越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

Results highlights

• Revenue	HK$3,015 million (+42.2%)
• Gross profit	HK$1,205 million (+27.9%)
• Operating profit	HK$1,022 million (+67.7%)
• Profit attributable to equity holders of the Company	HK$684 million (+47.0%)
• Basic earnings per share	HK 9.60 cents (+47.0%)
• Shareholders' equity per share (excluding minority interests)	HK$2.158 (+6.2%)

UNAUDITED RESULTS

The board of directors ("Directors" or "Board") of Guangzhou Investment Company Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") prepared under Hong Kong Accounting Standard 34 "Interim Financial Reporting" for the six months ended 30 June 2009, as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Unaudited	
		Six months ended 30 June	
	Note	**2009**	2008
		HK$'000	HK$'000
Revenue	3	**3,015,120**	2,119,882
Cost of sales	4	**(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		**(172,200)**	—
Gain on disposal of an intangible operating right		**65,856**	—
Loss for the period of disposal group		**(5,800)**	—
Selling and distribution expenses	4	**(85,055)**	(77,813)
General and administrative expenses	4	**(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	5	**(365,644)**	(170,502)
Profit for the period from continuing operations		**845,859**	827,278
Discontinued operations			
Loss for the period from discontinued operations		**—**	(187,876)
Profit for the period		**845,859**	639,402

		Unaudited	
		Six months ended 30 June	
	Note	**2009**	2008
		HK$'000	HK$'000
Attributable to			
Equity holders of the Company		**684,051**	465,189
Minority interests		**161,808**	174,213
		845,859	639,402
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)	6		
– Basic			
From continuing operations		**9.60**	7.90
From discontinued operations		**—**	(1.37)
		9.60	6.53
- Diluted			
From continuing operations		**9.56**	7.85
From discontinued operations		**—**	(1.36)
		9.56	6.49
Dividend	7	**—**	185,298

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	**1,131,867**	1,742,350
Total comprehensive income attributable to:		
- Equity holders of the Company	**959,167**	1,219,250
- Minority interests	**172,700**	523,100
	1,131,867	1,742,350

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		**6,973,025**	7,048,250
Property, plant and equipment		**1,291,322**	633,991
Investment properties		**8,670,000**	5,943,845
Leasehold land and land use rights		**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		**156,144**	125,994
Other non-current receivables		**167,748**	—
Available-for-sale financial assets		**1,363,527**	976,977
Deferred tax assets		**92,665**	90,592
		27,814,233	23,599,750
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		**5,312,112**	6,727,380
Prepayments for land use rights		**1,799,728**	1,884,375
Inventories		**74,373**	105,716
Trade receivables	8	**49,719**	66,910
Other receivables, prepayments and deposits		**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
		18,134,417	19,333,244
Non-current assets held for sale		**303,195**	—
		18,437,612	19,333,244

	Note	As at 30 June 2009 Unaudited HK$'000	31 December 2008 Audited HK$'000
LIABILITIES			
Current liabilities			
Trade payables	9	**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		**5,331,109**	5,696,028
Taxation payable		**767,323**	595,430
		13,826,090	14,229,966
Liabilities associated with non-current assets held for sale		**5,661**	—
		13,831,751	14,229,966
Net current assets		**4,605,861**	5,103,278
Total assets less current liabilities		**32,420,094**	28,703,028
Non-current liabilities			
Borrowings		**6,903,986**	4,444,650
Deferred tax liabilities		**3,449,419**	3,120,876
		10,353,405	7,565,526
Net assets		**22,066,689**	21,137,502
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**712,752**	712,685
Other reserves		**9,590,611**	9,310,663
Retained earnings			
– Proposed dividend		**—**	57,015
– Others		**5,078,611**	4,398,755
		15,381,974	14,479,118
Minority interests		**6,684,715**	6,658,384
Total equity		**22,066,689**	21,137,502

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 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.

2 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.

- 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.

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.

3 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.

