



GUANGZHOU INVESTMENT COMPANY LIMITED

越秀投資有限公司

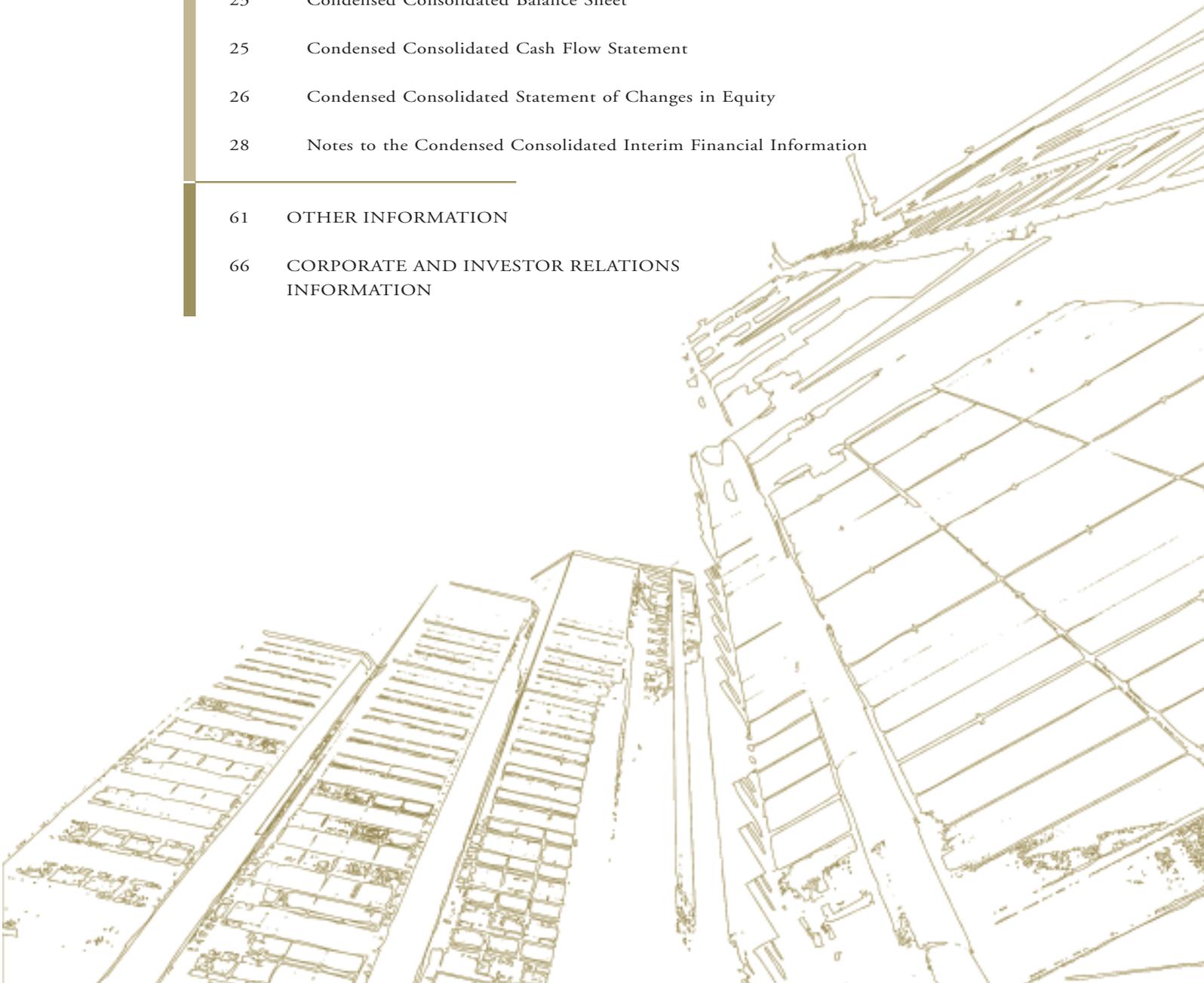
(Stock Code: 00123)

2009 Interim Report



Contents

2	FINANCIAL HIGHLIGHTS
3	MANAGEMENT DISCUSSION AND ANALYSIS
<hr/>	
19	REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
20	INTERIM FINANCIAL INFORMATION
20	Condensed Consolidated Income Statement
22	Condensed Consolidated Statement of Comprehensive Income
23	Condensed Consolidated Balance Sheet
25	Condensed Consolidated Cash Flow Statement
26	Condensed Consolidated Statement of Changes in Equity
28	Notes to the Condensed Consolidated Interim Financial Information
<hr/>	
61	OTHER INFORMATION
66	CORPORATE AND INVESTOR RELATIONS INFORMATION



Financial Highlights

	For the six months ended		Change %
	30 June 2009 (HK\$'000) Unaudited	30 June 2008 (HK\$'000) Unaudited	
Revenue	3,015,120	2,119,882	42.2%
Operating profit	1,021,647	609,302	67.7%
Profit attributable to equity holders of the Company	684,051	465,189	47.0%
Earnings per share for profit attributable to equity holders of the Company			
- Basic (HK cents)	9.60	6.53	47.0%

	As at		Change %
	30 June 2009 (HK\$'000) Unaudited	31 December 2008 (HK\$'000) Audited	
Total assets	46,251,845	42,932,994	7.7%
Shareholders' equity per share* (HK\$)	2.158	2.032	6.2%
Gearing ratio	34.5%	31.5%	9.5%

* excluding minority interests

The Board of Directors ("Board") of the Company announced the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009.

Management Discussion and Analysis



BUSINESS REVIEW

Following the implementation of the corporate initiatives adopted in 2008 in which the Group was restructured by divesting its non-core newsprint business and focusing on property as its core strategic business, which had reduced the Group's financial leverage and strengthened its financial position, the Group took advantage of the moderately loose credit policies advocated by the government and the recovery of the property market and sought to commit more resources to the property business, enhance its development scale, and selectively increase its land bank in the first half of 2009 (the reporting period). As a result, Group's capabilities and business prospect have been further enhanced.

During the reporting period, the Group's revenue amounted to approximately HK\$3,015 million, representing a year-on-year (yoy) increase of 42.2%. Profit attributable to equity holders amounted to HK\$684 million, representing a yoy growth of 47.0%. Basic earnings per share were approximately HK9.6 cents, representing a yoy increase of 47.0%.

The Board resolved not to declare an interim dividend for the first half of 2009 (first half of 2008: HK2.60 cents). The Board believes that the commitment of additional financial resources to the development of property business will generate even better return to shareholders.

MARKET ANALYSIS

Despite the gloomy global economy, China's economy bolstered by a series of economic stimulus policies implemented by both the central and local governments, remained resilient in the first half of 2009. China's GDP grew by 7.1% to approximately RMB13,986.2 billion, while the GDP of Guangzhou, where the majority of the Group's operations were carried out, rose 8.5% yoy to RMB391.7 billion.

During the reporting period, the domestic property sector started to stabilize. Transacted GFA in commodity housing nationwide reached approximately 341 million square metres, representing a yoy increase of 31.7%. Transaction value amounted to approximately RMB1,580 billion, representing a yoy increase of 53.0%. Average selling price (ASP) rose 16.2% yoy to RMB4,632 per square metre. In Guangzhou, transacted GFA in commodity housing increased by 60.8% yoy to 5,030,000 square metres and transaction value was up by 46.5% yoy to RMB45.8 billion. Even though the ASP in Guangzhou fell by 8.9% yoy to RMB9,101 per square metre as a result of price weakness in suburban area, ASPs in the city's six central districts have showed a steadily upward trend in recent months.

The domestic property market regained its footings in the first half of 2009, thanks to the austerity policies adopted by the government in the years before the onset of the global financial crisis which had led to a relatively stable financial system. At the same time, government measures including subsidies on mortgage loans and taxes for property purchases to promote the healthy development of the market have raised housing affordability and propensity for property purchases. As a result, transaction volume and prices managed to stage a robust rebound in the reporting period, following a deep correction in the corresponding period in 2008.

Management Discussion and Analysis

PROPERTY

During the reporting period, the Group achieved encouraging results by improving sales capability and enhancing pre-leasing of its flagship commercial project, among others. The Group managed to generate revenue (including sales of investment properties) of approximately HK\$2,567 million in its property business, representing a yoy increase of 49%.

Property Sales

In the first half of 2009, contract sales GFA amounted to approximately 207,200 square metres while contract sales revenue was approximately HK\$2,387 million, up 36.8% and 24.1% respectively from approximately 151,500 square metres and approximately HK\$1,924 million in the same period last year (excluding Yue Xiu Metropolis, which was sold in the form of a subsidiary).

Contract sales GFA and revenue in the first half this year represented 46% and 48% respectively of this year's target of 450,000 square meters and HK\$5 billion. The Group is optimistic about the achievement of the annual target as most new projects will be launched for sale in September and October as planned.

In the first half of 2009, the ASP achieved by the Group was approximately HK\$11,500 per square metre, representing a decrease of 9.3% as compared to HK\$12,700 in the same period last year. The decrease could be attributed to the low-rise apartments of Southern Le Sand and Cong Hua Glade Village, our two suburban projects, which were priced at lower levels. On the other hand, property projects in the central areas of Guangzhou showed positive trend in sales and prices. Excluding the two suburban projects mentioned above, the ASP was HK\$15,800, representing a yoy increase of 24.7%. Projects such as Rayon Jardin, Springland Garden (Phase 5) and Ling Nan Ya Yuan were sold out. Starry Winking or Xing Hui Yun Jin, a high-end project located at Pearl River New City, was launched in late May 2009, attracting a large number of buyers with its innovative design and market positioning, and achieving sales exceeding RMB500 million within a few hours of launch. Achieved ASP exceeded RMB20,000 per square metre.

Details of contract sales during the reporting period are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Cong Hua Glade Village	Low-rise Apartment/Villa	30,100	Conghua, Guangzhou
Ling Nan Ya Yuan	Residential	20,300	Baiyun, Guangzhou
Rayon Jardin	Residential	34,000	Haizhu, Guangzhou
Southern Le Sand	Low-rise Apartment/Villa	55,900	Nansha, Guangzhou
Springland Garden	Residential	20,300	Haizhu, Guangzhou
Starry Winking	Residential	37,900	Tianhe, Guangzhou
Other Projects	N/A	8,700	N/A
Total		<u>approx.207,200</u>	

During the reporting period, recognized sales GFA amounted to approximately 171,500 square metres (including the sale of investment properties amounting to 2,300 square metres), up 82.8% yoy from approximately 93,800 square metres (including the sale of investment properties amounting to 11,000 square metres) in the same period last year. Recognized sales revenue amounted to approximately HK\$1,930 million (including the sale of investment properties amounting to HK\$59 million), up 83.1% yoy from HK\$1,054 million (including the sale of investment properties amounting to HK\$92 million) in the same period last year.



