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

*(Incorporated in Hong Kong with limited liability)*
(**Stock code: 270**)

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

**Unaudited financial highlights for the six months ended 30 June**

| | **2009** | 2008 | Changes |
|---|---|---|---|
| | **HK$' 000** | HK$' 000 | % |
| **Revenue** | **3,934,402** | 3,765,499 | +4.5 |
| **Profit attributable to equity holders of the Company** | **1,009,855** | 896,716 | +12.6 |
| **Earnings per share – Basic** | **16.37HK cents** | 14.63HK cents | +11.9 |
| **Interim Dividend per share** | **5.00HK cents** | 4.00HK cents | +25.0 |

## CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the "Board") of Guangdong Investment Limited (the "Company" or "GDI") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or the "GDI Group") for the six months ended 30 June 2009 together with the comparative figures for the six months ended 30 June 2008. These results have not been audited, but have been reviewed by the Company's audit committee and the auditors, Messrs. Ernst & Young.

### CONDENSED CONSOLIDATED INCOME STATEMENT

***For the six months ended 30 June 2009***

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
***For the six months ended 30 June 2009***

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

## CONDENSED CONSOLIDATED BALANCE SHEET
*30 June 2009*

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

## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

***30 June 2009***

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

Notes:

1. ACCOUNTING POLICIES

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

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES (continued)

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

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

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

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

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

(c) HKFRS 8 "*Operating Segments*"

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION (continued)

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

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

Note: Excluding exchange gains/(losses), net

3. SEGMENT INFORMATION (continued)

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

Note: Excluding exchange gains/(losses), net

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

Note: Excluding exchange gains/(losses), net

4. FINANCE COSTS

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

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

5. PROFIT BEFORE TAX

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

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

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

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

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

6. TAX

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

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

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

7. DIVIDEND

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

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

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

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

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

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

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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

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

10. PAYABLES, ACCRUALS AND OTHER LIABILITIES

Included in the Group's payables, accruals and other liabilities are trade payables. An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

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

11. POST BALANCE SHEET EVENT

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

## 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 2009 (the "Period"). The Group's unaudited consolidated net profit attributable to shareholders amounted to HK$1,010 million (2008: HK$897 million), representing an increase of 12.6% as compared with the same period last year. The basic earnings per share was 16.37 HK cents (2008: 14.63 HK cents) representing an increase of 11.9% as compared with the same period last year.

### Interim dividend

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

### Financial review

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

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

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

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

### Business Overview

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

#### Water Distribution

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

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

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

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

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

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

**Electric Power Generation**

*Zhongshan Power Plant*

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

*Shaoguan Power Plant D (“Shaoguan PPD”)*

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

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

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

*Meixian Power Plant*

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

**Toll Roads and Bridges**

***"1 Road and 2 Bridges"***

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

*(i) Humen Bridge*

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

*(ii) Shantou Haiwan Bridge*

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

*(iii) Guangzhou-Shantou Highway (Huizhou Section)*

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

***Yingkeng Highway***

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

***Panyu Bridge***

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

**Property Investment**

***Mainland China***

*Teem Plaza*

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

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

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

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

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

*Tianjin Teem Shopping Mall*

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

***Hong Kong***

*Guangdong Investment Tower*

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

**Department Stores**

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

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

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

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

**Hotel Operations and Management**

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

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

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

## Liquidity, Gearing and Financial Resources

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

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

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

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

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

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

## Pledge of Assets

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

## Capital Expenditure

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

## Exposure to Fluctuations in Exchange and Interest Rates and Related Hedges

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

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

## Employee and Remuneration Policy

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

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

## Prospects

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

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Code on Corporate Governance Practices

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

## Model Code for Securities Transactions by Directors

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

## Board of Directors

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

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

## Audit Committee

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

## Review of Interim Results

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

## Remuneration Committee

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

## Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2009, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited save and except that the Company has issued the following new ordinary shares to certain option holders during the period pursuant to the Company's share option scheme adopted on 31 May 2002:

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

## Interim Dividend

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

## Closure of Register of Members

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

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

By Order of the Board
**LI Wenyue**
*Chairman*

Hong Kong, 14 September 2009

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