600,000 (31 December 2009: HK\$1,536,600,000). In a prior year, the Government of 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 88.19% (31 December 2009: 88.19%) 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Authorised:		
8,000,000,000 (31 December 2009: 8,000,000,000) ordinary shares of HK\$0.50 each	4,000,000	4,000,000
Issued and fully paid:		
6,213,938,071 (31 December 2009: 6,213,438,071) ordinary shares of HK\$0.50 each	3,106,969	3,106,719

A summary of movements of the Company's issued and fully paid ordinary shares and ordinary share premium account is as follows:

	Notes	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 2010		6,213,438,071	3,106,719	2,421,477	5,528,196
Share options exercised	(i)	500,000	250	1,451	1,701
Release of share option reserve	(ii)	-	-	495	495
At 30 June 2010		6,213,938,071	3,106,969	2,423,423	5,530,392

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

14. SHARE CAPITAL (Continued)

- (i) During the six months ended 30 June 2010, the subscription rights attaching to 500,000 (six months ended 30 June 2009: 24,950,000) share options were exercised at subscription prices of HK\$3.405 (six months ended 30 June 2009: ranging from HK\$1.25 to HK\$1.59) per ordinary share (note 15), resulting in the issue of 500,000 (six months ended 30 June 2009: 24,950,000) ordinary shares of HK\$0.50 each for a total consideration, net of expenses, of HK\$1,701,000 (six months ended 30 June 2009: HK\$39,489,000).
- (ii) During the six months ended 30 June 2010, 500,000 (six months ended 30 June 2009: nil) share options were exercised, resulting in the release of share option reserve of HK\$495,000 (six months ended 30 June 2009: nil) to the ordinary share premium account.

15. SHARE OPTION SCHEME

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 GDI Schemes during the period:

	2010		2009	
	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	1.917	62,300	1.686	114,350
Exercised during the period	3.405	(500)	1.584	(24,950)
Lapsed during the period [#]	1.88	(3,200)	–	–
At 30 June	1.906	58,600	1.715	89,400

[#] Such options held by Ms. Wang Xiaofeng were lapsed upon her resignation as a director of the Company on 5 January 2010.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

15. SHARE OPTION SCHEME (Continued)

The weighted average share price at the date of exercise for share options exercised during the period was HK\$4.2 per share (six months ended 30 June 2009: HK\$3.274 per share).

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

2010			
Number of options		Exercise price*	Exercise period**
'000		HK\$ per share	(dd.mm.yyyy)
1,000		3.405	11-06-2006 to 10-06-2011
23,040		1.88	24-10-2010 to 23-04-2014
17,280		1.88	24-10-2011 to 23-04-2014
5,760		1.88	24-10-2012 to 23-04-2014
11,520		1.88	24-10-2013 to 23-04-2014
58,600			
2009			
Number of options		Exercise price*	Exercise period
'000		HK\$ per share	(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			

* 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 pages 38 to 39; and (ii) the "2008 Scheme" in the "Share Options of the Company" section of this report on page 43.

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 2010

16. RESERVES (Continued)

During the six months ended 30 June 2010, there was no release of provision as determined above (six months ended 30 June 2009: HK\$40,483,000); and no profit was distributed from the Company's subsidiaries during the current period (six months ended 30 June 2009: nil) as determined above, resulting in no transfer from retained profits to the Special Reserve of the Group (six months ended 30 June 2009: HK\$40,483,000).

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 2010, there was no reduction of the Special Reserve and the capitalisation to retained profits in the current period (six months ended 30 June 2009: HK\$39,517,500 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 (before any share issue expenses)). 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 (2009: 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 2010, 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\$1,702,500.

The Limit, as adjusted, was HK\$626,123,485 (31 December 2009: HK\$627,825,985) and the amount standing to the credit of the Special Reserve was nil (31 December 2009: nil) as at 30 June 2010.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

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 2009: one to fifteen 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	14,852	15,195
In the second to fifth years, inclusive	62,369	55,451
After five years	82,137	90,091
	159,358	160,737

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 2010 amounting to HK\$12,746,000 (year ended 31 December 2009: HK\$22,157,000) 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
(a) Capital commitments:		
Contracted for	686,028	1,706,279
Authorised, but not contracted for	4,875,073	5,252,338
	5,561,101	6,958,617

- (b) Pursuant to WaterCo's articles of association, 廣東粵海控股有限公司 ("Guangdong Holdings Limited"), which directly holds a 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 Water Supply (Holdings) Limited ("GH Water 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 Water 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 2010

19. 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) Transactions with related parties

	Note	For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Dividends paid to GDH Limited, the parent company of the Group, and certain of its subsidiaries by the Company	(i)	225,946	210,189

Note:

- (i) During the six months ended 30 June 2010, the Company paid dividends, in aggregate of approximately HK\$225,946,000 (six months ended 30 June 2009: HK\$210,189,000) to GDH Limited and certain of its subsidiaries as the Company's shareholders. The dividend payment was made to all shareholders of the Company in accordance with their respective shareholdings in the Company.

(b) Outstanding balances with related parties

	Notes	30 June	31 December
		2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000
Balances due from:			
Fellow subsidiaries	(i)	2,400	292
Associate	(ii)	6,043	5,987
Balances due to:			
Immediate holding company	(iii)	(4,339)	(1,762)
Fellow subsidiaries	(i)	(3,698)	(384)

Notes:

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

30 June 2010

19. RELATED PARTY TRANSACTIONS (Continued)**(c) Compensation of directors and key management personnel of the Group**

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	2,404	1,969
Post-employment benefits	172	174
Equity-settled share option expense	3,143	3,405
Total compensation paid to directors and key management personnel	5,719	5,548

20. CAPITAL EXPENDITURE

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment, investment properties and intangible assets of approximately HK\$550,762,000 (six months ended 30 June 2009: HK\$430,066,000), in aggregate.

21. 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 30 August 2010.

Business Review, Discussion and Analysis, and Prospects

RESULTS

The Board is pleased to report the results of the Group for the six months ended 30 June 2010 (the "Period"). The Group's unaudited consolidated net profit attributable to shareholders amounted to HK\$1,125 million (2009: HK\$1,010 million), representing an increase of 11.4% as compared with the same period last year. The basic earnings per share were 18.10 HK cents (2009: 16.37 HK cents), an increase of 10.6% over the same period last year.

INTERIM DIVIDEND

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

FINANCIAL REVIEW

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

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

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

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

BUSINESS OVERVIEW

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

Water Distribution

Profit contribution from the Dongshen Water Supply Project remained significant to the Group. The Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") is 89.08% as at 30 June 2010. GH Water Holdings in turn has a 99% interest in Guangdong Yue Gang Water Supply Company Limited, owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion cubic meters. The total water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.000 billion cubic meters (2009: 1.009 billion cubic meters), a decrease of 0.9%, generating revenue of HK\$2,172,760,000 (2009: HK\$2,065,754,000), an increase of 5.2%.

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

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

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

Electric Power Generation

Zhongshan Power Plant

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

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

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

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

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

The Group's effective interest in Yue Jiang Power is 11.48%. Yue Jiang Power has 2 power generation units with a total installed capacity of 600 MW. Revenue for the Period amounted to HK\$753,648,000 (2009: HK\$667,661,000), an increase of 12.9% which was mainly due to the increase in the electricity sales. Because of high operating cost and decrease in tariff, Yue Jiang Power suffered a loss before tax of HK\$117,820,000 for the Period (2009: loss before tax HK\$57,332,000).

Meixian Power Plant

The Group's effective interest in Meixian Power Plant is 12.25% (a 49% associate of the Company, Guangdong Power Investment Limited ("GD Power Investment"), holding a 25% interest in the project). During the Period, no dividend income was received by GD Power Investment from this investment (2009: Nil).