Details of recognized sales are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Cong Hua Glade Village	Villa	15,100	Conghua, Guangzhou
Ling Nan Ya Yuan	Residential	34,600	Baiyun, Guangzhou
Rayon Jardin	Residential	31,600	Haizhu, Guangzhou
Southern Le Sand	Villa	19,900	Nansha, Guangzhou
Springland Garden	Residential	60,800	Haizhu, Guangzhou
Other Projects	N/A	7,200	N/A
Sub-total		approx.169,200	
Investment Properties	N/A	2,300	N/A
Total		approx.171,500	

Contract sales not yet recognized amounted to approximately 275,400 square metres in GFA, or approximately HK\$3,205 million in value. Details are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Cong Hua Glade Village	Low-rise Apartment/Villa	37,400	Conghua, Guangzhou
Ling Nan Ya Yuan	Residential	11,400	Baiyun, Guangzhou
Rayon Jardin	Residential	74,200	Haizhu, Guangzhou
Southern Le Sand	Low-rise Apartment/Villa	61,700	Nansha, Guangzhou
Springland Garden	Residential	48,700	Haizhu, Guangzhou
Starry Winking	Residential	37,900	Tianhe, Guangzhou
Other Projects	N/A	4,100	N/A
Total		approx.275,400	

Land Bank for Future Development

During the reporting period, the Group executed plans adopted at the beginning of the year “to proactively expand land bank and to maintain sustainable development” with the following land acquisitions:

1. On 2 June 2009, the Group acquired two residential sites in Jiangmen, Guangdong Province through a land auction with total above-ground GFA of approximately 432,000 square metres.

The newly acquired parcels of land are located at the municipal administrative office region and central business area under development in Jiangmen. The land is south of a country park (under planning) and north of a golf club, enjoying unique scenery and resources.

Jiangmen, having a resident population of 4.14 million, is a salient city in the city cluster of Zhuhai, Zhongshan and Jiangmen. With the introduction of the State’s “Reform & Development Plan of Pearl River Delta (PRD) Region”, the construction of the Hong Kong-Zhuhai-Macau Bridge and the commencement of operation of the Pearl River Delta Intercity Rail transport Joint Network in 2010, Jiangmen will become an increasingly prominent city and see the development of a promising real estate market.

Management Discussion and Analysis

- On 10 June 2009, the Group further acquired a residential site in Pearl River New City, Guangzhou through a land auction with total above-ground GFA of approximately 22,500 square metres. The site was the last residential development site available in Pearl River New City.
- Subsequent to the reporting period, the Group acquired another two residential sites in Guangzhou University City through a land auction with total above-ground GFA of approximately 86,700 square metres on 16 July 2009.

Not only do the acquisitions of the aforesaid sites reflect the Group's intent to further consolidate its leading position in Guangzhou, where the majority of its operations are carried out, they are also consistent with the Group's strategy of selectively looking beyond Guangzhou for investment opportunities.

Details of newly acquired sites are as follows:

Project Name	Land Use	Land Area (sq.m.)	GFA (sq.m.)	Premium (RMB million)	Land Cost (RMB/sq.m.)
Jiangmen Property I	Residential	101,201	232,762	476	2,045
Jiangmen Property II	Residential	86,665	199,330	492	2,468
D8-C3, Pearl River New City	Residential	6,349	22,514	345	15,324
University City Property I	Residential	15,914	49,652	355	7,150
University City Property II	Residential	11,861	37,006	270	7,296
Total		221,990	541,264	1,938	3,581

As at 30 June 2009, the Group had a total of approximately 3.696 million square metres in land bank; and as at the date hereof, the land bank had reached approximately 3.783 million square metres. Details are set out as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Southern Le Sand	Villa/Hotel/Office/Commercial	1,818,000	Nansha, Guangzhou
Jiangmen Properties	Residential	432,000	Jiangmen, Guangdong
Jin Sha Zhou Property	Residential	425,000	Baiyun, Guangzhou
B2-10, Pearl River New City	Office	211,000	Tianhe, Guangzhou
Jiang Nan New Village, phase 3 & 4	Residential	144,000	Haizhu, Guangzhou
D3-7, Pearl River New City	Office	135,000	Tianhe, Guangzhou
Sports Stadium Building	Office	125,000	Yuexiu, Guangzhou
Fortune World Plaza (portion)	Office/Commercial	106,000	Liwan, Guangzhou
Hua Du Plot	Villa	91,000	Huadu, Guangzhou
Cong Hua Glade Village	Low-rise Apartment/Villa	67,000	Conghua, Guangzhou
Yau Tong Property	Residential	59,000	Hong Kong
D8-C3, Pearl River New City	Residential	23,000	Tianhe, Guangzhou
Other Projects	N/A	60,000	N/A
Total		approx. 3,696,000	
University City Properties	Residential	87,000	Panyu, Guangzhou
Total		approx. 3,783,000	



Properties under Development

As at 30 June 2009, GFA of properties under development amounted to approximately 2,105,000 square metres, details of which are as follows:

Project Name	Land Use	GFA (sq.m.)	Expected Next Completion date	Location
Southern Le Sand	Low-rise Apartment/ Villa/Office/Commercial	400,000	2009	Nansha, Guangzhou
Asia Pacific Century Plaza	Office/Hotel/Commercial	232,000	2011	Tianhe, Guangzhou
Jiang Nan New Mansion	Residential	229,000	2011	Haizhu, Guangzhou
Springland Garden	Residential	220,000	2009	Haizhu, Guangzhou
Ling Nan Riverside	Residential	211,000	2011	Liwan, Guangzhou
Fortune World Plaza (portion)	Office/Commercial	210,000	2012	Liwan, Guangzhou
Starry Winking	Residential/Apartment	186,000	2011	Tianhe, Guangzhou
Guangzhou IFC	Hotel/Apartment	142,000	2010	Tianhe, Guangzhou
Rayon Jardin (portion)	Residential	111,000	2009	Haizhu, Guangzhou
Cong Hua Glade Village	Low-rise Apartment/Villa	86,000	2010	Conghua, Guangzhou
Other Projects	N/A	78,000	N/A	N/A
Total		<u>approx.2,105,000</u>		

Springland Garden (Blocks 17 - 22), Ling Nan Riverside, and Jiang Nan New Mansion (Blocks A1 - A6 and F3 - F5), which started construction during 2008, will be launched for sale in September and October 2009 as planned.

Guangzhou International Finance Centre (Guangzhou IFC) is expected to be completed in October 2010.

Investment Properties

The Group's investment property portfolio as at 30 June 2009 amounted to approximately 1,011,400 square metres, comprising approximately 34.4% in commercial properties, approximately 38.2% in office space, and approximately 27.4% in car parks. One of the projects under development is the 432-metre Guangzhou IFC, destined to be one of the landmark buildings in Southern China. Since its topping-out in December 2008, the Group has determined that part of the Guangzhou IFC will be treated as investment property and has made intensive preparations for the pre-leasing of the project. Subsequent to the reporting period, the Group entered into an hotel management contract, a property management joint venture agreement, and a leasing agency agreement with members of Four Seasons Group, Jones Lang LaSalle (Beijing) Property Management Company Limited (Jones Lang LaSalle) and CB Richard Ellis (Beijing) Company Limited, Guangzhou Branch (CB Richard Ellis) respectively on 4 August 2009. The Group believes that partnership with these internationally renowned industry leaders will pave a solid foundation for the future success of the project.

During the reporting period, the portfolio's fair value appreciated by approximately HK\$349 million to HK\$8,670 million, principally as a result of revaluation gain recognized in relation to Guangzhou IFC in accordance with the latest accounting standards.

Management Discussion and Analysis

Rental revenue from investment properties and property management fees amounted to approximately HK\$136 million and HK\$177 million, representing a decrease of 15% and an increase of 14% yoy respectively. The decrease in rental revenue was due to the disposal of certain properties in the reporting period. Details of the Group's investment properties are as follows:

Project Name	Land Use	GFA (sq.m.)	Location
Guangzhou IFC	Office/Commercial	256,900	Tianhe, Guangzhou
Popark Plaza	Commercial	85,000	Tianhe, Guangzhou
Jin Han Building	Office	45,800	Yuexiu, Guangzhou
Hong Kong Properties	Commercial	38,000	Hong Kong
Guang Yuan Cultural Centre	Commercial	32,000	Baiyun, Guangzhou
Huangshi Garden	Commercial	30,900	Baiyun, Guangzhou
Xiangkang Commercial Plaza	Commercial	28,900	Baiyun, Guangzhou
Victory Plaza (Tower Building portion)	Office	26,000	Tianhe, Guangzhou
Jiangxing Building	Office	17,900	Haizhu, Guangzhou
Yue Xiu City Plaza	Commercial	17,500	Yuexiu, Guangzhou
Hong Fa Building	Office	17,300	Tianhe, Guangzhou
Other Projects (include carparks)	N/A	415,200	N/A
Total		<u>approx.1,011,400</u>	

OTHER BUSINESSES

In the first half of 2009, revenue generated from other businesses (including decoration business and supermarket business) amounted to approximately HK\$324 million, representing a decrease of 7% over the same period last year.

TOLL ROADS

In mid January 2009, GZI Transport Limited (GZT), a subsidiary of the Group, further increased the proportion of expressway projects in its asset portfolio with the completion of the acquisition of a 90% equity interest in Cangyu Expressway in Guangxi.

Despite the deteriorating operating performance of Class I highways and the cessation of toll collection in Guangcong Highway Section I, and Xiang Jiang Bridge II since January 2009, GZT still managed to achieve growth of 2.7% in its operating revenue to approximately HK\$507 million in the first half of the year. However, profit attributable to GZT's shareholders decreased by 46.6% to approximately HK\$176 million over the same period last year, due to impairment losses of certain Class I highways. The Group recorded attributable profit of approximately HK\$80 million through its 45.28% equity interest in GZT.

REIT

In the first half of 2009, GZI REIT, by taking advantage of the strategic locations of its properties, adopted timely and flexible leasing strategies in response to the unfavorable market conditions. As a result, GZI REIT managed to achieve operating revenue of approximately HK\$261.7 million, representing an increase of 12.7% over the same period last year. However, profit after tax amounted to approximately HK\$129.3 million, a decrease of 43% yoy, mainly because there was a significant revaluation gain in the same period last year. As a result of changes in regulations relating to property taxes in the PRC, total distributable income decreased by approximately 4.73% to approximately HK\$125.3 million over the same period of last year. Given that the Group holds a 35.58% equity stake in GZI REIT, its share of GZI REIT's cash distribution was approximately HK\$45 million.



FUTURE PROSPECTS

Property

As the global economy is still mired in uncertainties, it is expected that the PRC government will continue to adopt a “quantitative easing” credit policy and a “dynamic fine tuning” fiscal policy in tandem in order to foster stability and encourage growth.

In view of the rapidly rising transaction volume and housing prices in the first half of 2009, the down payment percentage for second property purchase has been raised in some cities so as to curb rising prices and speculation. It is expected that more adjustments may be implemented, e.g. the government may increase the supply of land and raise property transaction costs. Although the property market may experience volatility in the short to medium term, the Group is of the view that there will unlikely be any major adverse changes and is still optimistic about the long term development of the domestic property market.

In Guangzhou where the Group’s main property projects are located, the enforcement of policies by the government in reclaiming idle sites and prohibiting defaulting developers from participating in the auctions of reclaimed sites bodes well for the Group. At the same time, housing prices are expected to remain robust as a result of limited new supply in the city. Projects such as Springland Garden (Blocks 17 - 22), Ling Nan Riverside and Jiang Nan New Mansion (Blocks A1 - A6 and F3 - F5), which are located in the central districts of Guangzhou, will be launched in September and October this year and robust sales are expected.

The Group is confident about the future prospect of Guangzhou. According to the Plan for the Reform and Development of the Pearl River Delta announced by the National Development and Reform Commission at the end of 2008, Guangzhou will give priority to the development of high-end service industries and advanced manufacturing sectors, strengthening the alignment of Guangzhou and Foshan, accelerating the construction of a core circle of cities accessible within one hour in the Pearl River Delta, and consolidating Guangzhou’s position as a key national gateway city with competitive strengths in cultural, educational and financial sectors.

Therefore, Guangzhou will remain as the Group’s core focus of future developments. At the same time, the Group will selectively seek opportunities beyond Guangzhou, pursuant to the strategy of “Looking beyond Guangzhou and embracing the future.” Furthermore, the Group will continue to raise its capabilities in management and governance, human resources, development scale, etc.

In light of the current heightened market risk and volatility, the Group will proactively assess market dynamics and trends, with a view to control risks and mitigate uncertainties. It will also seek to strengthen cost control, accelerate property sales, improve cash flow, maintain reasonable financial leverage, and achieve improved return for shareholders.

Given that opportunities abound and that it is highly confident about the business prospect, the Group is determined to devote more resources to the property business and is ready to tackle challenges in the future.

Toll Roads

In the second half of 2009, the toll road business is expected to confront such challenges as: (1) the Northern Ring Road going through a major overhaul in order to welcome the Asian Games to be held in Guangzhou in 2010 and certain section (dual direction) of Northern Ring Road has been closed down since June 2009. The overhaul will last for about five months. During the closure period, vehicles will have to make a detour to GNSR Expressway and GWSR Expressway, and thus it is expected that the traffic volume of these two expressways would increase. Currently, we are not able to estimate whether such an increase would be sufficient to offset the adverse effects suffered by Northern Ring Road; (2) the opening to traffic upon completion of the construction of the trunk expressway near Xian Expressway and its likely diversion effect.

The Group will continue to actively seek investment opportunities and raise the proportion of expressways in its investment portfolio. At the same time, the Group will explore opportunities in other infrastructure projects.

Management Discussion and Analysis

REIT

Looking ahead, the property market in Guangzhou is expected to remain stable. The Manager of GZI REIT is cautiously optimistic and believes that it will be able to generate stable returns for the Unitholders through the implementation of effective leasing strategies and asset value enhancement measures.

ANALYSIS ON OPERATING RESULTS

Continuing operation

Revenue and gross profit

For the six months ended 30 June 2009, the Group's revenue (excluding the sales of investment properties) amounted to approximately HK\$3,015 million, representing an increase of 42.2% over the same period last year. Gross profit amounted to approximately HK\$1,205 million, representing an increase of 27.9% over the same period last year of approximately HK\$942 million. Average gross profit margin decreased slightly from last year of 44% to 40%.

Revenue from the property and related business (excluding sales of investment properties) amounted to approximately HK\$2,508 million, which increased by 54.2% over the same period last year. Gross profit was approximately HK\$905 million, representing an increase of 41.5% over the same period last year. Of these amounts, property sales (excluding the sales of investment properties) reported an increase of 94.4% to approximately HK\$1,871 million during the period, whilst gross profit amounted to approximately HK\$715 million, representing an increase of 94% over the same period last year. Average gross profit margin maintained at approximately 38%. During the period, proceeds from sales of investment properties amounted to approximately HK\$59 million resulting in a gain of HK\$17 million, representing a decrease of 29% over the same period last year.

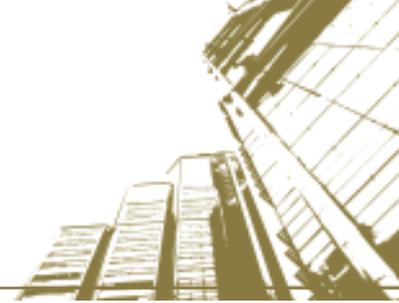
The toll road business recorded a toll revenue of approximately HK\$507 million, representing an increase of 2.7% over the same period last year. The growth in revenue was mainly contributed by GNSR Expressway, Xian Expressway and the newly acquired Cangyu Expressway. Gross profit of the toll road business maintained at a level similar to last year.

Fair value gains on revaluation of investment properties

During the period, management of the Group has determined the operation strategy of Guangzhou IFC. Following the adoption of HKAS 40 (Amendment) that is effective in 2009, property under construction or development for future use as investment property is required to be classified as investment properties (which are stated at fair value according to the Group's accounting policy). Hence the portion of the Guangzhou IFC that are intended to be held to earn rental after completion had been stated at fair value, resulting in a revaluation gain of approximately HK\$365 million credited to the Group's income statements for the six months ended 30 June 2009.

Impairment losses on intangible operating rights

In the first half of 2009, GZT has recorded impairment losses of approximately HK\$172 million in respect of the certain class I highways. Such loss attributable to the equity holders of the Guangzhou Investment Company Limited was approximately HK\$54 million.



Selling and general administrative expenses

During the period, selling expenses increased to approximately HK\$85 million, representing an increase of 9.3% over the same period last year. This was mainly due to a slight increase in promotion and advertising initiatives in property sales in 2009.

During the period, administrative expenses increased to approximately HK\$352 million, representing an increase of 10.2% over the same period last year. This was mainly derived from the expanded development scale of the Group.

Gain on disposal of intangible operating right

GZT's toll operating right in Xiang Jiang Bridge II was ceased since 1 January 2009, resulting in a one-off gain on disposal of approximately HK\$66 million during the period. Such gain on disposal attributable to the equity holders of Guangzhou Investment Company Limited was approximately HK\$24 million.

Operating profit

For the six months ended 30 June 2009, the Group recorded an operating profit of approximately HK\$1,022 million, representing an increase of 67.7% over the same period last year. The operating profit contributed from the property and related business amounted to HK\$883 million, representing an increase of 150% as compared to the same period last year of HK\$353 million.

Finance costs

Benefiting from the lower interest rate in Mainland China and Hong Kong, the Group's actual interest expenses amounted to HK\$221 million during the period, representing a decrease of 3.1% as compared to same period last year of HK\$228 million. Due to the substantial increase in properties under development as compare to same period last year, capitalized interest expenses increased to approximately HK\$181 million over the same period last year of approximately HK\$43 million. Finance costs recognized as expenses were approximately HK\$40 million, representing a decrease of 78.4% over the same period last year of approximately HK\$185 million.

Share of profits less losses of associated entities and jointly controlled entities

In the first half of 2009, overall net contribution from the Group's associated entities amounted to HK\$190 million, representing a decline of 8.4% over the same period last year. This was mainly caused by the drop in the net contribution of GZT's associated entities, Humen Bridge and Northern Ring Expressway as compared to same period last year. Meanwhile, the Group's share of 35.58% equity interest in GZI REIT brought to the Group a profit contribution of approximately HK\$46 million during the period.

Share of net losses after taxation of jointly controlled entities amounted to approximately HK\$11 million, which mainly was contributed by the GWSR Expressway Co. of GZT.

Taxation expenses

During the period, taxation expenses amounted to approximately HK\$366 million, representing an increase of 114.5% over the same period last year of HK\$171 million. This was mainly due to the significant increase in revenue and fair value gains on revaluation of investment properties.

Management Discussion and Analysis

Profit attributable to equity holders of the Company

The Group reported its profit attributable to equity holders in the first half of 2009 of approximately HK\$684 million, representing a significant increase of 47% over the same period last year. This was mainly attributable to the remarkable increase in the profit from the property and related business over the same period last year. During the period, property and related business contributed approximately HK\$604 million to the profit attributable to equity holders of the Company, representing an increase of 46% over the same period last year of approximately HK\$414 million. GZT contributed approximately HK\$80 million to the profit attributable to equity holders of the Company, representing a drop of 46.6% over the same period last year of approximately HK\$149 million.

Discontinued operation

On 24 December 2008, the Group completed the disposal of the newsprint business to its controlling shareholder, Yue Xiu. Following the disposal, the results of newsprint business was reported as a discontinued operation and presented separately in the consolidated income statement in accordance with the Hong Kong Financial Reporting Standard 5 “Non-current assets Held for Sale and Discontinued operations”.

Earnings per share

For the period ended 30 June 2009, basic earnings per share attributable to equity holders of the Company was HK9.60 cents (30 June 2008: HK6.53 cents).

Interim dividend

The Board resolved not to declare an interim dividend for the first half of 2009 (first half of 2008: HK2.60 cents).

Liquidity and financial resources

As at 30 June 2009, the Group's working capital (current assets less current liabilities) amounted to approximately HK\$4,606 million (31 December 2008: HK\$5,103 million). The Group's current ratio (current assets over current liabilities) was 1.33 times. Cash and cash equivalents amounted to approximately HK\$4,123 million (31 December 2008: HK\$3,497 million). Charged bank deposits amounted to HK\$1,212 million (31 December 2008: HK\$404 million). Undrawn committed bank facilities amounted to approximately HK\$5,942 million.

The Group's major sources of liquidity are from recurring cash flows of its business and committed bank facilities. The Group insists on the importance of maintaining a healthy and stable liquidity position so as to meet the need of an ever-changing market and to support the business development of the Group. Consequently, the Group places great emphasis on liquidity and risk management. Other than proactively maintaining the current good relationships with financial institutions in Hong Kong and Mainland China, the Group strives to expand financing channels, lower financing costs and monitor the capital and debt structure from time to time. The Group has also made appropriate adjustments in order to enhance its risk resistance capability.



Capital structure

The Group's capital structure is summarized as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Bank borrowings (floating rate)		
Denominated in RMB	7,739,002	5,606,927
Denominated in Hong Kong dollars	4,098,663	4,121,888
	<hr/>	<hr/>
Total bank borrowings	11,837,665	9,728,815
Unsecured other borrowings	397,074	411,382
Finance lease	144	75
Overdrafts	212	406
	<hr/>	<hr/>
Total debts	12,235,095	10,140,678
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Ageing analysis:		
Repayable within one year	5,331,109	5,696,028
In the second year	3,003,614	1,572,655
In the third to fifth year	1,242,921	1,394,199
Over five year	2,316,887	1,122,576
With no fixed repayment terms	340,564	355,220
	<hr/>	<hr/>
Total borrowings	12,235,095	10,140,678
Less: Bank balances and cash	(4,122,895)	(3,496,547)
	<hr/>	<hr/>
Net borrowings	8,112,200	6,644,131
Shareholders' equity (excluding minority interests)	15,381,974	14,479,118
	<hr/>	<hr/>
Total capitalization	23,494,174	21,123,249
	<hr/> <hr/>	<hr/> <hr/>
Gearing ratio	34.5%	31.5%

During the period, net new bank borrowings increased by approximately HK\$2,100 million, of which over HK\$1,700 million had been injected to the development of property projects.

Management Discussion and Analysis

Capital expenditures and investments

The acquisition of a 90% equity interest by GZT in Cangyu Expressway Co., Ltd. at approximately HK\$185 million was completed in mid January 2009. During the current period, capital injection into GWSR Expressway Co. of approximately HK\$71 million was made.

Other than the above, the capital expenditures on property, plant, equipment and investment properties amounted to HK\$97 million (31 December 2008: HK\$497 million).

Interest rate exposure

Interest expenses accounted for a significant proportion of the Group's finance costs, with the loans mainly at floating interest rates. The Group will closely monitor the trend of interest rate fluctuations in the market and adopt appropriate risk management measures. In the meantime, when suitable pricing opportunities arise, we shall enter into new banking facilities to refinance existing bank facilities in order to lower the finance costs, such as the current interest rate of RMB is still higher than that of HK dollar, the Group will consider to obtaining HK dollar borrowings first and then finance with RMB borrowings, aiming to save finance costs.

Foreign exchange exposure

As the business operations of the Group are mainly in Mainland China, income and cash flows are primarily denominated in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings. It is expected that with the continuingly strong and supportive treasury policy in Mainland China, the exchange rates of RMB will remain stable and hence the Group's currency exposure is considered to be minimal. However, the Group will review and monitor its currency exposure from time to time and will adopt effective currency swaps as and when appropriate to hedge its currency risks.

Capital commitment

As at 30 June 2009, the Group had unpaid land premium payable in respect of the land acquisition of approximately HK\$1,760 million.

Other than the above, Group also had capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately HK\$628 million (31 December 2008: HK\$628 million).

Contingent liabilities

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 30 June 2009, total contingent liabilities relating to these guarantees amounted to approximately HK\$ 839 million (31 December 2008: HK\$883 million).

As at 30 June 2009, in connection with the disposal of a subsidiary to GZI REIT in 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately HK\$74 million. The Deed of Indemnity will expire on 30 May 2014.



Post balance sheet events

- (a) On 16 July 2009, the Company has, through its 95% owned subsidiary, acquired two pieces of land in the University City I and the University City II, with permissible gross development floor areas of up to approximately 50,000 square metres and 37,000 square metres respectively, for consideration of RMB355 million (equivalent to approximately HK\$403 million) and RMB270 million (equivalent to approximately HK\$306 million), respectively.
- (b) On 4 August 2009, the Company, through its subsidiary, entered into a hotel management agreement and ancillary agreements with members of the Four Seasons Group pursuant to which certain portion of the Guangzhou IFC will be developed and operated as a world class luxury hotel in the name of Four Seasons Hotel Guangzhou (“廣州四季酒店”).

On 4 August 2009, the Company, through its subsidiary, also entered into a property management joint venture agreement with Jones Lang LaSalle pursuant to which a property management joint venture company will be established to, among other things, provide comprehensive property management services to Guangzhou IFC as a premium landmark commercial centre.

Furthermore, on 4 August 2009, the Company, through its subsidiary, also entered into a leasing agency agreement with CB Richard Ellis pursuant to which CB Richard Ellis has been engaged to, among other things, promote Guangzhou IFC and source tenants from leading international corporations, including the world's top 500 enterprises, for the office premises of Guangzhou IFC.

Employees and remuneration policy

As at 30 June 2009, the Group had approximately 7,200 employees (31 December 2008: 7,280 employees). The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees accordingly to their performance. Promotion and salary adjustments are based on performance.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

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

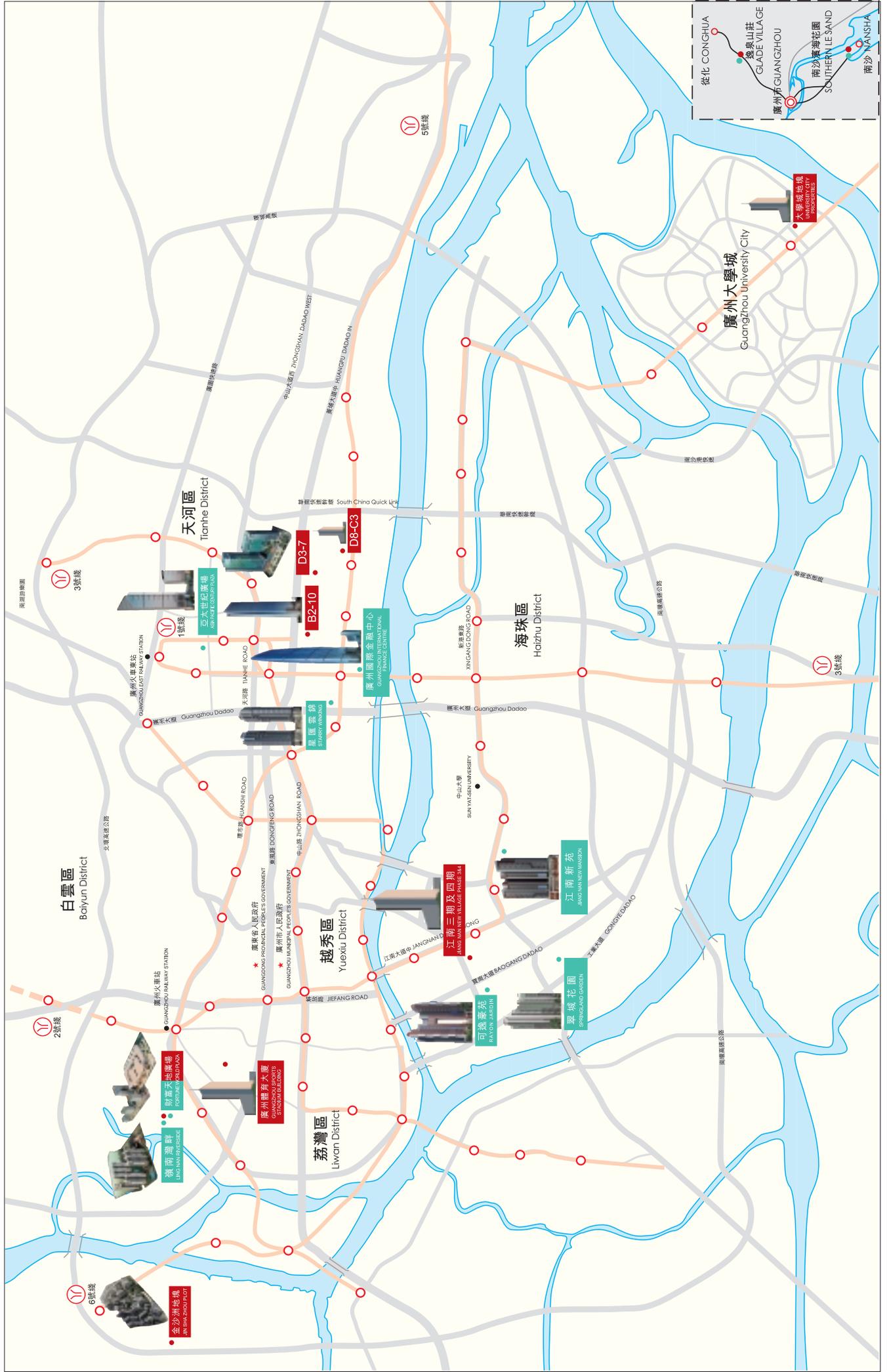
By order of the Board

Lu Zhifeng

Chairman

Hong Kong, 31 August 2009

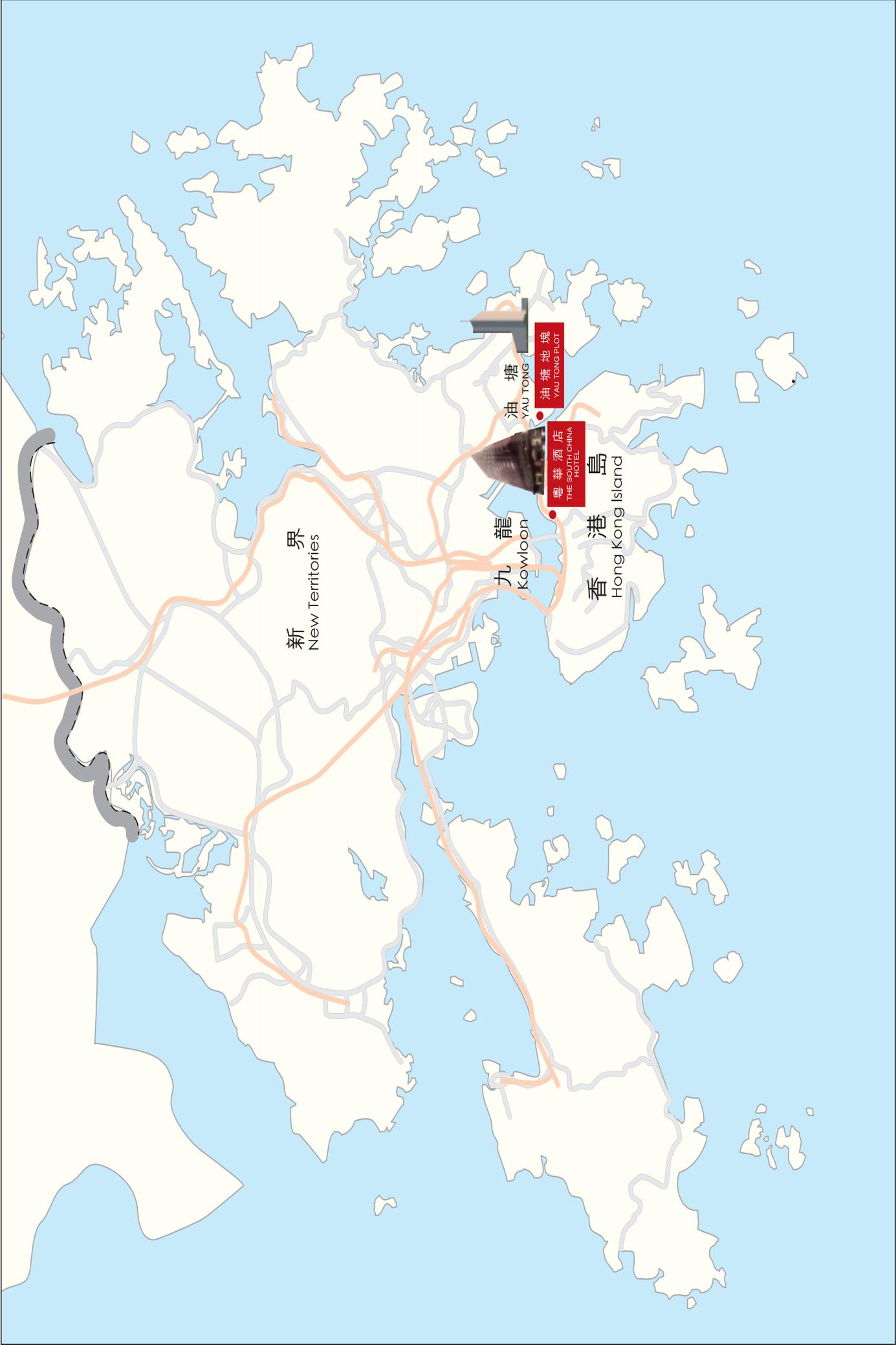
Location Map of Major Property Projects of the Group in Guangzhou Urban Area



Location Map of Major Property Projects of the Group in Jiangmen Urban Area



Location Map of Major Property Projects of the Group in Hong Kong Urban Area



Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 60, which comprises the condensed consolidated balance sheet of Guangzhou Investment Company Limited (“the Company”) and its subsidiaries as at 30 June 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flows statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2009

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

	Note	Unaudited	
		Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
Revenue	5	3,015,120	2,119,882
Cost of sales	6	(1,810,065)	(1,178,007)
Gross profit		1,205,055	941,875
Proceeds from sales of investment properties		58,581	91,547
Carrying value of investment properties sold		(41,734)	(67,193)
Gain on sales of investment properties		16,847	24,354
Fair value gains on revaluation of investment properties		348,831	11,653
Gain on disposal of a subsidiary		—	28,552
Impairment losses on intangible operating rights	10	(172,200)	—
Gain on disposal of an intangible operating right	22	65,856	—
Loss for the period of disposal group	23(b)	(5,800)	—
Selling and distribution expenses	6	(85,055)	(77,813)
General and administrative expenses	6	(351,887)	(319,319)
Operating profit		1,021,647	609,302
Finance income		49,448	36,262
Net foreign exchange gain on financing activities		1,925	310,314
Finance costs		(39,951)	(185,195)
Share of profit/(loss) of			
– jointly controlled entities		(11,389)	(21,095)
– associated entities		189,823	207,204
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost		—	40,988
Profit before tax		1,211,503	997,780
Taxation	7	(365,644)	(170,502)
Profit for the period from continuing operations		845,859	827,278
Discontinued operations			
Loss for the period from discontinued operations	23(a)	—	(187,876)
Profit for the period		845,859	639,402
Attributable to			
Equity holders of the Company		684,051	465,189
Minority interests		161,808	174,213
		845,859	639,402

Condensed Consolidated Income Statement (continued)

For the six months ended 30 June 2009

	Note	Unaudited	
		Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
Earnings/(losses) per share for profit from continuing operations and loss from discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)	8		
– Basic			
From continuing operations		9.60	7.90
From discontinued operations		—	(1.37)
		<u>9.60</u>	<u>6.53</u>
– Diluted			
From continuing operations		9.56	7.85
From discontinued operations		—	(1.36)
		<u>9.56</u>	<u>6.49</u>
Dividend	9	—	185,298

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	845,859	639,402
Other comprehensive income:		
Currency translation differences	(2,450)	1,047,918
Share of change in fair value of cash-flow hedges of an associated entity	—	14,510
Change in fair value of available-for-sale financial assets, net of tax	288,458	40,520
Total comprehensive income for the period	<u>1,131,867</u>	<u>1,742,350</u>
Total comprehensive income attributable to:		
– Equity holders of the Company	959,167	1,219,250
– Minority interests	172,700	523,100
	<u>1,131,867</u>	<u>1,742,350</u>

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2009

	Note	As at	
		30 June 2009 Unaudited HK\$'000	31 December 2008 Audited HK\$'000
ASSETS			
Non-current assets			
Intangible operating rights	10	6,973,025	7,048,250
Property, plant and equipment	10	1,291,322	633,991
Investment properties	11	8,670,000	5,943,845
Leasehold land and land use rights	12	4,831,923	4,603,921
Interests in jointly controlled entities		516,795	458,788
Interests in associated entities		3,751,084	3,717,392
Goodwill	13	156,144	125,994
Other non-current receivables	22	167,748	—
Available-for-sale financial assets		1,363,527	976,977
Deferred tax assets	20	92,665	90,592
		<u>27,814,233</u>	<u>23,599,750</u>
Current assets			
Properties under development		3,761,128	5,463,575
Properties held for sale		773,140	582,541
Leasehold land and land use rights	12	5,312,112	6,727,380
Prepayments for land use rights		1,799,728	1,884,375
Inventories		74,373	105,716
Trade receivables	14	49,719	66,910
Other receivables, prepayments and deposits	22	655,989	465,255
Taxation recoverable		373,374	136,951
Charged bank deposits		1,211,959	403,994
Cash and cash equivalents		4,122,895	3,496,547
		<u>18,134,417</u>	<u>19,333,244</u>
Non-current assets held for sale	23(b)	303,195	—
		<u>18,437,612</u>	<u>19,333,244</u>

Condensed Consolidated Balance Sheet (continued)

As at 30 June 2009

	Note	As at	
		30 June 2009 Unaudited HK\$'000	31 December 2008 Audited HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	15	80,548	96,877
Land premium payable		560,300	560,046
Advance receipts from customers		2,512,492	2,395,953
Other payables and accrued charges		4,574,318	4,885,632
Borrowings	16	5,331,109	5,696,028
Taxation payable		767,323	595,430
		<u>13,826,090</u>	<u>14,229,966</u>
Liabilities associated with non-current assets held for sale	23(b)	5,661	—
		<u>13,831,751</u>	<u>14,229,966</u>
Net current assets		<u>4,605,861</u>	<u>5,103,278</u>
Total assets less current liabilities		<u>32,420,094</u>	<u>28,703,028</u>
Non-current liabilities			
Borrowings	16	6,903,986	4,444,650
Deferred tax liabilities	20	3,449,419	3,120,876
		<u>10,353,405</u>	<u>7,565,526</u>
Net assets		<u>22,066,689</u>	<u>21,137,502</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	712,752	712,685
Other reserves	19	9,590,611	9,310,663
Retained earnings			
– Proposed dividend	19	—	57,015
– Others	19	5,078,611	4,398,755
		<u>15,381,974</u>	<u>14,479,118</u>
Minority interests		<u>6,684,715</u>	<u>6,658,384</u>
Total equity		<u>22,066,689</u>	<u>21,137,502</u>

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net cash used in operating activities	(128,440)	(897,420)
Net cash (used in)/generated from investing activities	(692,749)	180,139
Net cash generated from financing activities	1,472,137	1,212,990
Increase in cash and cash equivalents	650,948	495,709
Cash and cash equivalents at the beginning of period	3,496,141	3,587,245
Exchange gains on cash and cash equivalents	1,259	99,372
Transfer to non-current assets held for sale	(25,665)	—
Cash and cash equivalents at the end of period	<u>4,122,683</u>	<u>4,182,326</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	4,122,895	4,182,522
Bank overdrafts	(212)	(196)
	<u>4,122,683</u>	<u>4,182,326</u>

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital HK\$'000	Reserves HK\$'000	Minority interests HK\$'000	Total HK\$'000
Balance at 1 January 2009	712,685	13,766,433	6,658,384	21,137,502
Profit for the period	—	684,051	161,808	845,859
Currency translation differences	—	1,081	(3,531)	(2,450)
Change in fair value of available-for-sale financial assets, net of tax	—	274,035	14,423	288,458
Total comprehensive income for the six months ended 30 June 2009	—	959,167	172,700	1,131,867
Employee share options scheme - value of employee services	—	256	—	256
Issue of shares net of issuing expenses	67	384	—	451
Acquisition of a subsidiary	—	—	17,080	17,080
Dividend paid	—	(57,018)	(163,449)	(220,467)
	67	(56,378)	(146,369)	(202,680)
Balance at 30 June 2009	712,752	14,669,222	6,684,715	22,066,689

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2009

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

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Guangzhou Investment Company Limited (“the Company”) and its subsidiaries (together “the Group”) is principally engaged in development, selling and management of properties, holding of investment properties, development, operation and management of toll highways and bridges and manufacturing and trading of newsprint (disposed of in 2008). The Group’s operations are primarily conducted in Mainland China (“China”) and Hong Kong.

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

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

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 31 August 2009.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (Revised), ‘Presentation of Financial Statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (continued)

- HKAS 23 (Revised), 'Borrowing Costs'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The adoption of HKAS 23 (Revised) has no significant impact on the Group's condensed consolidated interim financial information.
- HKAS 40 (Amendment), 'Investment Property' (and consequential amendments to HKAS 16). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. As a result of the adoption of HKAS 40 (Amendment), the Group has recognised fair value gains of approximately HK\$274 million (net of deferred tax) in the condensed consolidated income statement for the period ended 30 June 2009 in respect of investment property previously accounted for as properties under development. No restatement of balances at 31 December 2008 was made as the amended standard requires prospective application.
- HKFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its annual financial statements ending 31 December 2009.
- HKFRS 8, 'Operating Segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

Goodwill is allocated by management to groups of cash-generating units on a segment level. The change in reportable segments has not resulted in any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparative for 2008 have been restated.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (continued)

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment)	Interest in Joint Venture
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKAS 41 (Amendment)	Agriculture
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HK(IFRIC)-Int 9 (Amendment)	Reassessment of Embedded Derivatives
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

The following new standards, amendment/revisions to standard and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 39 (Amendments)	Eligible Hedged Items	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
HK(IFRIC)-Int 18	Transfers of Assets from Customers	1 July 2009

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

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

Notes to the Condensed Consolidated Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Amortisation of intangible operating rights

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 0% to 65%. The wide range of growth rates is due to the fact that traffic volumes of certain toll highways and bridges of the Group have become saturated; while a toll highway owned by the Group's jointly controlled entity commenced operation in late 2006 and it is forecasted that the growth rate of this toll highway would remain at a high level in the coming years.

(b) Impairment of intangible operating rights

The Group tests whether intangible operating right has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating right belongs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise.

As at 30 June 2009, management identified impairment indicator for the intangible operating rights of certain Class I highways which the Group operates (under the Group's toll operations segment). The impairment is a result of the continuation of the adverse market conditions, especially the substantial drop in international trade. During the period, impairment loss of approximately HK\$172 million is charged to the condensed consolidated income statement in accordance with HKAS 36 "Impairment of assets".

(c) Impairment of leasehold land and land use rights and property, plant and equipment

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment, leasehold land and land use rights have been determined based on the higher of their value-for-sale or value-in-use, taking into account the latest market information and past experience.

Notes to the Condensed Consolidated Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Net realisable value of properties under development and properties held for sale

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

(e) Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences.
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Notes to the Condensed Consolidated Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in Note 7.

(g) Current and deferred income tax

The Group is subject to income tax primarily in China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

(h) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(i) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining certain land use rights for construction of properties in China. The Group estimates the accruals for these costs for construction based on historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

Notes to the Condensed Consolidated Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(j) Fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustments to reflect those differences; and
- (ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(k) Impairment of trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement. In determining whether there is any impairment, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board considers the business by nature of business activities and assesses the performance of property development, property management, property investment and toll operations.

The Board assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Other information provided, except as noted below, to the Board is measured in a manner consistent with that in the condensed consolidated interim financial information.

Total assets excluded deferred tax assets, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed consolidated interim income statement.

	Property development HK\$'000	Property management HK\$'000	Property investment HK\$'000	Others HK\$'000	Toll operations HK\$'000	Total continuing operations HK\$'000	Discontinued operations (Paper) HK\$'000	Group HK\$'000
Six months ended 30 June 2009								
Revenue	1,871,119	194,191	136,369	424,722	506,858	3,133,259	—	3,133,259
Inter-segment revenue	—	(17,246)	(492)	(100,401)	—	(118,139)	—	(118,139)
Revenue from external customers	<u>1,871,119</u>	<u>176,945</u>	<u>135,877</u>	<u>324,321</u>	<u>506,858</u>	<u>3,015,120</u>	<u>—</u>	<u>3,015,120</u>
Segment results	<u>475,107</u>	<u>11,092</u>	<u>474,654</u>	<u>(61,599)</u>	<u>251,284</u>	<u>1,150,538</u>	<u>—</u>	<u>1,150,538</u>
Share of profit/(loss) of:								
– jointly controlled entities	(22)	—	—	—	(11,367)	(11,389)	—	(11,389)
– associated entities	<u>47,231</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>142,592</u>	<u>189,823</u>	<u>—</u>	<u>189,823</u>
Six months ended 30 June 2008								
Revenue	962,751	166,947	161,436	436,608	493,695	2,221,437	1,495,449	3,716,886
Inter-segment revenue	—	(11,879)	(1,126)	(88,550)	—	(101,555)	—	(101,555)
Revenue from external customers	<u>962,751</u>	<u>155,068</u>	<u>160,310</u>	<u>348,058</u>	<u>493,695</u>	<u>2,119,882</u>	<u>1,495,449</u>	<u>3,615,331</u>
Segment results	<u>200,940</u>	<u>12,779</u>	<u>165,396</u>	<u>(35,349)</u>	<u>256,549</u>	<u>600,315</u>	<u>45,213</u>	<u>645,528</u>
Share of profit/(loss) of:								
– jointly controlled entities	(2,011)	—	—	—	(19,084)	(21,095)	—	(21,095)
– associated entities	<u>61,736</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>145,468</u>	<u>207,204</u>	<u>—</u>	<u>207,204</u>

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

	Property development HK\$'000	Property management HK\$'000	Property investment HK\$'000	Others HK\$'000	Toll operations HK\$'000	Group HK\$'000
As at 30 June 2009						
Segment assets	21,848,235	131,898	8,670,000	419,900	10,209,339	41,279,372
Interests in jointly controlled entities	187,575	—	—	—	329,220	516,795
Interests in associated entities	1,629,673	—	—	—	2,121,411	3,751,084
Total assets	<u>23,665,483</u>	<u>131,898</u>	<u>8,670,000</u>	<u>419,900</u>	<u>12,659,970</u>	<u>45,547,251</u>
As at 31 December 2008						
Segment assets	21,982,952	141,720	5,943,845	414,882	9,781,674	38,265,073
Interests in jointly controlled entities	189,637	—	—	—	269,151	458,788
Interests in associated entities	1,627,160	—	—	—	2,090,232	3,717,392
Total assets	<u>23,799,749</u>	<u>141,720</u>	<u>5,943,845</u>	<u>414,882</u>	<u>12,141,057</u>	<u>42,441,253</u>

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

A reconciliation of total segment results to total profit before tax and discontinued operations is provided as follows:

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Segment results	1,150,538	600,315
Unallocated operating costs	(16,747)	(19,565)
Gain on disposal of a subsidiary	—	28,552
Impairment losses on intangible operating rights	(172,200)	—
Gain on disposal of an intangible operating right	65,856	—
Loss for the period of disposal group	(5,800)	—
	<hr/>	<hr/>
Operating profit	1,021,647	609,302
Finance income	49,448	36,262
Net foreign exchange gain on financing activities	1,925	310,314
Finance costs	(39,951)	(185,195)
Share of profit/(loss) of:		
– jointly controlled entities	(11,389)	(21,095)
– associated entities	189,823	207,204
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost	—	40,988
	<hr/>	<hr/>
Profit before tax and discontinued operations	<u>1,211,503</u>	<u>997,780</u>

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Total segment assets	45,547,251	42,441,253
Deferred tax assets	92,665	90,592
Taxation recoverable	373,374	136,951
Corporate assets	238,555	264,198
	<hr/>	<hr/>
Total assets	<u>46,251,845</u>	<u>42,932,994</u>

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

Information about geographical areas is provided as follows:

	Revenue from continuing operations		Total assets	
	Six months ended 30 June		As at 30 June	As at 31 December
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong	70,064	57,788	2,170,241	2,076,744
China	2,944,461	2,060,106	43,334,610	40,322,113
Overseas	595	1,988	42,400	42,396
	<u>3,015,120</u>	<u>2,119,882</u>	45,547,251	42,441,253
Unallocated assets			704,594	491,741
			<u>46,251,845</u>	<u>42,932,994</u>

6 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Amortisation of intangible operating rights	97,954	113,877
Amortisation of leasehold land and land use rights	67,704	45,778
Depreciation:		
- Owned property, plant and equipment	30,113	31,600
- Leased property, plant and equipment	20	18
Provision for doubtful debts	—	48,565
Provision for impairment of property, plant and equipment	10,523	—
	<u>10,523</u>	<u>—</u>

Notes to the Condensed Consolidated Interim Financial Information

7 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2008: 16.5 percent) on the estimated assessable profit for the period.
- (b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated entities and jointly controlled entities in China at a range from 20 percent to 25 percent (2008: range from 18 percent to 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at a tax rate of 5 percent or 10 percent. During the period, withholding income tax was provided for undistributed profit of certain associated companies of the Group in China at a tax rate of 5 percent or 10 percent (2008: 10 percent). No provision for withholding income tax was made for undistributed profit of the Group's subsidiaries in China since the Group had sufficient cash surplus as at 30 June 2009 and would not demand for dividend distribution from the subsidiaries in China in the coming future. The Group monitors the dividend pay-out policy and would consider adjusting the provision for the withholding income tax if there is any change in the dividend pay-out policy. The corresponding unprovided withholding income tax in relation to undistributed profit, recognised based on HKFRS, of the Group's subsidiaries in China as at 30 June 2009 amounted to HK\$102.8 million.

- (c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.
- (d) The amount of taxation charged to the condensed consolidated income statement comprises:

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Company and subsidiaries		
Current taxation		
– Hong Kong profits tax	1,895	3,930
– China enterprises income tax	31,516	91,591
– China land appreciation tax	136,735	197,817
Deferred taxation		
– Origination and reversal of temporary differences	176,870	(140,027)
– Corporate withholding income tax on dividend distribution	18,628	17,191
	365,644	170,502
	365,644	170,502

Notes to the Condensed Consolidated Interim Financial Information

8 EARNINGS PER SHARE

Basic

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

	Six months ended 30 June	
	2009	2008
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	684,051	563,016
Loss from discontinued operations attributable to equity holders of the Company (HK\$'000)	—	(97,827)
Profit attributable to equity holders of the Company (HK\$'000)	684,051	465,189
Weighted average number of ordinary shares in issue ('000)	7,127,016	7,124,566
Basic earnings/(loss) per share (HK cents)		
From continuing operations	9.60	7.90
From discontinued operations	—	(1.37)
	9.60	6.53

Notes to the Condensed Consolidated Interim Financial Information

8 EARNINGS PER SHARE (continued)

Diluted

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

	Six months ended 30 June	
	2009	2008
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	684,051	563,016
Loss from discontinued operations attributable to equity holders of the Company (HK\$'000)	—	(97,827)
Profit attributable to equity holders of the Company (HK\$'000)	<u>684,051</u>	<u>465,189</u>
Weighted average number of ordinary shares in issue ('000)	7,127,016	7,124,566
Adjustments for share options ('000)	<u>30,912</u>	<u>48,606</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>7,157,928</u>	<u>7,173,172</u>
Diluted earnings/(loss) per share (HK cents)		
From continuing operations	9.56	7.85
From discontinued operations	—	(1.36)
	<u>9.56</u>	<u>6.49</u>

Notes to the Condensed Consolidated Interim Financial Information

9 INTERIM DIVIDEND

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
2008 final, paid, of HK0.80 cent (2007: HK2.50 cents) per share	57,018	178,163
2009 interim, proposed, nil (2008: HK2.60 cents) per share	—	185,298

10 INTANGIBLE OPERATING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

	Intangible operating rights HK\$'000	Property, plant and equipment HK\$'000
Opening net book amount at 1 January 2009	7,048,250	633,991
Exchange differences	—	738
Additions	1,587	15,529
Disposals	(143,682)	(4,374)
Transfer from properties under development	—	619,554
Impairment	(172,200)	(10,523)
Acquisition of a subsidiary (Note 21)	614,392	66,645
Transfer to non-current assets held for sale (Note 23(b))	(277,368)	(105)
Amortisation/depreciation	(97,954)	(30,133)
Closing net book amount at 30 June 2009	6,973,025	1,291,322
Opening net book amount at 1 January 2008		
As previously reported	3,987,372	5,222,910
Effect of adoption of HK(IFRIC)-Int 12	2,807,912	—
As restated	6,795,284	5,222,910
Exchange differences	431,699	323,288
Additions	2,241	48,449
Disposals	(262)	(11,320)
Amortisation/depreciation		
– continuing operations	(113,877)	(31,618)
– discontinued operations	—	(51,667)
Impairment		
– discontinued operations	—	(246,263)
Closing net book amount at 30 June 2008	7,115,085	5,253,779

Notes to the Condensed Consolidated Interim Financial Information

11 INVESTMENT PROPERTIES

	2009 HK\$'000	2008 HK\$'000
At 1 January	5,943,845	5,984,228
Exchange differences	3,049	344,057
Additions	615	10,634
Transfer from properties under development and leasehold land and land use rights	2,415,394	—
Disposals	(41,734)	(67,193)
Fair value gains	348,831	11,653
At 30 June	<u>8,670,000</u>	<u>6,283,379</u>

12 LEASEHOLD LAND AND LAND USE RIGHTS

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

	2009 HK\$'000	2008 HK\$'000
At 1 January	11,331,301	8,676,498
Exchange differences	4,358	492,425
Additions	78,930	49,465
Recognise as cost of sales upon sales of properties	(453,266)	(182,169)
Transfer to investment properties	(707,715)	—
Amortisation charged to income statement		
– continuing operations	(67,704)	(45,778)
– discontinued operations	—	(698)
Amortisation capitalised in properties under development	(41,869)	(37,805)
At 30 June	<u>10,144,035</u>	<u>8,951,938</u>
At 30 June, analysed as:		
Non-current	4,831,923	4,453,664
Current (Note (i))	5,312,112	4,498,274
	<u>10,144,035</u>	<u>8,951,938</u>
At 31 December 2008, analysed as:		
Non-current		4,603,921
Current (Note (i))		6,727,380
		<u>11,331,301</u>

Notes to the Condensed Consolidated Interim Financial Information

12 LEASEHOLD LAND AND LAND USE RIGHTS (continued)

Note:

- (i) Included in the balance is an amount of approximately HK\$343 million (31 December 2008: HK\$347 million) which represents the land use right that the Group has contributed into a property project in exchange for certain property units to be developed on the land upon completion of the project.

13 GOODWILL

	2009	2008
	HK\$'000	HK\$'000
At 1 January	125,994	119,186
Acquisition of a subsidiary (Note 21)	31,650	—
Exchange differences	(26)	7,514
Impairment losses	(1,474)	(2,366)
	<u>156,144</u>	<u>124,334</u>
At 30 June	<u><u>156,144</u></u>	<u><u>124,334</u></u>

Goodwill is attributable to the acquisition of 20 percent additional equity interest in GNSR Guangzhou Northern Second Ring Expressway Co., Ltd. and 90 percent equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd. ("Cangyu Expressway Limited").

14 TRADE RECEIVABLES

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

	As at	
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
0 - 30 days	20,633	35,385
31 - 90 days	2,787	6,219
91 - 180 days	3,013	539
181 - 365 days	—	15
Over 1 year	23,286	24,752
	<u>49,719</u>	<u>66,910</u>
	<u><u>49,719</u></u>	<u><u>66,910</u></u>

Notes to the Condensed Consolidated Interim Financial Information

15 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
0 - 30 days	32,648	60,083
31 - 90 days	33,521	32,024
91 - 180 days	9,074	—
181 - 365 days	32	19
1 - 2 years	1,756	4,519
Over 2 years	3,517	232
	<u>80,548</u>	<u>96,877</u>

16 BORROWINGS

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Non-current		
Long-term bank borrowings		
– Secured	5,340,906	2,653,248
– Unsecured	1,165,910	1,379,975
Obligations under finance leases	96	45
Loans from a related company	56,510	56,162
Loans from minority shareholders of subsidiaries	340,564	355,220
	<u>6,903,986</u>	<u>4,444,650</u>
Current		
Bank overdrafts	212	406
Short-term bank borrowings		
– Secured	79,410	158,748
– Unsecured	158,820	56,696
Current portion of long-term bank borrowings		
–Secured	3,522,542	3,362,995
– Unsecured	1,570,077	2,117,153
Obligations under finance leases	48	30
	<u>5,331,109</u>	<u>5,696,028</u>
Total borrowings	<u>12,235,095</u>	<u>10,140,678</u>

Notes to the Condensed Consolidated Interim Financial Information

16 BORROWINGS (continued)

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	As at 30 June 2009 HK\$'000	As at 31 December 2008 HK\$'000	As at 30 June 2009 HK\$'000	As at 31 December 2008 HK\$'000
Within one year	5,331,061	5,695,998	48	30
In the second year	3,003,574	1,572,626	40	29
In the third to fifth year	1,186,355	1,338,021	56,566	56,178
Over five years	2,316,887	1,122,576	—	—
With no fixed repayment terms	—	—	340,564	355,220
	<u>11,837,877</u>	<u>9,729,221</u>	<u>397,218</u>	<u>411,457</u>

17 SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	<u>10,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2008	7,121,918	712,192
Issue of shares upon exercise of share options (Note 18)	<u>4,860</u>	<u>486</u>
At 30 June 2008	<u>7,126,778</u>	<u>712,678</u>
At 1 January 2009	7,126,848	712,685
Issue of shares upon exercise of share options (Note 18)	<u>668</u>	<u>67</u>
At 30 June 2009	<u>7,127,516</u>	<u>712,752</u>

Notes to the Condensed Consolidated Interim Financial Information

18 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options '000
At 1 January 2008	79,032
Granted during the period	5,800
Exercised during the period	(4,860)
	<hr/>
At 30 June 2008	79,972
	<hr/> <hr/>
At 1 January 2009	76,902
Exercised during the period	(668)
	<hr/>
At 30 June 2009	76,234
	<hr/> <hr/>

Particulars of share options as at 30 June 2009 and 31 December 2008 are as follows:

Date of grant	Exercise period	Exercise price HK\$	Number of outstanding share options	
			As at 30 June 2009 '000	As at 31 December 2008 '000
2 May 2003	2 May 2003 – 1 May 2013	0.4100	11,670	11,870
2 June 2003	2 June 2003 – 1 June 2013	0.5400	7,000	7,000
27 October 2003	27 October 2003 – 26 October 2013	0.8140	2,240	2,620
23 December 2003	23 December 2003 – 22 December 2013	0.8460	11,420	11,440
23 June 2004	23 June 2004 – 22 June 2014	0.6300	41,104	41,172
28 May 2008	28 May 2008 – 27 May 2018	1.5560	2,800	2,800
			<hr/>	<hr/>
			76,234	76,902
			<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Information

18 SHARE OPTIONS (continued)

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

As at 30 June 2009, 75,114,000 (31 December 2008: 74,942,000) of the outstanding share options were exercisable.

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

19 RESERVES

	Share premium	Capital redemption reserve	Statutory reserves	Exchange fluctuation reserve	Asset revaluation reserve	Available-for-sale financial assets fair value reserve	Employee share-based compensation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note (a))		(Note (a))				
At 1 January 2009	6,533,828	1,815	223,527	1,814,431	210,759	514,927	11,376	4,455,770	13,766,433
Currency translation differences	—	—	—	(1,666)	—	2,747	—	—	1,081
Change in fair value of available-for-sale financial assets									
- gross	—	—	—	—	—	365,380	—	—	365,380
- tax	—	—	—	—	—	(91,345)	—	—	(91,345)
Profit attributable to shareholders	—	—	—	—	—	—	—	684,051	684,051
Transfer	—	—	7,388	—	(3,196)	—	—	(4,192)	—
Employee share option scheme – value of employee services	—	—	—	—	—	—	256	—	256
Issue of shares net of issuing expenses	384	—	—	—	—	—	—	—	384
Transfer upon exercise of share options	130	—	—	—	—	—	(130)	—	—
Dividend paid	—	—	—	—	—	—	—	(57,018)	(57,018)
At 30 June 2009	6,534,342	1,815	230,915	1,812,765	207,563	791,709	11,502	5,078,611	14,669,222
Representing:									
2009 interim dividend proposed								—	
Others								5,078,611	
								<u>5,078,611</u>	

Notes to the Condensed Consolidated Interim Financial Information

19 RESERVES (continued)

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

Note:

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

The asset revaluation reserve represents the fair value adjustment of the 40 percent equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co., Ltd.") held by the Group at a result of further acquisition of 20 percent additional equity interest in GNSR Expressway Co., Ltd. in 2007.

Notes to the Condensed Consolidated Interim Financial Information

20 DEFERRED TAXATION

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

Deferred taxation as at 30 June 2009 and 31 December 2008 represents:

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Deferred tax assets		
– Hong Kong profits tax	13,545	12,278
– China enterprise income tax	79,120	78,314
	<u>92,665</u>	<u>90,592</u>
Deferred tax liabilities		
– Hong Kong profits tax	43,725	43,694
– China enterprise income tax	2,749,518	2,345,361
– China land appreciation tax	656,176	731,821
	<u>3,449,419</u>	<u>3,120,876</u>

21 BUSINESS COMBINATIONS

On 10 December 2008, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 90 percent equity interest in Cangyu Expressway Limited whose principal asset is the toll operating right of Cangyu Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition and the additional registered capital contribution amounted to RMB162.0 million (equivalent to HK\$183.8 million). The acquisition was completed on 19 January 2009.

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration:	
Cash paid	183,783
Direct costs relating to the acquisition	1,587
Total purchase consideration	<u>185,370</u>
Fair value of net identifiable assets acquired (see below)	<u>(153,720)</u>
Goodwill	<u>31,650</u>

The goodwill is attributable to the recognition of deferred tax liabilities on fair value gain from the acquisition of 90 percent equity interest in Cangyu Expressway Limited.

Notes to the Condensed Consolidated Interim Financial Information

21 BUSINESS COMBINATIONS (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Acquiree's carrying amount HK\$'000
Cash and cash equivalents	956	956
Intangible operating rights	614,392	461,016
Property, plant and equipment	66,645	66,645
Trade receivables	910	910
Other receivables, prepayments and deposits	26,070	26,070
Trade and other payables and accrued charges	(50,179)	(50,179)
Amounts due to minority shareholders	(18,082)	(18,082)
Borrowings	(431,568)	(431,568)
Deferred tax liabilities	(38,344)	—
	<u>170,800</u>	<u>55,768</u>
Net identifiable assets acquired		
Net identifiable assets attributable to the 90 percent additional equity interest acquired by the Group	<u>153,720</u>	<u>50,191</u>
Cash outflow to acquire business, net of cash acquired:		
Purchase consideration		185,370
Cash and cash equivalents in the subsidiary acquired		<u>(956)</u>
Cash outflow on acquisition		<u>184,414</u>

Notes to the Condensed Consolidated Interim Financial Information

22 OTHER NON-CURRENT RECEIVABLES

During the six months ended 30 June 2009, the Group disposed of its toll operating right in Xiang Jiang Bridge II. The gain on disposal is as follows:

	Six months ended 30 June 2009 HK\$'000
Consideration	192,312
Waive of shareholder's loans	15,434
	<hr/>
	207,746
Carrying value of interest in Xiang Jiang Bridge II	(143,682)
Release of deferred tax liabilities	1,792
	<hr/>
	<u>65,856</u>

The consideration receivables will be settled by 26 half-yearly installments from 1 January 2009 to 30 November 2021. The consideration receivables are included in the following line items in the condensed consolidated balance sheet:

	As at 30 June 2009 HK\$'000
Other non-current receivables (Note)	167,748
Other receivables, prepayments and deposits	24,564
	<hr/>
	<u>192,312</u>

Note:

Other non-current receivables represent the present value of consideration receivables, which were discounted at discount rate of 5.32 percent.

Notes to the Condensed Consolidated Interim Financial Information

23 DISCONTINUED OPERATION AND DISPOSAL GROUP

(a) Discontinued operation

On 24 December 2008, the Group disposed of the entire equity interest in Goldkemp Investment Limited (“Goldkemp”), a subsidiary of the Group, to Yue Xiu Enterprises (Holdings) Limited, a substantial shareholder of the Group, in exchange for cash and equity interests in Techcon Investment Limited (“Techcon”), a company incorporated in Hong Kong.

Goldkemp, through Pacific Max Industrial Limited, is beneficially interested in approximately 52.55 percent in Guangzhou Paper Co., Ltd. which is principally engaged in newsprint business whilst Techcon owns and operates the South China Hotel in Hong Kong.

Analysis of the result of discontinued operations of Goldkemp is as follows:

	Six months ended 30 June 2008 HK\$'000
Revenue	1,495,449
Expenses	<u>(1,737,350)</u>
Loss before tax of discontinued operations	(241,901)
Taxation	<u>54,025</u>
Loss for the period from discontinued operations	<u><u>(187,876)</u></u>

(b) Disposal group

The Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe Highways Development Company Limited (“Taihe Highways Limited”), was closed down since January 2009 for relocation at the request of the Guangzhou Municipal People’s Government (“GZ Government”). In the course of negotiation for the relocation and compensation for the loss in respect thereof, on 30 April 2009, the GZ Government offered to the Group that the PRC joint venture partner of Taihe Highways Limited, namely, Guangzhou Highways Development Company (“GHDC”), would acquire the Group’s entire 80 percent equity interest in and net receivable from Taihe Highways Limited. As of the date of authorisation for the issuance of this interim financial information, the transaction is pending for negotiation between the Group and GHDC on the consideration and other terms of the proposed disposal.

On 30 April 2009, Taihe Highways Limited was classified as a disposal group held for sale.

Notes to the Condensed Consolidated Interim Financial Information

23 DISCONTINUED OPERATION AND DISPOSAL GROUP (continued)

(b) Disposal group (continued)

The results of Taihe Highways Limited for the period since it classified as a disposal group are as follows:

	Six months ended 30 June 2009 HK\$'000
Revenue	367
Expenses	(6,167)
	<hr/>
Loss for the period of disposal group	<u>(5,800)</u>

The major classes of assets and liabilities of Taihe Highways Limited are as follows:

	As at 30 June 2009 HK\$'000
Assets	
Intangible operating rights	277,368
Property, plant and equipment	105
Other receivables, prepayments and deposits	57
Cash and cash equivalents	25,665
	<hr/>
Non-current assets held for sale	<u>303,195</u>
Liabilities	
Deferred tax liabilities	5,545
Trade and other payables and accrued charges	116
	<hr/>
Liabilities associated with non-current assets held for sale	<u>5,661</u>
	<hr/>
Net assets held for sale	<u>297,534</u>

Notes to the Condensed Consolidated Interim Financial Information

24 CONTINGENT LIABILITIES

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note (a))	<u>839,081</u>	<u>883,068</u>

Notes:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) In connection with the disposal of a subsidiary to GZI Real Estate Investment Trust ("GZI REIT") in 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately HK\$74 million (31 December 2008: HK\$74 million). The Deed of Indemnity will be expired on 30 May 2014.

25 COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Not later than one year (Note (a))	1,802,005	458,044
Later than one year and not later than five years	108,288	95,948
Later than five years	41,361	44,491
	<u>1,951,654</u>	<u>598,483</u>

Note:

- (a) Included in this amount were commitments totalling approximately HK\$1,760 million as at 30 June 2009 (31 December 2008: HK\$429 million) relating to certain land use rights in China ranging from 50 to 75 years for which ownership certificates have not yet been obtained. As at 30 June 2009, total consideration for these land use rights amounted to approximately HK\$3,560 million (31 December 2008: HK\$2,313 million) for which the Group has prepaid approximately HK\$1,800 million (31 December 2008: HK\$1,884 million).

Notes to the Condensed Consolidated Interim Financial Information

26 OTHER COMMITMENTS

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Capital commitments in respect of property, plant and equipment:		
– contracted but not provided for	226,912	226,809
– authorised but not contracted for	401,231	401,049
	<u>628,143</u>	<u>627,858</u>

At 30 June 2009, the Group had no financial commitments in respect of equity capital to be injected into a jointly controlled entity and an associated entity (31 December 2008: HK\$238,632,000).

27 SECURITIES FOR BANKING FACILITIES

At 30 June 2009, certain banking facilities and loans granted to the Group were secured by:

- mortgages of certain of the Group's properties under development, investment properties, property, plant and equipment with an aggregate carrying value of approximately HK\$633 million (31 December 2008: HK\$4,054 million), HK\$5,709 million (31 December 2008: HK\$2,979 million) and HK\$708 million (31 December 2008: HK\$95 million) respectively;
- mortgages of certain of the Group's leasehold land and land use rights with an aggregate carrying value of approximately HK\$4,263 million (31 December 2008: HK\$2,185 million);
- assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately HK\$2,282 million (31 December 2008: HK\$3,529 million); and
- toll operating right of a toll highway of the Group with net book amount of HK\$4,978 million (31 December 2008: HK\$5,031 million).

Notes to the Condensed Consolidated Interim Financial Information

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table below summarises the names of related parties, with whom the Group has significant transactions during the period, and their relationship with the Company as at 30 June 2009:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited (“YXE”)	A substantial shareholder
Yue Xiu Finance Company Limited (“YXF”)	A subsidiary of YXE
Yue Xiu International Development Limited (“YXIDL”)	A subsidiary of YXE
Yue Xiu Cold Storage and Warehousing Limited (“YXCSWL”)	A subsidiary of YXE
Hi-Watt Battery Industry Company Limited (“HWB”)	A subsidiary of YXE
Guangzhou Construction & Development Group Co., Ltd. (“GCDGL”)	A minority shareholder of certain subsidiaries
Guangzhou Paper Holdings Limited (“GZPHL”)	A minority shareholder of a subsidiary disposed of in 2008
Guangzhou Xinguang Highways Development Company Limited (“Xinguang”)	A minority shareholder of a subsidiary
Guangdong Humen Bridge Co., Ltd. (“GHB”)	An associated entity
Guangdong Shantou Bay Bridge Co., Ltd. (“GSB”)	An associated entity
GZI Real Estate Investment Trust (“GZI REIT”)	An associated entity

Notes to the Condensed Consolidated Interim Financial Information

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Transactions with related parties

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

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Transactions with YXE		
Rental expenses and property management fees paid to YXE	(987)	(999)
Rental income received from YXE	72	96
Service fees paid to YXE	(300)	(300)
Transactions with GZPHL		
Rental and utility expenses paid to GZPHL (Note (i))	—	(213,850)
Transactions with YXF		
Management fees paid to YXF	(181)	(181)
Transaction with YXIDL		
Loan interest paid to YXIDL	(348)	(868)
Transactions with GZI REIT		
Asset management fees received from GZI REIT	16,068	13,423
Tenancy service fees received from GZI REIT	8,888	7,809
Rental expenses paid to GZI REIT	(1,803)	(1,192)
Transaction with GHB		
Loan interest received from GHB	17	4,517
Transaction with GSB		
Loan interest received from GSB	—	115
Transaction with YXCSSL		
Rental income received from YXCSSL	1,500	1,500
Transaction with HWB		
Rental income received from HWB	730	3,933
Transaction with Xinguang		
Loan interest paid to Xinguang	(4,237)	(5,623)
Gain on disposal of a toll operating right of Xiang Jiang Bridge II to a state-owned enterprise	65,856	—

Notes to the Condensed Consolidated Interim Financial Information

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Transactions with related parties (continued)

Note:

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

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

(c) Balances with related parties

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Amount due to a substantial shareholder (Note (i) and (vi))	(110,681)	(81,569)
Loan receivables from associated entities (Note (iv), (vii) and (x))	—	1,973
Amounts due from associated entities (Note (ii), (viii) and (x))	86,213	89,245
Amounts due to associated entities (Note (ii) and (vi))	(134,952)	(112,150)
Amounts due from jointly controlled entities (Note (ii), (vii) and (x))	185,294	185,285
Amounts due to jointly controlled entities (Note (ii) and (vi))	(154,744)	(154,976)
Amounts due to minority shareholders of subsidiaries (Note (ii) and (vi))	(307,423)	(515,848)
Loans from a related company (Note (iii) and (ix))	(56,510)	(56,162)
Loans from minority shareholders of subsidiaries (Note (v) and (ix))	(340,564)	(355,220)
Amounts due from related companies (Note (ii), (vi) and (x))	2,661	2,915
Amounts due to related companies (Note (ii) and (vi))	(10,655)	(12,319)
	<u>(110,681)</u>	<u>(81,569)</u>

Except for the amount due to a substantial shareholder and loans from a related company which are denominated in Hong Kong dollar, all others related party balances are denominated in Renminbi.

- (i) The balance is unsecured, interest free and repayable on demand.
- (ii) All balances are unsecured, interest free and have no fixed repayment terms.
- (iii) The loan balance is unsecured, interest bearing at Hong Kong Interbank Offered Rate plus 1 percent per annum. The balance is not repayable within the next twelve months.
- (iv) The loan receivables at 31 December 2008 were unsecured, had no fixed repayment terms and bore interest at the prevailing US dollars prime rate of 3.25 percent per annum or the lending rates of financial institutions in mainland China of 5.31 percent per annum.
- (v) Except for an amount of HK\$146,275,000 (31 December 2008: HK\$146,275,000) which bears interest at the prevailing The People's Bank of China Renminbi long-term lending rates of 5.94 percent (31 December 2008: 7.83 percent) per annum, the loans from minority shareholders of subsidiaries are interest free and not repayable within the next twelve months.
- (vi) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.

Notes to the Condensed Consolidated Interim Financial Information

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

- (vii) These balances are included in interests in jointly controlled entities or interests in associated entities, as appropriate.
- (viii) The balance is included in interests in associated entities except for an amount of approximately HK\$17,375,000 as at 30 June 2009 (31 December 2008: HK\$20,406,000) which is included in other receivables, prepayments and deposits.
- (ix) These balances are included in short-term or long-term borrowings, as appropriate.
- (x) These balances were not in default or impaired, except for a provision for impairment loss of approximately HK\$35,245,000 (31 December 2008: HK\$35,229,000) was made for an amount due from a jointly controlled entity.

(d) Key management compensation

Key management compensation amounted to HK\$42,495,000 for the six months ended 30 June 2009 (for six months ended 30 June 2008: HK\$33,700,000).

29 POST BALANCE SHEET EVENTS

- (a) On 16 July 2009, the Company has, through its 95 percent owned subsidiary, acquired two pieces of land in the University City I and the University City II, with permissible gross development floor areas of up to approximately 50,000 square metres and 37,000 square metres respectively, for consideration of RMB355 million (equivalent to approximately HK\$403 million) and RMB270 million (equivalent to approximately HK\$306 million), respectively.
- (b) On 4 August 2009, the Company, through its subsidiary, entered into a hotel management agreement and an ancillary agreements with members of the Four Seasons Group pursuant to which certain portion of the Guangzhou International Finance Center (“Guangzhou IFC”) will be developed and operated as a world class luxury hotel in the name of Four Seasons Hotel Guangzhou (“廣州四季酒店”).

On 4 August 2009, the Company, through its subsidiary, also entered into a property management joint venture agreement with Jones Lang LaSalle pursuant to which a property management joint venture company will be established to, among other things, provide comprehensive property management services to Guangzhou IFC as a premium landmark commercial centre.

Furthermore, on 4 August 2009, the Company, through its subsidiary, also entered into a leasing agent agreement with CB Richard Ellis pursuant to which CB Richard Ellis has been engaged to, among other things, promote Guangzhou IFC and source tenants from leading international corporations, including the world’s top 500 enterprises, for the office premises of Guangzhou IFC.

Other Information



INTERESTS OF DIRECTORS

As at 30 June 2009, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) were as follows:

1. Long positions in shares of the Company:

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

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

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding as at 1 January 2009	exercised granted during the period	outstanding as at 30 June 2009
Mr Tang Shouchun	23/06/2004(a)	0.630	1,560,000	—	1,560,000
Mr Lau Hon Chuen Ambrose	28/05/2008(b)	1.556	2,800,000	—	2,800,000

Notes:

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

Save as disclosed herein, as at 30 June 2009, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Other Information

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 30 June 2009, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Long position in shares	Approximate % of interest
Yue Xiu	Interests of controlled corporations	3,346,735,248	46.96
JPMorgan Chase & Co.	Beneficial owner, investment manager and approved lending agent	637,563,352 (Long position) 431,766,291 (Lending pool)	8.95 6.06

Note:

Yue Xiu is deemed by the SFO to be interested in 3,346,735,248 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long position in shares
Excellence Enterprises Co., Ltd. ("Excellence")	3,325,548,981
Bosworth International Limited ("Bosworth")	2,430,846,821
Sun Peak Enterprises Ltd. ("Sun Peak")	565,683,000
Novena Pacific Limited ("Novena")	565,683,000
Shine Wah Worldwide Limited ("Shine Wah")	158,049,000
Morrison Pacific Limited ("Morrison")	158,049,000
Perfect Goal Development Co., Ltd. ("Perfect Goal")	135,737,000
Greenwood Pacific Limited ("Greenwood")	135,737,000
Seaport Development Limited ("Seaport")	35,233,160
Goldstock International Limited ("Goldstock")	35,233,160
Yue Xiu Finance Company Limited	8,386,267
Dragon Year Industries Limited	650,000
Easypower Investments Limited	8,200,000
Leader Power Limited	3,950,000

- (i) 2,430,846,821 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
- (ii) 565,683,000 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 158,049,000 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 135,737,000 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 35,233,160 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.



SHARE OPTIONS

(i) The Company

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

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

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

Other Information

No options had been cancelled or lapsed during the period. Movements during the period of the options granted under the share option scheme of the Company to the employees of the Group other than the directors of the Company as disclosed on page 61 were as follows:

Number of share options			Exercise price per share HK\$	Date of grant	Exercisable period	Weighted average closing price (b) HK\$
outstanding as at 1 January 2009	exercised during the period	outstanding as at 30 June 2009				
11,870,000	(200,000)	11,670,000	0.4100	02/05/2003	02/05/2003 - 01/05/2013 (a)	0.94
7,000,000	—	7,000,000	0.5400	02/06/2003	02/06/2003 - 01/06/2013 (a)	N/A
2,620,000	(380,000)	2,240,000	0.8140	27/10/2003	27/10/2003 - 26/10/2013 (a)	1.63
11,440,000	(20,000)	11,420,000	0.8460	23/12/2003	23/12/2003 - 22/12/2013 (a)	1.12
39,612,000	(68,000)	39,544,000	0.6300	23/06/2004	23/06/2004 - 22/06/2014 (a)	1.12

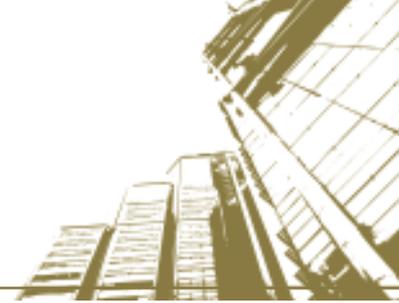
Notes:

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

(ii) GZT

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

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



CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009, except for the following deviation:

Code Provision A.4.1

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

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2009 have been reviewed by the Audit Committee and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2009.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

Corporate and Investor Relations Information

BOARD OF DIRECTORS

Executive directors

Mr Lu Zhifeng (*Chairman*)
Mr Zhang Zhaoxing
Mr Liang Yi
Mr Tang Shouchun
Mr Wang Hongtao
Ms Zhou Jin
Mr Li Xinmin

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISORS

Baker & McKenzie
Jones Day

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited

WEBSITES TO ACCESS COMPANY INFORMATION

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

REGISTERED OFFICE

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

SHARE REGISTRAR

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

SHARE LISTING

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

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

INVESTOR RELATIONS

For further information about
Guangzhou Investment Company Limited,
please contact:
Mr Ha Hang Leung, Alan
Telephone : (852) 2511 6671
Facsimile : (852) 2598 7688
Email : contact@gzinvestment.com.hk

ADR DEPOSITARY BANK

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