



中國水務集團有限公司*

China Water Affairs Group Limited

Stock code : 855



Interim Report 2009/10



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Mr. Duan Chuan Liang (*Chairman*)

Mr. Li Ji Sheng

Non-executive

Mr. Zhao Hai Hu

Mr. Chen Guo Ru

Mr. Zhou Wen Zhi

Mr. Wu Jiesi

Independent Non-executive

Ms. Huang Shao Yun

Ms. Liu Dong

Mr. Chau Kam Wing

Mr. Ong King Keung

AUDIT COMMITTEE

Mr. Chau Kam Wing

(*Chairman of committee*)

Ms. Huang Shao Yun

Ms. Liu Dong

Mr. Ong King Keung

REMUNERATION COMMITTEE

Mr. Chau Kam Wing

(*Chairman of committee*)

Ms. Huang Shao Yun

Ms. Liu Dong

Mr. Ong King Keung

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wanchai

Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited

26th Floor, Tesbury Centre,

28 Queen's Road East

Wanchai, Hong Kong

LEGAL ADVISERS

As to Bermuda law

Conyers Dill & Pearman

AUDITORS

Grant Thornton

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

Agricultural Development Bank of China

STOCK CODE

855

WEBSITE

www.chinawatergroup.com

The board of directors (the "Board") of China Water Affairs Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2009, together with the comparative figures for the corresponding period in 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
	<i>Notes</i>	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Revenue	4	670,556	385,965
Cost of sales		(418,641)	(249,316)
Gross profit		251,915	136,649
Valuation deficiency on investment properties		-	(21,050)
Fair value gain/(loss) on financial assets at fair value through profit or loss		135,207	(175,241)
Gain on early redemption of convertible bonds		-	47,468
Other income	4	46,767	25,778
Selling and distribution costs		(20,211)	(15,222)
Administrative expenses		(88,903)	(113,059)
Equity-settled share options expenses		-	(10,562)
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds and warrants)		15,580	(40,997)
Profit/(Loss) from operation	5	340,355	(166,236)
Finance costs	6	(39,931)	(42,463)
Share of results of associates		5,278	4,319
Share of results of a jointly-controlled entity		730	(8)
Profit/(Loss) before income tax		306,432	(204,388)
Income tax credit/(expense)	7	(35,284)	32,746
Profit/(Loss) for the period		271,148	(171,642)

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

	Notes	Six months ended 30 September	
		2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Attributable to:			
Shareholders of the Company		226,073	(185,974)
Minority interests		45,075	14,332
Profit/(Loss) for the period		271,148	(171,642)
Interim dividend		26,537	NIL
Interim dividend per share		HK\$0.02	NIL
Earnings (Loss) per share attributable to shareholders of the Company during the period			
Basic	8	HK cents	HK cents
– For profit/(Loss) for the period		17.48	(15.14)
Diluted			
– For profit for the period		16.82	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Profit/(Loss) for the period	271,148	(171,642)
Other comprehensive (expense)/income:		
Change in fair value of available-for-sale financial assets	-	(49,703)
Change in fair value of investment in debt securities	-	(68,418)
Total comprehensive income/(loss) for the period	271,148	(289,763)
Total comprehensive income/(loss) attributed to:		
Shareholders of the Company	226,073	(304,095)
Minority interests	45,075	14,332
	271,148	(289,763)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Notes			
ASSETS AND LIABILITIES			
Non-current assets			
	Property, plant and equipment	2,053,568	1,961,865
	Prepaid land lease payments	257,779	222,813
	Investment properties	670,900	670,900
	Interests in associates	108,858	103,580
	Interest in a jointly-controlled entity	14,144	13,414
12	Investment in debt securities	97,372	56,497
9	Other financial assets	596,040	456,701
	Goodwill	155,126	155,126
	Other intangible assets	168,463	172,771
	Deposits and prepayments	142,600	119,257
		4,264,850	3,932,924
Current assets			
	Properties under development	95,418	115,219
	Inventories	48,743	46,013
10	Trade receivables	427,026	337,318
	Amounts due from grantors for contract work	–	52,797
9	Other financial assets	52,513	132,896
	Due from minority equity holders of subsidiaries	33,476	31,208
	Prepayments, deposits and other receivables	337,489	257,404
	Conversion options embedded in convertible bonds	76,457	61,984
12, 13	Pledged deposit	71,511	31,587
	Cash and cash equivalents	538,608	546,067
		1,681,241	1,612,493

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		As at	
	Notes	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Current liabilities			
Trade payables	11	335,726	261,134
Amounts due to customers for contract work		17,776	14,665
Accrued liabilities, deposits received and other payables		374,837	578,697
Bank and other borrowings		369,732	332,800
Due to minority equity holders of subsidiaries		86,986	109,497
Due to a jointly-controlled entity		13,970	13,970
Provision for tax		73,304	83,940
Derivative financial instruments	14	3,102	6,339
Warrants		2,682	552
		1,278,115	1,401,594
Net current assets		403,126	210,899
Total assets less current liabilities		4,667,976	4,143,823
Non-current liabilities			
Bank and other borrowings		1,068,015	1,011,367
Deferred government grants		19,717	28,309
Convertible bonds	14	246,364	235,530
Deferred tax liabilities		167,024	180,780
		1,501,120	1,455,986
Net assets		3,166,856	2,687,837
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	13,269	12,069
Proposed dividend		26,537	36,206
Reserves		2,238,986	1,827,885
		2,278,792	1,876,160
Minority interests		888,064	811,677
Total equity		3,166,856	2,687,837

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Net cash inflow from operating activities	62,183	59,886
Net cash outflow from investing activities	(379,587)	(220,638)
Net cash inflow from financing activities	309,945	253,560
Increase/(decrease) in cash and cash equivalents	(7,459)	92,808
Cash and cash equivalents at beginning of period	546,067	422,773
Cash and cash equivalents at end of period	538,608	515,581
Analysis of balances of cash and cash equivalents		
Bank and cash balances	538,608	515,581

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to Shareholders of the Company

	Share capital (unaudited) HK\$'000	Proposed dividend (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Capital redemption reserve (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Other reserve (unaudited) HK\$'000	Available-for-sale financial assets revaluation reserve (unaudited) HK\$'000	Statutory reserve (unaudited) HK\$'000	Retained earnings (unaudited) HK\$'000	Total (unaudited) HK\$'000	Minority interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
At 1 April 2009	12,069	36,206	1,135,595	341	34,519	137,862	81,354	383	-	38,280	399,551	1,676,160	811,677	2,687,837
Profit for the period	-	-	-	-	-	-	-	-	-	-	226,073	226,073	45,075	271,148
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	226,073	226,073	45,075	271,148
Placing and subscription of new shares	1,200	-	226,800	-	-	-	-	-	-	-	-	228,000	-	228,000
Share issues expenses	-	-	(11,635)	-	-	-	-	-	-	-	-	(11,635)	-	(11,635)
Final dividend paid	-	(36,206)	-	-	(3,600)	-	-	-	-	-	-	(39,806)	-	(39,806)
Interim dividend	-	26,537	-	-	(26,537)	-	-	-	-	-	-	-	-	-
Share premium reduction	-	-	(1,350,760)	-	1,350,760	-	-	-	-	-	-	-	-	-
Capital contribution by minority equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	31,312	31,312
Balance at 30 September 2009	13,269	26,537	-	341	1,355,142	137,862	81,354	383	-	38,280	625,624	2,278,792	888,064	3,166,856

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Equity attributable to Shareholders of the Company												
	Share capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Capital redemption reserve (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	Available- for-sale financial assets	Statutory reserves (unaudited) HK\$'000	Retained earnings (unaudited) HK\$'000	Total (unaudited) HK\$'000	Minority interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
								revaluation reserve (unaudited) HK\$'000					
At 1 April 2008	12,398	1,173,995	12	70,725	99,631	54,688	7,141	15,863	20,928	302,203	1,757,584	468,760	2,226,344
Loss for the period	-	-	-	-	-	-	-	-	-	(185,974)	(185,974)	14,332	(171,642)
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(49,703)	-	-	(49,703)	-	(49,703)
Change in fair value of investment in debt securities	-	-	-	-	-	-	-	(68,418)	-	-	(68,418)	-	(68,418)
Total comprehensive income	-	-	-	-	-	-	-	(118,121)	-	(185,974)	(304,095)	14,332	(289,763)
Repurchase of shares	(103)	(13,617)	-	-	-	-	-	-	-	-	(13,720)	-	(13,720)
Share repurchase expenses	-	(34)	-	-	-	-	-	-	-	-	(34)	-	(34)
Equity-settled share option arrangements	-	-	-	-	-	10,563	-	-	-	-	10,563	-	10,563
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	93,403	93,403
Capital contribution by minority equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	33,237	33,237
Additional interest in subsidiaries acquired by the Group	-	-	-	-	-	-	-	-	-	-	-	(1,602)	(1,602)
Transfer to capital redemption reserve	-	-	103	-	-	-	-	-	-	(103)	-	-	-
Balance at 30 September 2008	12,295	1,160,344	115	70,725	99,631	65,251	7,141	(102,258)	20,928	116,126	1,450,298	608,130	2,058,428

Notes:

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal accounting policies

The basis of preparation and accounting policies adopted in preparing these interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2009 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on or after 1 April 2009.

With effect from 1 April 2009, the Group adopted HKAS 1 (Revised) "Presentation of Financial Statements" and presents all items of income and expense recognised in the period in two statements: (i) the consolidated income statement showing components of profit or loss, and (ii) the consolidated statement of comprehensive income beginning with profit or loss and showing components of other comprehensive income. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

The Group also adopted HKFRS 8 "Operating Segments" which has become effective on 1 April 2009. As the Group's operating segments reported to chief operating decision-maker as required by HKFRS 8 are the same as the business segments reported in accordance with the predecessor standard (HKAS 14 "Segment Reporting"), the adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments.

Except for the above, there have not been any other New Standards that have significant impact on the Group's financial statements.

3. Segment information

The Group determined that the operating segments were the same as the business segments previously identified under HKAS "Segment Reporting". The following tables presents segment revenue and profit of the Group's operating segments for the six months ended 30 September 2009 and 2008, respectively.

(a) *Business segments*

For the financial period ended 30 September 2009

	City water supply operation and construction HK\$'000	Sewage treatment operation and construction HK\$'000	Property development and investment HK\$'000	Other infrastructure construction HK\$'000	Concrete products and others HK\$'000	Consolidated HK\$'000
Segment revenue						
External customers	243,524	16,095	33,307	208,513	59,428	560,867
Construction and installation income	109,689	–	–	–	–	109,689
Revenue	353,213	16,095	33,307	208,513	59,428	670,556
Other income	43,194	–	–	–	1,600	44,794
Total	396,407	16,095	33,307	208,513	61,028	715,350
Segment results	154,784	6,208	380	39,276	8,302	208,950
Interest income						1,133
Unallocated corporate income						840
Unallocated corporate expense						(21,355)
Fair value gain on financial assets at fair value through profit or loss						135,207
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds and warrants)						15,580
Profit from operation						340,355
Finance costs						(39,931)
Share of results of associates	5,278					5,278
Share of result of a joint venture		730				730
Profit before income tax						306,432
Income tax expense						(35,284)
Net profit for the period						271,148

For the financial period ended 30 September 2008

	City water supply operation and construction	Sewage treatment operation and construction	Property development and investment	Other infrastructure construction	Concrete products and others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
External customers	162,893	15,459	–	56,295	65,403	300,050
Installation income	85,915	–	–	–	–	85,915
Revenue	248,808	15,459	–	56,295	65,403	385,965
Other income	19,920	–	–	–	–	19,920
Total	268,728	15,459	–	56,295	65,403	405,885
Segment results	63,965	4,445	(659)	17,566	2,346	87,663
Interest income						2,505
Unallocated corporate income						3,353
Unallocated corporate expense						(59,375)
Valuation deficiency on investment properties			(21,050)			(21,050)
Fair value loss on financial assets at fair value through profit or loss						(175,241)
Gain on early redemption of convertible bonds						47,468
Equity-settled share options expenses						(10,562)
Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds)						(40,997)
Loss from operation						(166,236)
Finance costs						(42,463)
Share of results of associates	4,319					4,319
Share of result of a joint venture						(8)
Loss before income tax						(204,388)
Income tax credit						32,746
Loss for the period						(171,642)

(b) *Geographical segments*

No geographical segments are provided as most of revenue, assets and liabilities of the Group for the six months ended 30 September 2009 and 2008 were either generated or located in the PRC.

4. Other income

	Consolidated Six months ended 30 September	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Other income:		
Interest income	1,133	2,505
Dividend income from financial assets	1,562	1,142
Government grants and subsidies	40,440	10,576
Miscellaneous income	3,632	11,555
Total	46,767	25,778

5. Profit/(Loss) from operation

Profit/(Loss) from operation is arrived at after charging:

	Consolidated Six months ended 30 September	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Depreciation	45,398	34,216
Amortisation of prepaid land lease payments	2,726	2,315
Amortisation of other intangible assets	4,128	2,973

6. Finance costs

	Consolidated Six months ended 30 September	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Interest on bank loans	21,551	18,872
Interest on other borrowings	10,213	4,864
Interest on convertible bonds	10,834	27,151
Total borrowing costs	42,598	50,887
Less: interest capitalised included in property, plant and equipment	(2,667)	(8,424)
	39,931	42,463

7. Income tax (credit)/expense

Taxation for other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions. Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: Nil).

	Consolidated Six months ended 30 September	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Current		
– Hong Kong profits tax	–	–
– Overseas taxation	33,534	6,559
	33,534	6,559
Deferred		
– tax charge for the period	1,750	–
– tax credit for the period	–	(39,305)
	1,750	(39,305)
Total tax charge/(credit) for the period	35,284	(32,746)

8. Earning/(Loss) per share attributable to shareholders of the Company

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of the Company of HK\$226,073,000 (2008: loss of HK\$185,974,000) and on the weighted average of 1,293,666,741 (2008: 1,227,970,000) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 September 2008 are not presented as the potential ordinary shares had anti-dilutive effect on loss per share.

In the calculation of the diluted earnings per share attributable to the equity holders of the Company for the period ended 30 September 2009, the potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to the shareholders of the Company and were not taken into account as they had an anti-dilutive effect. Therefore, the calculation of diluted earnings per share is based on the profit for the period attributable to shareholders of the Company of HK\$226,073,000 and on the weighted average of 1,344,001,875 ordinary shares outstanding during the period, being the weighted average number of ordinary shares of 1,293,666,741 used in basic earnings per share calculation and adjusted for the effect of share options existing during the period of 50,335,134.

9. Other financial assets

(a) Available-for-sale financial assets

	As at	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Unlisted equity investments outside Hong Kong, at cost	486,881	443,401
Listed equity investment in Hong Kong, at fair value (note)	109,159	13,300
Less: Provision for impairment	—	—
	596,040	456,701

Note: The fair value of these available-for-sale financial assets are determined by the directors of the Company with reference to quoted market price and valuation performed by CB Richard Ellis Limited, an independent firm of professional valuers.

These financial assets are subject to financial risk exposure in terms of price risk.

Particulars of the major investment in equity securities as at 30 September 2009 disclosed pursuant to section 129 of the Hong Kong Companies Ordinance, are as follows:

Name	Place of establishment	Principal activities	Particulars of registered capital	Percentage of interest held
China Botanic Development Holdings Ltd. *	Cayman Islands	Production and distribution of snack food and convenience frozen food products and cultivation of seabuckthorn seedlings, manufacturing, sales, research and development of seabuckthorn related health products	1,155,406,249 shares of HK\$0.01 each	28.63%
上海自來水投資建設有限公司 ("上海自來水")	PRC	Water supply infrastructure	Registered capital of RMB 70,000,000	28.57%
江河農村電氣化發展有限公司 ("江河農電")	PRC	Hydropower plant operation	Registered capital of RMB 399,392,000	50%
中國水務投資有限公司	PRC	Investment, operation, management and related value added services in raw water supply, exploitation, cross-region water transfer, urban water supply and waste water treatment as well as desalination of brackish water in the PRC	Registered capital of RMB800,000,000	15.00%

* Listed on the Stock Exchange and was pledged to secure the amended and restated term facility agreement as detailed in note 16(ii).

Note:

- (i) The investments in 上海自來水 和 江河農電 are not equity accounted for under HKAS "Investments in Associates". This is because the directors are of the opinion that the Group has no participation in the financial and operating policy-making process.
- (ii) The above table lists the major investments of the Group which, in the opinion of the directors, principally affected results for the year or formed a substantial portion of the net assets of the Group. To give details of other investments would, in the opinion of the directors, result in particulars of excessive length.

(b) *Financial assets at fair value through profit or loss*

	As at	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Listed equity investments, at market value:		
– Hong Kong	862	971
– Elsewhere	51,651	131,925
	52,513	132,896

The above equity investments at 30 September 2009 were classified as held for trading.

Note:

The Group has undertaken the following lockup periods in respect of the disposal of its interests in Qian Jiang Water Resources Development Co., Limited ("Qian Jiang") in carrying amount of HK\$51,651,000 (31 March 2009: HK\$113,191,000), which is listed on the Shanghai Stock Exchange of the PRC (the "SSE"), through the SSE (the "Disposal"):

- (1) no Disposal for a period of twelve months commencing from 27 December 2006 (the "First Lockup Period"); and
- (2) Disposal not exceeding 5% of the total issued shares of Qian Jiang for a period of twelve months after the First Lockup Period and not exceeding 10% of the total issued shares of Qian Jiang for a period of twenty-fourth months after the First Lockup Period.

As at 30 September 2009, the Group's interests in Qian Jiang in carrying amount of HK\$42,722,000 (31 March 2009: HK\$36,046,000) were within the lock up periods and in carrying amount of HK\$42,722,000 (31 March 2009: HK\$36,046,000) were pledged to secure banking facilities granted to the Group.

Except for the matter as disclosed above, the Group's interests in Qian Jiang are freely transferable following the initial recognition.

10. Trade receivables

An analysis of the aging of the Group's trade receivables is as follows:

	As at	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Current to 90 days	238,509	115,357
91 to 180 days	107,179	93,798
Over 180 days	81,338	128,163
	427,026	337,318

The Group has a policy of allowing trade customers with credit normally within 90 days except for construction project for which settlement is made in accordance with the terms specified in the contracts governing the relevant transaction. Overdue balances are reviewed regularly by the Group's management.

As at the balance sheet dates, the Group had no significant balances of trade receivables that were past due but not impaired. The directors of the Company are of the opinion that no further allowance for impairment of trade receivables is necessary as there was no recent history of default in respect of these trade debtors. Trade receivables that were neither past due nor impaired related to a large number of independent customers that had a good track record of credit with the Group. In general, the Group does not hold any collateral or other credit enhancements over these balances.

11. Trade payables

An analysis of the aging of the Group's trade payable is as follows:

	As at	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Current to 90 days	196,367	105,876
91 to 180 days	54,247	67,750
Over 180 days	85,112	87,508
	335,726	261,134

The credit terms of trade payables varies according to the terms agreed with different suppliers.

12. Investment in debt securities

During the year ended 31 March 2008, the Group acquired the convertible bonds issued by CBDH with a principal amount of HK\$180,050,000 (the "China Botanic Convertible Bonds") as part of the consideration for the disposal of 100% equity interest in CEWHL. The China Botanic Convertible Bonds due on 13 November 2017 is convertible into fully paid ordinary shares of CBDH with a par value of HK\$0.01 each at an initial conversion price of HK\$0.15, subject to adjustment on the occurrence of dilutive or concentrative event. The Group can exercise the conversion at anytime until the maturity date, provided that any conversion of the China Botanic Convertible Bonds does not trigger a mandatory offer obligation under The Hong Kong Code on Takeovers and Mergers. The China Botanic Convertible Bonds can be redeemed at 100% of the respective outstanding principal amount, together with their unpaid interest on maturity date. Further details of which have been set out in the Company's announcement dated 3 July 2007.

The China Botanic Convertible Bonds are separated into two components: the debt element and the conversion options element (note 13). The Group has classified the debt element of the China Botanic Convertible Bonds as available-for-sale investment and the conversion options element of the China Botanic Convertible Bonds as derivative financial instruments, which have been presented as the "Investment in debt securities" and "Conversion options embedded in convertible bonds" in the balance sheet respectively. The fair values of the debt element and the conversion options element are determined by the directors of the Company with reference to the valuation performed by CB Richard Ellis Limited, an independent firm of professional valuers.

The carrying value of the debt element and conversion options element of the China Botanic Convertible Bonds are as follows:

	Debt element	Conversion options element	Total
	HK\$'000	HK\$'000	HK\$'000
Net carrying amounts at 1 April 2008	132,414	69,824	202,238
Disposal during the year	(18,386)	(9,695)	(28,081)
Change in fair value			
– charged to income statement	(43,871)	1,855	(42,016)
– charged to equity	(13,660)	–	(13,660)
Net carrying amounts at 31 March 2009 and at 1 April 2009	56,497	61,984	118,481
Change in fair value			
– credited to income statement	40,875	14,473	55,348
Net carrying amounts at 30 September 2009	97,372	76,457	173,829

13. Conversion options embedded in convertible bonds

	As at	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Unlisted conversion options embedded in convertible bonds, at fair value	76,457	61,984

As at 30 September 2009, convertible options embedded in convertible bonds represent the conversion options element of the China Botanic Convertible Bonds held by the Group (*note 12*).

The fair value of the conversion options element of the China Botanic Convertible Bonds was calculated using the Binominal model with the major inputs used in the model as follows:

	30 September 2009	31 March 2009
Stock price	HK\$0.142	HK\$0.099
Expected volatility	83.38%	90.16%
Risk free rate	2.322%	1.823%
Expected dividend yield	Nil	Nil

Any changes in the major inputs into the model will result in changes in the fair value of the conversion options element of the China Botanic Convertible Bonds. The change in the fair value of the conversion options element of the China Botanic Convertible Bonds during the period ended 30 September 2009 result in a fair value gain of HK\$14,473,000, which has been included in the "Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds)" in the condensed consolidated income statement for the period ended 30 September 2009.

14. Convertible notes

The carrying values of the liability component, equity component and derivative component of the convertible bonds are as follows:

Liability component

	2012 Convertible Bonds (note a) HK\$'000
At 1 April 2008	590,250
Interest expenses	40,095
Arising from repurchases	<u>(394,815)</u>
Net carrying amounts at 31 March 2009 and at 1 April 2009	235,530
Interest expenses	<u>10,834</u>
Net carrying amounts at 30 September 2009	<u><u>246,364</u></u>

Equity component**Derivative component
– classified as current liabilities**

Net carrying amounts at 1 April 2008	94,635
Arising from repurchases	(51,479)
Change in fair value of derivative financial instruments	<u>(36,817)</u>
Net carrying amounts at 31 March 2009 and at 1 April 2009	6,339
Change in fair value of derivative financial instruments	<u>(3,237)</u>
Net carrying amounts at 30 September 2009	<u><u>3,102</u></u>

Notes:

- (a) Pursuant to an announcement (the "2007 CB Announcement") dated 18 July 2007 and information memorandum (the "2007 Information Memorandum") of the Company dated 3 August 2007, the Company issued HK\$650,000,000 zero coupon convertible bonds (the "2012 Convertible Bonds") at 100% of principal amount to DBS on 3 August 2007 (the "2007 CB Issue").

The 2012 Convertible Bonds are convertible at any time on or after 2 September 2007 and up to the close of business on 20 July 2012 by the bondholders into ordinary share of the Company of HK\$0.01 each at the option of the bondholder, at an initial conversion price of HK\$7 per share (the "Conversion Price"). The conversion price is subject to adjustment on the occurrence of dilutive or concentrative event. If on 3 February 2009, the average of the closing prices of the share of the Company on each trading day in the period of 15 consecutive trading days ending on (and including) the day immediately prior to 3 February 2009 (the "Reference Price") is less than the Conversion Price on such date, the Conversion Price shall be reset to the Reference Price (the "Conversion Price Reset") provided that the Conversion Price shall not be reduced on 3 February 2009 to below HK\$5.45. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the 2012 Convertible Bonds at 132.77 per cent of its principal amount on 3 August 2012.

Both the Company and the bondholders have redemption options on the 2012 Convertible Bonds pursuant to the 2007 Information Memorandum.

On or after 3 February 2009 and on or prior to 2 August 2010, the Company may redeem all or some of the 2012 Convertible Bonds at their accreted principal amount, in whole but not in part if on each of not less than 20 consecutive trading days ending not earlier than 14 days prior to the date on which the notice of redemption is given to bondholders, the aggregate value on each trading day shall have been at least 150 per cent of the accreted principal amount in respect of each HK\$100,000 on such trading day.

On or after 3 August 2010 and on or prior to 24 July 2012, the Company may redeem all or some of the 2012 Convertible Bonds at their accreted principal amount, in whole but not in part if on each of not less than 20 consecutive trading days ending not earlier than 14 days prior to the date on which the notice of redemption is given to bondholders, the aggregate value on each trading day shall have been at least 130 per cent of the accreted principal amount in respect of each HK\$100,000 on such trading day.

On 3 August 2010, the bondholders of the 2012 Convertible Bonds will have the right at such holder's option, to require the Company to redeem all or some of the 2012 Convertible Bonds at 118.538 per cent of their unpaid principal amount as at 3 August 2010.

In the event that the Company's shares cease to be listed or admitted to trading on the Stock Exchange, each bondholder shall have the right, at such bondholder's option, to require the Company to redeem all or some of such holder's 2012 Convertible Bonds at their accreted principal amount.

Further details of the terms and conditions of the 2007 CB Issue have been set out in the 2007 CB Announcement and the 2007 Information Memorandum.

The Group determined that the Conversion Price Reset will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company's shares. In accordance with the requirement of HKAS 32, the bond contract is separated into two components: a compound derivative component consisting of the conversion option and the redemption option, and a liability component consisting of the straight debt element. The compound derivative component is carried at fair value on the balance sheet with any changes in fair value being charged or credited to the income statement in the period when the change occurs.

The fair value of the derivative component of the 2012 Convertible Bonds was calculated using the Binominal model with the major inputs used in the model as follows:

	30 September 2009	31 March 2009
Stock price	HK\$2.34	HK\$1.21
Expected volatility	65.48%	65.06%
Risk free rate	0.19%	1.28%

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component. The change in the fair value of the derivative component during the period ended 30 September 2009 results in a fair value gain of HK\$3,237,000, which has been included in the "Change in fair value of derivative financial instruments (including conversion options embedded in convertible bonds)" in the income statement for the period ended 30 September 2009.

Interest expenses are calculated using the effective interest method by apply the effective interest rate of 9.2% to the adjusted liability component.

15. Share capital

	Number of shares '000	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 30 September 2009 and 30 September 2008	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2008	1,239,784	12,398
Repurchased and cancelled	(32,912)	(329)
Ordinary shares of HK\$0.01 each at 31 March 2009	1,206,872	12,069
Placing and subscription of new shares (note a)	120,000	1,200
Ordinary shares of HK\$0.01 each at 30 September 2009	1,326,872	13,269

During the period ended 30 September 2009, the movements in share capital were as follows:

- (a) On 26 June 2009, Mr. Duan Chuan Liang, a director of the Company and Asset Full Resources Limited entered into a placing agreement with Kim Eng Securities (Hong Kong) Limited for the placing of up to 120,000,000 ordinary shares of the Company at a price of HK\$1.90 per share. Pursuant to a subscription agreement on the same date, Mr. Duan Chuan Liang and Asset Full Resources Limited subscribed for 120,000,000 new ordinary shares of the Company at a price of HK\$1.90 per share. On 10 July 2009, the subscription completed and raised total consideration of approximately HK\$228,000,000 (before expenses).

16. Pledge of assets

- (i) The Group's bank and other loans at 30 September 2009 were secured by:
 - (a) pledge of water and sewage treatment revenue of certain subsidiaries;
 - (b) guarantees by You Tao and Lin Hua Dong (being senior management of certain subsidiaries), 江西省水利水電開發總公司, 新余市人大常委會 and 韶關市丹霞山旅遊投資經營有限公司. The Group has not recognised the financial impact in respect of these guarantees as their fair value cannot be reliably measured and no transaction price was recorded;
 - (c) charges over property, plant and equipment in which their aggregate carrying amount as at 30 September 2009 was HK\$162,936,000 (31 March 2009: HK\$95,480,000);
 - (d) charges over interests in land use rights in which their aggregate carrying amount as at 30 September 2009 was HK\$23,094,000 (31 March 2009: HK\$8,584,000);
 - (e) charges over investment properties in which their aggregate carrying amount as at 30 September 2009 was HK\$147,426,000 (31 March 2009: HK\$147,426,000);
 - (f) charges over properties under development in which their aggregate carrying amount as at 30 September 2009 was HK\$78,598,000 (31 March 2009 : HK\$78,598,000);
 - (g) charges over other intangible assets in which their aggregate carrying amount as at 30 September 2009 was HK\$168,463,000 (31 March 2009: HK\$172,771,000);
 - (h) charges over interests in Qian Jiang in carrying amount of HK\$42,722,000 as at 30 September 2009 (31 March 2009: HK\$36,046,000); and
 - (i) charges over the Group's bank balances in amount of HK\$71,511,000 as at 30 September 2009 (31 March 2009: HK\$31,587,000).

- (ii) On 18 December 2007, the Company entered into a term facility agreement with DEG – Deutsche Investitions – Und Entwicklungsgesellschaft MBH (“DEG”) and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (“FMO”) for a loan facility of up to US\$36 million (the “Loan Agreement”). On 13 August 2008, the Company and its subsidiary, DEG and FMO entered into amended and restated term facility agreement to amend the Loan Agreement (the “Amended Loan Agreement”). In connection with the Amended Loan Agreement, the Company acted as guarantor and issued to DEG and FMO warrant instrument with the right to subscribe for the ordinary shares of the Company at the subscription price of HK\$7 during the subscription period from 18 December 2008 to 18 December 2011 (both days inclusive) up to USD10.8 million (the “Warrants”).

The facility of US\$36 million was fully utilised during the year ended 31 March 2009 (the “DEG and FMO Loan”). The DEG and FMO Loan bears floating rate of 2.10% per annum above the London Inter-Bank Offer Rates. The subscription monies for the Warrants shall be satisfied by way of set off of any outstanding amount under the Amended Loan Agreement. The loan facility under the Amended Loan Agreement is secured by (i) shares of certain subsidiaries of the Group; (ii) the Group’s equity interests in CBDH; and (iii) a bank account of the Group.

During the year ended 31 March 2009, certain provisions of the Amended Loan Agreement were breached which could cause the DEG and FMO Loan becomes payable on demand. However, on 31 March 2009, the Group has been granted the waiver in respect of granting a period of grace until 1 April 2010 in connection with the breached provisions. In the opinion of the directors of the Company and the Group’s legal advisers after taking into account the waiver, the Group has an unconditional right to defer settlement of the DEG and FMO Loan until 1 April 2010.

17. Litigation

As at 30 September 2009, neither the Company nor other members of the Group had any outstanding litigation or arbitration of material importance and the Directors had no knowledge of any pending or threatened litigation or claims of material importance against any member of the Group.

18. Related party transactions

The Group has the following material related party transactions:

On 22 September 2009, Huizhou China Water Affairs Development Company Limited (the “Purchaser”), a non-wholly owned subsidiary of the Company, entered into an agreement with Huizhou Investment Management Company (the “Vendor”), to acquire 25.62% of the equity interest in Huizhou Daya Bay Yiyuan Purified Water Co., Limited (the “Target”) at cash consideration of RMB65,650,000 (equivalent to approximately HK\$74,184,500). After Completion, the Company will hold 100% equity interest in the Target through the Purchaser and another non-wholly owned subsidiary. The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As all the relevant percentages under Rule 14.07 of the Listing Rules is less than 2.5%, the Acquisition is subject only to the reporting and announcement requirements and is exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

During the period ended 30 September 2008, the Group has acquired 0.54% equity interest of 江河水務有限公司 from Mr. Li Ji Sheng, the executive director of the Company for a cash consideration of RMB1.5 million or approximately HK\$1.66 million.

During the period ended 30 September 2008, the Group entered into an agreement for the acquisition of 70% equity interests in 惠州市大亞灣銀龍自來水有限公司 (Huizhou Daya Bay Yinlong Running Water Company Limited), 惠州市大亞灣清源環保有限公司 (Huizhou Daya Bay Qingyuan Environmental Protection Co., Limited) and 惠州市大亞灣溢源淨水有限公司 (Huizhou Daya Bay Riyuan Purified Water Co., Limited). The total consideration is approximately RMB190.1 million (approximately HK\$210.6 million) which was settled in cash. The acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules and has been approved by the independent shareholders of the Company on a special general meeting held on 5 May 2008. The acquisition was completed during the period.

During the period ended 30 September 2008, the Company entered into an agreement with Color Hill Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability (the "Vendor"), to acquire 10% of the equity interest in 新余仙女湖新城開發有限公司(Xinyu Xiannuhu Xincheng Kaifa Company Limited), a sino-foreign joint venture enterprise incorporated in the PRC (the "Target"). The Target is principally engaged in infrastructure construction works in Xinyu City, Jiangxi Province, PRC. The consideration of HK\$24,500,000 which settled by cash are paid by the Company. After completion, the Company will directly hold 40% and indirectly hold another 30% of the equity interest in the Target. The acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules and has been approved by the independent shareholders of the Company on a special general meeting held on 25 November 2008.

19. Commitments

At the date of statement of financial position, the Group had the following outstanding commitments:

(i) Capital commitments

	As at	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Contracted, but not provided for		
– Construction in progress	89,102	62,604
– Plant and machinery	62,256	14,338
– Leasehold improvements	–	306
– Water pipelines	41,051	72,027
	192,409	149,275

(ii) *Operating lease arrangement***As lessee**

The Group leases certain of its leasehold land, office premises and properties under operating lease arrangements for terms ranging from one to twenty years. Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at dates mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Within one year	13,079	12,750
In the second to fifth year, inclusive	39,090	38,565
After five years	74,454	51,558
	126,623	102,873

As lessor

The Group sub-leases certain of its leased properties under operating lease arrangements for terms ranging from one to five years. Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at dates mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

At 30 September 2009, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	As at	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Within one year	1,211	1,796
In the second to fifth years, inclusive	393	2,428
	1,604	4,224

- (iii) At the balance sheet date, the Group had other commitments amounted to HK\$399,501,000 (31 March 2009: HK\$359,124,000) in respect of its business development and infrastructure projects in the PRC.
- (iv) At 30 September 2009, the Company had commitment to make direct capital injections to its equity ventures operating in the PRC of approximately HK\$7,569,000 (31 March 2009: HK\$104,637,000).

20. Contingent liabilities

As at 30 September 2009 and 2008, the Group had no material contingent liabilities.

21. Event after the statement of financial position date

At 30 September 2009, the Group had no significant events after the statement of financial position date of the Group.

22. Comparative information

Comparative information has been restated to conform to current period's presentation as a result of the adoption of HKAS 1 (Revised) and HKFRS 8.

INTERIM DIVIDEND

The Board declared an interim dividend of HK\$0.02 per ordinary share for the year ending 31 March 2010 (2008: Nil). The interim dividend will be payable on or about Monday, 18 January 2010 to the shareholders whose names appear on the register of member on Thursday, 14 January 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and business outlook

For the period under review, the Group recorded turnover of approximately HK\$670.6 million (2008: HK\$386.0 million), while net profit attributable to shareholders of the Company amounted to approximately HK\$226.1 million (2008: loss of HK\$186.0 million).

For the period under review, the city water supply revenue (which comprising water supply and installation income) amounted to approximately HK\$353,213,000 for the period ended 30 September 2009 (2008: HK\$248,808,000), representing an increase of 41.96% as compared with corresponding period in 2008. The segments profits from city water supply business for the period ended 30 September 2009 is approximately HK\$154,784,000 (2008: HK\$63,965,000) representing an increase of 141.98% as compared with corresponding period in 2008.

The sewage treatment revenue amounted to approximately HK\$16,095,000 for the period ended 30 September 2009 (2008: HK\$15,459,000), representing an increase of 4.11% as compared with corresponding period in 2008. The segments profits from sewage treatment business for the period ended 30 September 2009 is approximately HK\$6,208,000 (2008: HK\$4,445,000), representing an increase of 39.66% as compared with corresponding period in 2008.

The Group will continue to implement its strategies for development of city water supply business in the PRC. Given the Group's competitive advantages and expertise in water business, friendly government policies that promote development of high quality city water supply business in PRC and the water business is less influenced by capital market and economy downturns, the Company believe that the continuous development of water business are in the best interests of the Company and the shareholders as a whole.

Liquidity and financial resources

As at 30 September 2009, the Group had current assets of approximately HK\$1,681 million (31 March 2009: HK\$1,612 million) and current liabilities of approximately HK\$1,278 million (31 March 2009: HK\$1,402 million). The Group's current ratio is approximately 1.32 times as at 30 September 2009 as compared with approximately 1.15 times as at 31 March 2009. The Group had total assets of approximately HK\$5,946 million (31 March 2009: HK\$5,545 million) and total liabilities of approximately HK\$2,779 million (31 March 2009: HK\$2,858 million) representing a gearing ratio (expressed as total liabilities to total assets) of approximately 46.74% as at 30 September 2009 as compared with approximately 51.54% as at 31 March 2009.

As at 30 September 2009, the Group has consolidated cash and cash equivalent of HK\$538,608,000. Out of which of approximately HK\$198,674,000 are placed in bank balances with financial institutions operating in Hong Kong. The remaining balances which denominated in China Renminbi are mostly placed in bank balances by subsidiaries of the Company and the Company in the PRC.

It is believed that, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future.

Capital raising

On 26 June 2009, Mr. Duan Chuan Liang, a director of the Company and Asset Full Resources Limited entered into a placing agreement with Kim Eng Securities (Hong Kong) Limited for the placing of up to 120,000,000 ordinary shares of the Company at a price of HK\$1.90 per share. Pursuant to a subscription agreement on the same date, Mr. Duan Chuan Liang and Asset Full Resources Limited subscribed for 120,000,000 new ordinary shares of the Company at a price of HK\$1.90 per share. On 10 July 2009, the subscription completed and raised total consideration of approximately HK\$228,000,000 (before expenses).

Share premium reduction

On 15 July 2009, the Company proposed to implement share premium reduction which will involve a reduction of the entire amount standing to the credit of the share premium account of the Company to nil. The credit arising from the share premium reduction will be credited to the contributed surplus account of the Company. The resolution was duly passed as special resolution at the annual general meeting (the "AGM") of the Company held on 4 September 2009. The share premium reduction was take effect on 7 September 2009.

Employees and remuneration policies

As at 30 September 2009, the Group had approximately 4,100 full-time employees. Most of them station in the PRC while the remaining in Hong Kong. The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

At 30 September 2009, the interests and short positions of the directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the securities and Futures Ordinance (the "SFO") (the "Associated Corporations") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(a) Shares

Name of Director	Capacity/ Nature of interest	Number of Shares		Approximately percentage of shareholding in the Company
		Long position	Short position	
Mr. Duan Chuan Liang (Note)	Corporate and beneficial	203,198,301	–	15.31%
Mr. Chen Guo Ru	Beneficial	3,500,000	–	0.26%
Mr. Zhao Hai Hu	Beneficial	1,900,000	–	0.14%
Mr. Zhou Wen Zhi	Beneficial	870,000	–	0.07%

Note: These 203,198,301 shares consists of 112,336,301 shares held by Asset Full Resources Limited of which wholly and beneficially owned by Mr. Duan Chuan Liang, and 90,862,000 shares held by Mr. Duan Chuan Liang personally.

(b) Underlying shares

Name of Director	Capacity/ Nature of interest	Number of Shares		Approximately percentage of shareholding in the Company
		Long position	Short position	
Mr. Duan Chuan Liang	Beneficial	50,000,000	–	3.77%
Mr. Wu Jiesi	Beneficial	6,000,000	–	0.45%

Note: Options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Option Schemes" below.

SHARE OPTION SCHEMES

The following table discloses movements in the Company's share options during the period:

Name or category of participant	Number of share options				At 30 September 2009	Date of grant of share options	Exercise period of share options	Exercise price of share options (HK\$) (note a)
	At 1 April 2009	Granted during the period	Exercised during the period	Lapsed during the period				
Directors								
Mr. Duan Chuan Liang	50,000,000	-	-	(50,000,000)	-	2 April 2007	Period 3	3.60
	50,000,000	-	-	-	50,000,000	12 January 2009	Period 6	1.02
Mr. Li Ji Sheng	100,000,000	-	-	(50,000,000)	50,000,000	10 August 2007	Period 5	4.58
	1,000,000	-	-	(1,000,000)	-			
Mr. Wu Jiesi	6,000,000	-	-	-	6,000,000	29 March 2006	Period 1	1.45
	1,000,000	-	-	(1,000,000)	-	10 August 2007	Period 5	4.58
Mr. Chen Guo Ru	7,000,000	-	-	(1,000,000)	6,000,000	10 August 2007	Period 5	4.58
	500,000	-	-	(500,000)	-			
Mr. Zhou Wen Zhi	500,000	-	-	(500,000)	-	10 August 2007	Period 5	4.58
	800,000	-	-	(800,000)	-			
Mr. Zhao Hai Hu	800,000	-	-	(800,000)	-	10 August 2007	Period 5	4.58
Other employees								
In aggregate	2,300,000	-	-	-	2,300,000	17 March 2006	Period 2	1.16
	1,000,000	-	-	-	1,000,000	29 March 2006	Period 1	1.45
	21,900,000	-	-	(21,900,000)	-	30 April 2007	Period 4	4.35
	25,200,000	-	-	(21,900,000)	3,300,000			
Suppliers/Advisors								
In aggregate	9,500,000	-	-	(9,500,000)	-	30 April 2007	Period 4	4.35
	144,500,000	-	-	(85,200,000)	59,300,000			

Notes:

Period 1	29 March 2006 to 28 March 2011
Period 2	17 March 2006 to 16 March 2011
Period 3	2 April 2007 to 1 April 2009
Period 4	30%, 30%, 30%, 10% were exercisable on 30 April 2007 to 29 April 2009, 30 October 2007 to 29 April 2009, 30 April 2008 to 29 April 2009 and 30 October 2008 to 29 April 2009, respectively.
Period 5	30%, 30%, 30%, 10% were exercisable on 10 August 2007 to 9 August 2009, 10 February 2008 to 9 August 2009, 10 August 2008 to 9 August 2009 and 10 February 2009 to 9 August 2009, respectively.
Period 6	12 January 2009 to 11 January 2012

- (a) 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.

Other than as disclosed in the sections headed "Directors' and chief executives' interests and short positions" and "Share Option Schemes" above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives were taken or deemed to have under the provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the sections headed "Directors' and chief executives' interests and short positions" and "Share Option Schemes" above, at no time during the year was the Company, its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, so far as is known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions 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, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Capacity/ Nature of interest	Number of Shares		Approximately percentage of shareholding in the Company	
		Long position	Short position	Long position	Short position
Asset Full Resources Limited (Note)	Corporate	112,336,301	–	8.47%	–
Atlantis Investment Management Limited	Corporate	243,094,000	–	18.32%	–
Zesiger Capital Group LLC	Corporate	73,036,000	–	5.50%	–
HSBC Global Asset Management (Hong Kong) Limited	Corporate	68,000,000	–	5.12%	–

Note: These Shares are beneficially owned by and registered in the name of Asset Full Resources Limited, a company incorporated in the British Virgin Islands, whose entire issued capital is wholly and beneficially owned by Duan Chuan Liang, an executive director and chairman of the Company.

Save as disclosed above, as at 30 September 2009, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2009, except for certain deviations as follows:

Code Provision A.4.2

Under this code provision, every director should be subject to retirement by rotation at least once every three years. According to the Company's bye-laws, at each annual general meeting, one third of the directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of Board should not be subject to retirement by rotation.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for the Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by its directors. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the six months ended 30 September 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 January 2010 to Thursday, 14 January 2010 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 September 2009, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 7 January 2010.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the four independent non-executive directors of the Company, is responsible for reviewing and evaluating the remuneration policies of executive directors and making recommendations to the Board from time to time.

AUDIT COMMITTEE

The Audit Committee comprises the four independent non-executive directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim condensed accounts for the six months ended 30 September 2009 with the directors.

On behalf of the Board
Duan Chuan Liang
Chairman

Hong Kong, 3 December 2009

As at the date of this report, the Board comprises two executive Directors, being Mr. Duan Chuan Liang and Mr. Li Ji Sheng, four non-executive Directors, being Mr. Chen Guo Ru, Mr. Wu Jiesi, Mr. Zhao Hai Hu and Mr. Zhou Wen Zhi, and four independent non-executive Directors, being Ms. Huang Shao Yun, Ms. Liu Dong, Mr. Chau Kam Wing and Mr. Ong King Keung.