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

Toll Roads and Bridges

"1 Road and 2 Bridges"

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

(i) Humen Bridge

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

(ii) Shantou Haiwan Bridge

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

(iii) Guangzhou-Shantou Highway (Huizhou Section)

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

Yingkeng Highway

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

Panyu Bridge

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

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

Property Investment

Mainland China

Teem Plaza

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

Revenue of Teem Plaza, comprising rental income from both the shopping mall (including rentals from department store run by the Group) and the office building, during the Period reached HK\$433,489,000 (2009: HK\$400,677,000), an increase of 8.2%. The profit before tax for the Period increased by 63.8% to HK\$398,851,000 (2009: HK\$243,475,000), including the revaluation gain of HK\$85,626,000 (2009: losses of HK\$67,806,000) in respect of Teem Plaza.

The Teemall, one of the most popular shopping malls in the premier area of Guangzhou, has a total gross floor area and lettable area of approximately 160,000 square meters and 97,000 square meters, respectively. The mall is operated at a full capacity with an average occupancy rate of approximately 99% during the Period (2009: 99%). The mall is successful in retaining existing brand-name tenants and attracting new ones. The strong demands for shop spaces in the mall and the use of the open tender system for selecting tenants resulted in rental increase.

The office building, known as the Teem Tower (粵海天河城大廈), is a 45-storey Grade A office tower with a total gross floor area and lettable area of approximately 102,000 square meters and 90,000 square meters, respectively. With an occupancy rate of 91% (31 December 2009: 87%) as at 30 June 2010, the total rental income for the Period was HK\$73,659,000 (2009: HK\$67,632,000), an increase of 8.9%. The profit before tax for the Period increased to HK\$71,728,000 (2009: HK\$66,173,000), an increase of 8.4%.

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

Tianjin Teem Shopping Mall

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

Hong Kong

Guangdong Investment Tower

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

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

Department Stores Operations

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

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

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

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

During the Period, the Group’s share of profit of 廣東吉之島天貿百貨有限公司 (Guangdong Jusco Teem Stores Co., Ltd.), a 26.6% associate of the Group, amounted to HK\$17,915,000 (2009: HK\$15,068,000), an increase of 18.9%.

Hotel Operations and Management

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

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

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

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

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

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

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

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

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

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

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

PLEDGE OF ASSETS

As at 30 June 2010, none of the Group's property, plant and equipment, investment properties, intangible assets and bank deposits was pledged to secure general banking facilities granted to the Group (31 December 2009: Nil).

CAPITAL EXPENDITURE

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

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

As at 30 June 2010, the Group's total floating rate borrowings amounted to HK\$4,903 million (31 December 2009: HK\$5,936 million). For the purpose of interest rate risk management, the Group has entered into certain fixed interest rate swap agreements, amounting to HK\$5,400 million (31 December 2009: HK\$5,400 million), with remaining life of 2.5 years.

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

EMPLOYEE AND REMUNERATION POLICY

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

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

PROSPECTS

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

Directors' Interests and Short Positions in Securities

As at 30 June 2010, 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	31,320,000	Long position	0.504%
Cheng Mo Chi, Moses	Personal	1,150,000	Long position	0.019%
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 6,213,938,071 ordinary shares of the Company in issue as at 30 June 2010.

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

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

Name of Director	Number of share options				At 30 June 2010	Date of grant of share options* (dd.mm.yyyy)	Total consideration paid for share options HK\$	Exercise price of share options** (per share) HK\$	Price of ordinary share at date immediately before date of grant*** (per share) HK\$	Price of ordinary share immediately before the exercise date*** (per share) HK\$
	At 1 January 2010	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	—
Xu Wenfang	3,300,000	—	—	—	3,300,000	24.10.2008	—	1.88	1.73	—
Zhai Zhiming	3,900,000	—	—	—	3,900,000	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	—

Directors' Interests and Short Positions in Securities (Continued)

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 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

(2) Notes to the reconciliation of share options outstanding during the 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.

Directors' Interests and Short Positions in Securities (Continued)

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%

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 2010.

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%
Li Kwok Po, David	Personal	15,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 905,923,285 ordinary shares of Guangnan (Holdings) Limited ("Guangnan Holdings") in issue as at 30 June 2010.

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

Name of Director	Number of share options				At 30 June 2010	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 2010	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 the share option scheme of Guangnan Holdings adopted on 11 June 2004:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period or the grantee's completion of half year's full time service with Guangnan Holdings or its subsidiaries, whichever is the later.

** If the last day of the exercise period is not a business day in Hong Kong, the exercise period shall end at the close of business on the last business day preceding that day.

*** The price of Guangnan Holdings 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.

Directors' Interests and Short Positions in Securities (Continued)

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%

Note: The approximate percentage of interests held was calculated on the basis of 537,619,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, 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 2010, 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 taken or deemed 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	60.60%
GDH Limited (Note 3)	Beneficial owner/ Interest of controlled corporation	3,765,770,781	Long position	60.60%
Guangdong Trust Ltd.	Beneficial owner/ Interest of controlled corporation	576,404,918	Long position	9.28%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 6,213,938,071 ordinary shares of the Company in issue as at 30 June 2010.
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 2010, 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 taken or deemed 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 2010, save as disclosed in the section of “Directors’ Interests and Short Positions in Securities”, certain other eligible persons had the following interests in rights to subscribe for shares of the Company granted under the Share Options Scheme adopted on 31 May 2002 (“2002 Scheme”) and the 2008 Scheme. Each option gives the holder the right to subscribe for one share of par value HK\$0.50 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				At 30 June 2010	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** (per share) HK\$	Price of ordinary share at date immediately before date of grant*** (per share) HK\$	Price of ordinary share immediately before the exercise date*** (per share) HK\$
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period							
Employees	1,500,000	–	(500,000)	–	1,000,000	10.03.2006	1	11.06.2006 to 10.06.2011	3.405	3.30	4.35

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.

** 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 Hong Kong Stock Exchange closing price immediately before the date on which the options were exercised by the option holder.

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.

(2) 2008 SCHEME

Category of participants	Number of share options				At 30 June 2010	Date of grant of share options* (dd.mm.yyyy)	Total consideration paid for share options HK\$	Exercise price of share options** (per share) HK\$	Price of ordinary share at date immediately before date of grant*** (per share) HK\$	Price of ordinary shares immediately before the exercise date*** (per share) HK\$
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period						
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 39.

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 39.

Corporate Governance and Other Information

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

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 2010.

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

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

CHANGES IN DIRECTORS’ INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) in respect of the period between 1 January 2010 and the date of this report are set out below:

Commencing 1 January 2010, the salary, allowances and benefits in kind of Mr. Zhang Hui and Mr. Tsang Hon Nam will amount to approximately HK\$630,000 per annum and HK\$1,365,000 per annum, respectively.

Dr. Cheng Mo Chi, Moses is an Independent Non-Executive Director of ARA Asset Management Limited, a company whose shares are listed on Singapore Exchange Limited, and an Independent Non-Executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust (the “Trust”). The Trust, a real estate investment trust listed on Singapore Exchange Limited, was listed on the Hong Kong Stock Exchange effective 20 April 2010.

Mr. Zhai Zhiming ceased to act as a Director and Deputy General Manager of 廣東粵海控股有限公司 (Guangdong Holdings Limited).

Dr. Li Kwok Po, David was named an Honorary Fellow of the School of Accountancy, Central University of Finance and Economics. Dr. Li was appointed as a Companion of the Chartered Management Institute.

Corporate Governance and Other Information (Continued)

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

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

REMUNERATION COMMITTEE

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2010, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange save and except that the Company has issued the following new ordinary shares to an option holder during the period pursuant to the Company's 2002 Scheme:

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

Corporate Governance and Other Information (Continued)

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

By Order of the Board

LI Wenyue

Chairman

Hong Kong, 30 August 2010



Guangdong Investment Limited

粵海投資有限公司