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	**1,871,119**	**176,945**	**135,877**	**324,321**	**506,858**	**3,015,120**	**–**	**3,015,120**
Segment results	**475,107**	**11,092**	**474,654**	**(61,599)**	**251,284**	**1,150,538**	**–**	**1,150,538**
Share of profit/(loss) of:								
– jointly controlled entities	**(22)**	**–**	**–**	**–**	**(11,367)**	**(11,389)**	**–**	**(11,389)**
– associated entities	**47,231**	**–**	**–**	**–**	**142,592**	**189,823**	**–**	**189,823**
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	962,751	155,068	160,310	348,058	493,695	2,119,882	1,495,449	3,615,331
Segment results	200,940	12,779	165,396	(35,349)	256,549	600,315	45,213	645,528
Share of profit/(loss) of:								
– jointly controlled entities	(2,011)	–	–	–	(19,084)	(21,095)	–	(21,095)
– associated entities	61,736	–	–	–	145,468	207,204	–	207,204

	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	**23,665,483**	**131,898**	**8,670,000**	**419,900**	**12,659,970**	**45,547,251**
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	23,799,749	141,720	5,943,845	414,882	12,141,057	42,441,253

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

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'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)**	—
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 and discontinued operations	**1,211,503**	997,780

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

	As at	
	30 June	31 December
	2009	2008
	HK$'000	HK$'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
Total assets	**46,251,845**	42,932,994

Information about geographical areas is provided as follows:

	Revenue from continuing operations		Total assets	
	Six months ended 30 June		As at	As at
			30 June	31 December
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'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
	3,015,120	2,119,882	**45,547,251**	42,441,253
Unallocated assets			**704,594**	491,741
			46,251,845	42,932,994

4 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	2008
	HK$'000	HK$'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**	—

5 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	2008
	HK$'000	HK$'000
Company and subsidiaries		
Current taxation		
– Hong Kong profits tax	**1,895**	3,930
– China enterprise 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

6 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

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)	**684,051**	465,189
Weighted average number of ordinary shares in issue ('000)	**7,127,016**	7,124,566
Adjustments for share options ('000)	**30,912**	48,606
Weighted average number of ordinary shares for diluted earnings per share ('000)	**7,157,928**	7,173,172
Diluted earnings/(loss) per share (HK cents)		
From continuing operations	**9.56**	7.85
From discontinued operations	**—**	(1.36)
	9.56	6.49

7 Interim dividend

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
2008 final, paid, of HK0.80 cents (2007: HK2.50 cents) per share	**57,018**	178,163
2009 interim, proposed, nil (2008: HK 2.60 cents) per share	**—**	185,298

8 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
	49,719	66,910

9 Trade payables

The ageing analysis of trade payables is as follows:

	As at	
	30 June	31 December
	2009	2008
	HK$'000	HK$'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
	80,548	96,877

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 serious 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 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 has 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.

PROPERTY

During the reporting period, the Group achieved encouraging results by improving sales capability and enhancing tenancy marketing activities at its flagship commercial projects, 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 transactions 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		approx.207,200	

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 landbank 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 to a country park (under planning) and north to a golf club, enjoying unique scenery and resources.

   Jiangmen, having a permanent 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 increasing prominent city and see the development of a promising real estate market.

2. 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.

3. 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 Plot	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 Plot	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		approx.2,105,000		

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 properties and has made intensive preparations for the pre-leasing of the project. Subsequent to the reporting period, the Group entered into a 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.

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		approx.1,011,400	

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 resources 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 property market in the PRC.

In Guangzhou where the Group's main property projects are located, the enforcement of policies by the government in reclaiming idle sites and prohibiting developers with a history of defaults 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 district 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 City. 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, strengthen the alignment of Guangzhou and Foshan, accelerate the construction of a core circle of cities accessible within one hour in the Pearl River Delta, and consolidate 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 develop 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. At the same time, certain section (dual direction) of Northern Ring Road was closed down for maintenance in July 2009. The maintenance 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.

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$1,871million 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.

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
Total bank borrowings	**11,837,665**	9,728,815
Unsecured other borrowings	**397,074**	411,382
Finance lease	**144**	75
Overdrafts	**212**	406
Total debts	**12,235,095**	10,140,678
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
Total borrowings	**12,235,095**	10,140,678
Less: Bank balances and cash	**(4,122,895)**	(3,496,547)
Net borrowings	**8,112,200**	6,644,131
Shareholders' equity (excluding minority interests)	**15,381,974**	14,479,118
Total capitalization	**23,494,174**	21,123,249
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.

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.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code Provisions") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period 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.

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.

By order of the Board
LU Zhifeng
Chairman

Hong Kong, 31 August 2009

As at the date of this announcement, the Board comprises:

Executive Directors:	*LU Zhifeng (Chairman), ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, WANG Hongtao, ZHOU Jin and LI Xinmin*
Independent Non-executive Directors:	*YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose*