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

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

**2009 ANNUAL RESULTS ANNOUNCEMENT**

**Financial highlights for the year ended 31 December**

	<b>2009</b>	2008	Changes
	<b>HK\$'000</b>	HK\$'000	%
		(Restated)	
<b>Revenue</b>	<u><b>5,915,758</b></u>	<u>5,913,200</u>	-
<b>Profit for the year attributable to equity holders of the Company</b>	<u><b>2,044,254</b></u>	<u>1,876,682</u>	+ 8.9
<b>Earnings per share – Basic</b>	<u><b>33.03HK cents</b></u>	<u>30.54HK cents</u>	+ 8.2
<b>Dividends per share</b>			
Interim	<b>5.00HK cents</b>	4.00HK cents	
Proposed final	<u><b>6.00HK cents</b></u>	<u>6.00HK cents</u>	
	<u><b>11.00HK cents</b></u>	<u>10.00HK cents</u>	+10.0

## CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2009

The board of directors (the “Board”) of Guangdong Investment Limited (the “Company” or “GDI”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group” or the “GDI Group”) for the year ended 31 December 2009 together with the comparative figures for 2008 as follows:

### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000 (Restated)
REVENUE	4	5,915,758	5,913,200
Cost of sales		<u>(2,140,177)</u>	<u>(2,699,894)</u>
Gross profit		3,775,581	3,213,306
Other income/(loss)	4	( 7,907)	852,436
Selling and distribution costs		( 87,021)	( 99,698)
Administrative expenses		( 617,350)	( 574,863)
Other operating income/(expenses), net		36,460	( 713,950)
Finance costs	5	( 257,985)	( 380,278)
Share of profits of a jointly-controlled entity		91,074	134,084
Share of profits less losses of associates		<u>26,347</u>	<u>6,188</u>
PROFIT BEFORE TAX	6	2,959,199	2,437,225
Tax	7	<u>( 499,746)</u>	<u>( 442,422)</u>
PROFIT FOR THE YEAR		<u>2,459,453</u>	<u>1,994,803</u>
Attributable to:			
Equity holders of the Company	9	2,044,254	1,876,682
Minority interests		<u>415,199</u>	<u>118,121</u>
		<u>2,459,453</u>	<u>1,994,803</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u>33.03 HK cents</u>	<u>30.54 HK cents</u>
Diluted		<u>32.79 HK cents</u>	<u>30.12 HK cents</u>

Details of the dividends payable and proposed for the year are disclosed in note 8 to the announcement.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2009

	2009 HK\$'000	2008 HK\$'000
PROFIT FOR THE YEAR	<u>2,459,453</u>	<u>1,994,803</u>
OTHER COMPREHENSIVE INCOME		
Fair value gains on property, plant and equipment	1,708	5,978
Exchange differences on translation of foreign operations	11,350	399,608
Net gains/(losses) on cash flow hedges	<u>200,459</u>	<u>( 323,573)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>213,517</u>	<u>82,013</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,672,970</u>	<u>2,076,816</u>
Attributable to:		
Equity holders of the Company	2,233,141	1,920,083
Minority interests	<u>439,829</u>	<u>156,733</u>
	<u>2,672,970</u>	<u>2,076,816</u>

**CONSOLIDATED BALANCE SHEET**  
**31 December 2009**

	Notes	31 December 2009 HK\$'000	31 December 2008 HK\$'000 (Restated)	1 January 2008 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		2,315,077	2,271,930	2,301,211
Investment properties		4,810,466	4,032,698	4,277,760
Prepaid land lease payments		822,203	838,589	849,808
Goodwill		266,146	262,370	256,119
Interests in a jointly-controlled entity		909,136	994,757	852,142
Interests in associates		184,521	274,118	354,424
Intangible assets		16,667,163	17,454,798	18,300,506
Prepayments and deposits		120,111	-	-
Deferred tax assets		15,773	16,361	21,618
Other long term assets		-	6	18
<b>Total non-current assets</b>		<b>26,110,596</b>	<b>26,145,627</b>	<b>27,213,606</b>
<b>CURRENT ASSETS</b>				
Available-for-sale investments		56,808	56,718	42,045
Tax recoverable		-	174	33,437
Inventories		49,399	50,190	57,819
Receivables, prepayments and deposits	10	563,315	722,807	379,843
Derivative financial instruments		136,009	169,367	78,516
Restricted cash and bank balances		-	2,831	2,824
Cash and cash equivalents		3,871,027	4,096,977	2,684,533
<b>Total current assets</b>		<b>4,676,558</b>	<b>5,099,064</b>	<b>3,279,017</b>
<b>CURRENT LIABILITIES</b>				
Payables, accruals and other liabilities	11	( 1,736,315)	( 1,512,351)	( 1,416,203)
Tax payable		( 181,239)	( 268,282)	( 81,249)
Derivative financial instruments		( 417,493)	( 312,770)	( 147,503)
Due to minority shareholders of subsidiaries		( 367,013)	( 346,825)	( 415,349)
Interest-bearing bank borrowings		( 1,584,903)	( 310,409)	( 292,343)
Other liabilities - current portion		( 118,200)	( 118,200)	( 118,200)
<b>Total current liabilities</b>		<b>( 4,405,163)</b>	<b>( 2,868,837)</b>	<b>( 2,470,847)</b>
<b>NET CURRENT ASSETS</b>		<b>271,395</b>	<b>2,230,227</b>	<b>808,170</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>26,381,991</b>	<b>28,375,854</b>	<b>28,021,776</b>

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**CONSOLIDATED BALANCE SHEET (continued)**  
**31 December 2009**

	31 December 2009 HK\$'000	31 December 2008 HK\$'000 (Restated)	1 January 2008 HK\$'000 (Restated)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
- page 4	26,381,991	28,375,854	28,021,776
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments	( 155,988)	( 395,472)	( 130,144)
Due to minority shareholders of subsidiaries	( 11,574)	( 18,007)	( 22,594)
Interest-bearing bank borrowings	( 4,351,483)	( 8,083,401)	( 9,424,694)
Other liabilities	( 1,525,263)	( 1,680,072)	( 1,654,800)
Deferred tax liabilities	( 886,781)	( 717,271)	( 758,058)
<b>Total non-current liabilities</b>	<u>( 6,931,089)</u>	<u>(10,894,223)</u>	<u>(11,990,290)</u>
<b>Net assets</b>	<u>19,450,902</u>	<u>17,481,631</u>	<u>16,031,486</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	3,106,719	3,080,694	3,051,969
Reserves	13,550,498	11,945,145	10,606,790
Proposed final dividends	372,806	369,683	366,236
	<u>17,030,023</u>	<u>15,395,522</u>	<u>14,024,995</u>
<b>Minority interests</b>	<u>2,420,879</u>	<u>2,086,109</u>	<u>2,006,491</u>
<b>Total equity</b>	<u>19,450,902</u>	<u>17,481,631</u>	<u>16,031,486</u>

*Notes:*

**1. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity and debt investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

## 1. BASIS OF PREPARATION (continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i>
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- \* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).
- \*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and its amendments, HKAS 18 Amendment, HKAS 40 Amendments, HKFRS 7 Amendments and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

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

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) Amendments to HKAS 1 (Revised) *Presentation of Financial Statements* included in *Improvements to HKFRSs* issued in October 2008

Amendments to HKAS 1 reaffirmed that if a financial liability is held primarily for trading purposes, it should be presented as current regardless of its maturity date. Also, derivatives that have a maturity of more than twelve months and are expected to be held for more than twelve months after the reporting period should be presented as non-current assets or liabilities. The Group has reclassified its derivative financial instruments with maturity of more than twelve months to non-current liabilities retrospectively in accordance with the amendments to HKAS 1. The effect was to decrease the Group's derivative financial instruments in current liabilities at 31 December 2008 and 1 January 2008 by HK\$395,472,000 and HK\$130,144,000, respectively, and increase the Group's derivative financial instruments in non-current liabilities at 31 December 2008 and 1 January 2008 by the same amounts. As a result of this reclassification, an opening balance sheet as at 1 January 2008 has been presented.

(c) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent* included in *Improvements to HKFRSs 2009*

In prior years, revenue from department store operation included the gross proceeds from sales of goods, while the related costs of sales were presented as "Cost of sales" in the income statement.

In the current year, the Group has reviewed and revised the recognition and measurement of revenue due to the issuance of the amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent* included in *Improvements to HKFRS 2009* ("Improvements") by the HKICPA during the year. The Improvements has added guidance to analyse the key features indicating that an entity is acting as a principal or as an agent.

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent* included in *Improvements to HKFRSs 2009* (continued)

The Group concluded that the proceeds from sales of goods are offset against the respective cost of sales, and the resulting net proceeds are presented as commission income in the income statement.

The effects of the changes in the recognition and measurement of revenue have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	2009 HK\$'000	2008 HK\$'000
Decrease in revenue	(1,897,626)	(1,677,512)
Decrease in cost of sales	<u>1,897,626</u>	<u>1,677,512</u>

These changes do not have any impact on the results of the Group in respect of the current and prior years.

- (d) Amendments to HKAS 40 *Investment Property* included in *Improvements to HKFRSs* issued in October 2008

Amendments to HKAS 40 *Investment Property* revised the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed. The Group had no aforementioned properties as at 31 December 2008.

- (e) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. As the Group's liquidity risk disclosures in prior years were already presented in accordance with HKFRS 7 Amendments, no revision was made on the liquidity risk disclosures.

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (f) HKFRS 8 *Operating Segments*

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

## 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of HKFRSs</i> <sup>1</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> – <i>The Additional Exceptions for First-time Adopters</i> <sup>2</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> – <i>Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adoption</i> <sup>4</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> <sup>2</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>5</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>1</sup>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Classification of Rights Issues</i> <sup>3</sup>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>5</sup>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> <sup>1</sup>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>4</sup>
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> <sup>1</sup>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> <sup>2</sup>

## 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2010
- <sup>3</sup> Effective for annual periods beginning on or after 1 February 2010
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2010
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2011
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised), HKFRS 9, HKAS 24 (Revised) and HKAS 27 (Revised), these new and revised HKFRSs are unlikely to have any significant impact on the Group's results of operations and financial position.

### 3. OPERATING SEGMENT INFORMATION

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

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

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

Segment assets exclude interests in associates, interests in a jointly-controlled entity, deferred tax assets, tax recoverable, cash and cash equivalents, derivative financial instruments and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated assets as these liabilities are managed on a group basis.

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

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments

##### Group

	Property Investment and Development		Toll Roads and Bridges		Water Distribution	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	803,818	722,856	20,947	14,268	3,867,903	3,443,842
Intersegment sales	103,833	91,614	-	-	-	-
Other revenue from external sources (note)	15,986	14,715	114	1,169	3,307	732,885
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange differences, net	8	738	79	950	(29)	(47,341)
<b>Total</b>	<u>923,645</u>	<u>829,923</u>	<u>21,140</u>	<u>16,387</u>	<u>3,871,181</u>	<u>4,129,386</u>
<b>Segment results</b>	<u>841,097</u>	<u>135,723</u>	<u>974</u>	<u>912</u>	<u>2,222,627</u>	<u>2,511,234</u>
Interest income						
Other unallocated gains, net						
Finance costs						
Share of profits less losses of:						
Jointly-controlled entity	-	-	91,074	134,084	-	-
Associates	-	-	7,300	11,688	-	-
Profit before tax						
Tax						
Profit for the year						

Note: Excluding exchange differences, net

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments (continued)

##### Group

	Electric Power Generation		Hotel Operations and Management		Department Stores	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (Restated)
<b>Segment revenue:</b>						
Sales to external customers	435,392	927,616	311,805	371,352	475,893	433,266
Intersegment sales	-	-	-	-	-	-
Other revenue from external sources (note)	9,332	11,835	344	516	27,679	17,863
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange differences, net	( 2,321)	1,648	247	4,069	-	2,882
<b>Total</b>	<u>442,403</u>	<u>941,099</u>	<u>312,396</u>	<u>375,937</u>	<u>503,572</u>	<u>454,011</u>
<b>Segment results</b>	<u>( 51,052)</u>	<u>(281,404)</u>	<u>19,372</u>	<u>97,976</u>	<u>190,391</u>	<u>170,555</u>
Interest income						
Other unallocated gains, net						
Finance costs						
Share of profits less losses of:						
Jointly-controlled entity	-	-	-	-	-	-
Associates	( 10,637)	( 35,254)	-	-	29,684	29,754
Profit before tax						
Tax						
Profit for the year						

Note: Excluding exchange differences, net

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments (continued)

##### Group

	Others		Eliminations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (Restated)
<b>Segment revenue:</b>						
Sales to external customers	-	-	-	-	5,915,758	5,913,200
Intersegment sales	-	-	(103,833)	(91,614)	-	-
Other revenue from external sources (note)	1,786	2,459	-	-	58,548	781,442
Other revenue from intersegment (note)	3,584	3,595	( 3,584)	( 3,595)	-	-
Exchange differences, net	( 1,023)	2,760	-	-	( 3,039)	( 34,294)
<b>Total</b>	<u>4,347</u>	<u>8,814</u>	<u>(107,417)</u>	<u>(95,209)</u>	<u>5,971,267</u>	<u>6,660,348</u>
<b>Segment results</b>	<u>(57,191)</u>	<u>(28,759)</u>	<u>-</u>	<u>-</u>	3,166,218	2,606,237
Interest income					65,703	88,552
Other unallocated gains, net					( 132,158)	( 17,558)
Finance costs					( 257,985)	( 380,278)
Share of profits less losses of:						
Jointly-controlled entity	-	-	-	-	91,074	134,084
Associates	-	-	-	-	26,347	6,188
Profit before tax					2,959,199	2,437,225
Tax					( 499,746)	( 442,422)
Profit for the year					<u>2,459,453</u>	<u>1,994,803</u>

Note: Excluding exchange differences, net

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments (continued)

##### Group

	Property Investment and Development		Toll Roads and Bridges		Water Distribution	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment assets	5,972,669	4,978,552	129,715	113,357	17,665,213	18,595,321
Interests in associates	-	-	60,737	73,114	-	-
Interests in a jointly-controlled entity	-	-	909,136	994,757	-	-
Unallocated assets						
Total assets						
Segment liabilities	563,586	560,543	87,043	71,064	1,720,214	1,872,197
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	32,007	28,971	5,453	4,233	868,404	894,237
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	132,158	25,310
Impairment losses recognised in the income statement	-	-	-	-	-	-
Impairment losses reversed in the income statement	-	-	-	-	-	-
Other non-cash expenses/ (income), net	( 203,296)	494,199	-	-	( 79)	( 28)
Capital expenditure *	<u>709,412</u>	<u>96,518</u>	<u>30,329</u>	<u>18,045</u>	<u>3,163</u>	<u>6,881</u>

\* Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments (continued)

##### Group

	Electric Power Generation		Hotel Operations and Management		Department Stores	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment assets	157,373	168,383	1,561,006	1,656,576	75,501	69,301
Interests in associates	5,987	103,484	-	-	117,797	97,520
Interests in a jointly-controlled entity	-	-	-	-	-	-
Unallocated assets						
Total assets						
Segment liabilities	488,616	408,533	52,439	56,192	817,328	678,983
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	5,547	20,588	68,366	70,412	5,709	4,724
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	-	-
Impairment losses recognised in the income statement	75,405	189,271	36,674	1,231	-	-
Impairment losses reversed in the income statement	( 5,067)	-	( 113)	-	-	-
Other non-cash expenses/ (income), net	-	-	216	( 14)	-	-
Capital expenditure*	<u>72,063</u>	<u>9,803</u>	<u>14,929</u>	<u>20,602</u>	<u>1,108</u>	<u>6,866</u>

\* Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments (continued)

##### Group

	Others		Eliminations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment assets	41,209	42,755	-	-	25,602,686	25,624,245
Interests in associates	-	-	-	-	184,521	274,118
Interests in a jointly-controlled entity	-	-	-	-	909,136	994,757
Unallocated assets					<u>4,090,811</u>	<u>4,351,571</u>
Total assets					<u>30,787,154</u>	<u>31,244,691</u>
Segment liabilities	16,873	14,858	-	-	3,746,099	3,662,370
Unallocated liabilities					<u>7,590,153</u>	<u>10,100,690</u>
Total liabilities					<u>11,336,252</u>	<u>13,763,060</u>
Other segment information:						
Depreciation and amortisation	270	245	-	-	985,756	1,023,410
Changes in fair value of derivative financial instruments not qualified as hedges, net	-	-	-	-	132,158	25,310
Impairment losses recognised in the income statement	-	-	-	-	112,079	190,502
Impairment losses reversed in the income statement	-	-	-	-	( 5,180)	-
Other non-cash expenses/ (income), net	-	-	-	-	( 203,159)	494,157
Capital expenditure *	<u>351</u>	<u>90</u>	<u>-</u>	<u>-</u>	<u>831,355</u>	<u>158,805</u>

\* Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (b) Geographical information

The following table presents revenue and certain asset information for the Group's geographical information for the years ended 31 December 2009 and 2008.

##### Group

	2009 HK\$'000	2008 HK\$'000 (Restated)
<u>Revenue from external customers</u>		
Hong Kong	179,768	222,483
Mainland China	<u>5,735,990</u>	<u>5,690,717</u>
	<u>5,915,758</u>	<u>5,913,200</u>

The revenue information above is based on the location in which the Group operates.

	2009 HK\$'000	2008 HK\$'000 (Restated)
<u>Non-current assets</u>		
Hong Kong	1,598,856	1,603,850
Mainland China	<u>24,495,967</u>	<u>24,525,416</u>
	<u>26,094,823</u>	<u>26,129,266</u>

The non-current assets information above are based on the location of assets and excludes deferred tax assets.

#### (c) Information about a major customer

Revenue of approximately HK\$2,959,000,000 (2008: HK\$2,494,800,000) was derived from sales by the water distribution segment to a single customer.

#### 4. REVENUE AND OTHER INCOME/(LOSS)

Revenue, which is also the Group's turnover, represents the invoiced value of water and electricity sold; the gross invoiced revenue arising from the sale of goods in department stores; commissions from concessionaire sales; revenue from hotel ownership and operations; rental income; and toll revenue, after eliminations of all significant intra-group transactions.

An analysis of revenue and other income/(loss) is as follows:

	2009 HK\$'000	2008 HK\$'000 (Restated)
<u>Revenue</u>		
Sale of water and electricity	4,303,295	4,371,458
Sale of goods	56,427	71,463
Commissions from concessionaire sales (note)	419,466	361,803
Hotel and rental income	1,115,623	1,094,208
Toll revenue	<u>20,947</u>	<u>14,268</u>
	<u>5,915,758</u>	<u>5,913,200</u>
<u>Other income</u>		
Government subsidy*	-	730,205
Bank interest income	65,703	88,552
Others	<u>58,548</u>	<u>58,989</u>
	<u>124,251</u>	<u>877,746</u>
<u>Other loss</u>		
Changes in fair value of derivative financial instruments not qualified as hedges, net	( 132,158)	( 25,310)
	<u>( 7,907)</u>	<u>852,436</u>

Note:

The commissions from concessionaire sales is analysed as follows:

	2009 HK\$'000	2008 HK\$'000
Gross revenue from concessionaire sales	2,317,092	2,039,315
Commissions from concessionaire sales	<u>419,466</u>	<u>361,803</u>

\* The amount represented government grants in relation to subsidy for revenue from the sale of water to the HKSAR from 2005 to 2008, which was determined and finalised during the year ended 31 December 2008. There were no unfulfilled conditions or contingencies relating to these grants. During the year, HK\$67,669,000 (2008: HK\$434,257,000) was received and the remaining outstanding balance of HK\$228,279,000 has been included in other receivables as at 31 December 2009 (2008: HK\$295,948,000).

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable <sup>(1)</sup> :		
Within five years	74,037	250,372
Over five years	<u>5,657</u>	<u>20,592</u>
Total interest expense on financial liabilities not at fair value through profit or loss	79,694	270,964
Finance charges on cash flow hedges, net	176,915	107,644
Other finance costs	<u>1,376</u>	<u>1,670</u>
Total finance costs for the year	<u>257,985</u>	<u>380,278</u>

- <sup>(1)</sup> Net of government grants of HK\$27,945,000 (2008: HK\$49,811,000) in respect of subsidies for interest expense arising from bank loans borrowed by the Group for the purpose of the Dongshen Water Supply Phase IV Renovation Project. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. PROFIT BEFORE TAX

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

	2009 HK\$'000	2008 HK\$'000 (Restated)
Cost of inventories sold*	319,655	907,783
Depreciation	157,511	190,191
Recognition of prepaid land lease payments	16,523	16,485
Amortisation of intangible assets*	811,716	816,722
Minimum lease payments under operating leases in respect of land and buildings	41,054	15,815
Auditors' remuneration	6,643	6,620
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	406,858	381,223
Equity-settled share option expense	9,867	1,865
Pension scheme contributions	45,738	34,568
Less: Forfeited contributions	<u>( 10)</u>	<u>( 76)</u>
Net pension scheme contributions#	45,728	34,492
	<u>462,453</u>	<u>417,580</u>
Gross rental income from investment properties	( 760,539)	( 618,788)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<u>64,937</u>	<u>19,707</u>
Net rental income from investment properties	<u>( 695,602)</u>	<u>( 599,081)</u>
Foreign exchange differences, net	3,039	34,294
Changes in fair value of investment properties^	( 203,296)	494,199
Impairment of items of property, plant and equipment^	36,183	33,150
Impairment of intangible assets^	-	56,193
Write-back of impairment of interests in an associate^	( 5,067)	-
Impairment of interests in an associate^	75,405	99,928
Loss/(gain) on disposal of items of property, plant and equipment, net^	( 358)	12,557
Loss on disposal of items of intangible assets, net^	4,869	-
Impairment of/(write-back of provision for) inventories, net^	137	( 42)
Write-back of provision for trade receivables^	( 113)	-
Impairment of trade receivables^	<u>491</u>	<u>1,231</u>

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

# As at 31 December 2009 and 2008, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years.

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

## 7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China and elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

Under the PRC Corporate Income Tax Law, which became effective from 1 January 2008, enterprises are subject to corporate income tax ("CIT") at a rate of 25%. According to the "Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Income Tax Law", the applicable tax rates in the coming years for enterprises which previously enjoyed a lower CIT rate of 15% are 18% in 2008; 20% in 2009; 22% in 2010; 24% in 2011; and 25% in 2012 and thereafter.

The effect of the changes of the tax rate in CIT is not material to the Group for the year ended 31 December 2009.

	2009 HK\$'000	2008 HK\$'000
Group:		
Current - Hong Kong		
Charge for the year	7,534	9,052
Overprovision in prior years	( 59)	( 139)
Current - Mainland China		
Charge for the year	416,023	506,909
Under/(over) provision in prior years	( 92,736)	4,184
Deferred	<u>168,984</u>	<u>( 77,584)</u>
Total tax charge for the year	<u>499,746</u>	<u>442,422</u>

The share of tax charge attributable to a jointly-controlled entity amounting to HK\$13,702,000 (2008: HK\$18,829,000) and the share of tax charge attributable to associates amounting to HK\$8,154,000 (2008: tax credit of HK\$8,875,000) are included in "Share of profits of a jointly-controlled entity" and "Share of profits less losses of associates" in the consolidated income statement, respectively.

## 8. DIVIDENDS

	2009 HK\$'000	2008 HK\$'000
Interim – 5.0 HK cents (2008: 4.0 HK cents) per ordinary share	310,672	246,456
Proposed final – 6.0 HK cents (2008: 6.0 HK cents) per ordinary share	<u>372,806</u>	<u>369,683</u>
	<u>683,478</u>	<u>616,139</u>

## 8. DIVIDENDS (continued)

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The total final dividend payable is based on the total number of shares as at the date of approval of these financial statements by the board of directors which includes the shares issued subsequent to the balance sheet date.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2009 HK\$'000	2008 HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>2,044,254</u>	<u>1,876,682</u>
	Number of shares	
	2009	2008
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,188,452,455	6,144,064,027
Effect of dilution - weighted average number of ordinary shares that assumed to have been issued:		
Share options	<u>45,701,078</u>	<u>87,150,623</u>
For the purpose of diluted earnings per share calculation	<u>6,234,153,533</u>	<u>6,231,214,650</u>

## 10. RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the Group's receivable, prepayments and deposits are trade receivables, net of impairments, from the Group's customers. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the electricity supply business (2008: electricity supply business) and the Group has a certain concentration of credit risk as 22% (2008: 28%) of the total trade receivables were due from one of the Group's major customers.

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Within 3 months	186,642	247,296
3 months to 6 months	347	770
6 months to 1 year	1,365	778
More than 1 year	<u>11,389</u>	<u>11,372</u>
	199,743	260,216
Less: Impairments	<u>( 11,170)</u>	<u>( 12,261)</u>
	<u>188,573</u>	<u>247,955</u>

## 11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Within 3 months	322,651	239,678
3 months to 6 months	217	840
6 months to 1 year	<u>992</u>	<u>968</u>
	<u>323,860</u>	<u>241,486</u>

## 12. COMPARATIVE AMOUNTS

As further explained in note 2.1 to this announcement, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

## **CHAIRMAN'S STATEMENT**

### **RESULTS**

I am pleased to be able to report that our results for 2009 continued to maintain a steady growth. The Group's audited consolidated net profit attributable to shareholders for 2009 amounted to HK\$2,044 million (2008: HK\$1,877 million), an increase of 8.9% over 2008. Basic earnings per share was 33.03 HK cents (2008: 30.54 HK cents), an increase of 8.2% over 2008.

### **DIVIDEND**

The Board recommends a final dividend of 6.0 HK cents per share for 2009. Aggregating such dividend with the interim dividend of 5.0 HK cents per share paid in 2009, the total dividend for the entire year will be 11.0 HK cents (2008: 10.0 HK cents) per share. The said 2009 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on 29 June 2010.

### **REVIEW**

Undeterred by the extremely tough macroeconomic environment during 2009, the Group's management worked in unison with all staff and led them in challenging the difficulties ahead by adhering to our policy of steady development, implementing our corporate culture of "credibility, integrity and profitability", and thereby achieving better operating results in securing the sustainable and steady development of the enterprise.

Through the effort of management, the Group's net profit attributable to shareholders increased by 8.9% to HK\$2,044 million, and profit before tax increased by 21.4% or HK\$522 million to HK\$2,959 million. The growth was mainly attributed to the contributions from our property investment and development businesses.

### **PROSPECTS**

We cannot be too optimistic over the operating environment in 2010 as the Group still has to meet tough challenges ahead. This would require the Group to focus all staff efforts to weather difficult times through correct judgement of the directions of macroeconomic trends, enhancing our ability to master the markets, raising management standards even further so as to secure its healthy and sustainable development.

For our investment projects, we will insist on interweaving our premier segments with prudent risk control and leveraging on our substantial available funds and low debt level to seek for investment opportunities prevailing in the present economic environment that will give us a leading position. In accordance with the Group's investment and development strategies, we will be focusing on the utility, commercial property and infrastructure industries while actively looking for water resources, commercial property, expressways and power generation related projects as long-term development targets so as to create higher values for shareholders.

Finally, on behalf of the Board, I would like to thank all shareholders for their support and also all our management and staff for their dedication and hard work and the good results they have helped the Group to achieve.

**LI Wenyue**

*Chairman*

Hong Kong, 8 April 2010

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2009 was HK\$5,916 million (2008: HK\$5,913 million), which was almost at the same level with that in year 2008. The growth contributed by the water distribution business, the property investment and department stores businesses was almost offset by the decrease in the power generation and hotel businesses.

The consolidated net profit attributable to shareholders of the Group increased by 8.9% to HK\$2,044 million (2008: HK\$1,877 million). The profit before tax increased by 21.4% or HK\$522 million to HK\$2,959 million (2008: HK\$2,437 million). The growth was mainly contributed by the increase in the property investment and development businesses.

An increase in the fair value of investment properties for HK\$203 million (2008: decrease in value for HK\$494 million) and an impairment of interest in an associate for the power generation business for HK\$75 million (2008: HK\$100 million) were recorded in the consolidated income statement for the year. Mainly because of the low interest rate, the finance cost decreased by 32.1% to HK\$258 million.

The basic earnings per share were 33.03 HK cents (2008: 30.54 HK cents), representing an increase of 8.2% as compared with that in 2008.

## BUSINESS OVERVIEW

A summary of the performance of the Group's major businesses during 2009 is as follows:

### Water Distribution

Profit contribution from the Dongshen Water Supply Project remained significant to the Group. The Company's interest in the holding company of the Dongshen Water Supply Project has increased by 0.63% to 89.08% during the year. The holding company in turn has a 99% interest in the Dongshen Water Supply Project.

The designed annual capacity of water supply is 2.423 billion cubic meters. The total water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 1.993 billion cubic meters (2008: 2.019 billion cubic meters), a decrease of 1.3%, generating revenue amounted to HK\$3,867,903,000 (2008: HK\$3,443,842,000), an increase of 12.3%.

Pursuant to the Hong Kong Water Supply Agreement for 2009 to 2011 entered into between the Government of the Hong Kong Special Administrative Region and the Guangdong Province Government in 2008, the total annual revenue for water sales to Hong Kong for the three years 2009, 2010 and 2011 are to be HK\$2,959 million, HK\$3,146 million and HK\$3,344 million, respectively. Compared to the total annual revenue of HK\$2,494.8 million for 2008, there was an increase of 18.6% in the Hong Kong water sales revenue during the year.

Affected by the economic slowdown, the water sales volume to the Shenzhen area decreased by 4.9% to 911 million cubic meters during the year (2008: 958 million cubic meters). The water sales revenue to the Shenzhen area in 2009 decreased by 4.1% to HK\$784,409,000 (2008: HK\$817,717,000), while the water sales volume to the Dongguan area decreased by 12.5% to 357 million cubic meters during the year (2008: 408 million cubic meters). The water sales revenue to the Dongguan area in 2009 decreased by 5.2% to HK\$124,494,000 (2008: HK\$131,325,000).

The profit before tax of the water distribution business for the year under review was HK\$1,840,706,000 (2008: HK\$2,130,116,000), which was HK\$289,410,000 less than that in 2008. The EBITDA of the water distribution business during the year amounted to HK\$2,966,219,000 (2008: HK\$3,389,126,000), HK\$422,907,000 less than that of 2008. The decrease of both profit before tax and EBITDA were due to the one-off subsidy of approximately HK\$730 million realized in 2008.

## **Electric Power Generation**

### *Zhongshan Power Plant*

The Group's effective interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.) ("ZTP") is 59.85% (Zhongshan Power (Hong Kong) Limited ("ZPHK"), a 95% owned subsidiary of the Company holding a 63% interest in ZTP). ZTP has 2 power generation units with a total installed capacity of 110 MW. Sales of electricity for the year amounted to 688 million kwh (2008: 603 million kwh), an increase of 14.1%. Sales revenue for the year amounted to HK\$389,049,000 (2008: HK\$321,573,000), an increase of 21%. The increase in revenue was mainly due to the increases in both the electricity sales and the average electricity tariff. Because of the significant decrease in coal price, the profit margin for the year had increased substantially as compared to that in 2008. The profit before tax for the year was HK\$156,697,000 (2008: loss before tax HK\$52,532,000).

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

### *Yudean Jinghai Power Plant*

On 20 October 2009, the Company, Chun Wai Consultants Limited ("Chun Wai") (which is a wholly-owned subsidiary of GDH Limited) and GDH Limited entered into an agreement, under which, the Company agreed to acquire the entire issued share capital ("Sale Share") of Golden River Chain Limited ("Golden River"), a wholly-owned subsidiary of Chun Wai, and the shareholder's loan due from Golden River to Chun Wai ("Sale Loan"). In addition, GDH Limited agreed to guarantee the obligations of Chun Wai thereunder. Golden River had an indirect equity interests of 25% of 廣東粵電靖海發電有限公司 (Guangdong Yudean Jinghai Power Generation Co., Ltd.) ("Yudean Jinghai"), which owns and operates a coal-fired power plant with two 600 MW power generators located in Huilai Town, Jieyang City, Guangdong Province. The consideration for the Sale Share and the Sale Loan is HK\$84,289,000 and HK\$515,711,000, respectively, and was paid by the Company in cash on 4 January 2010 upon the completion of the transaction. In addition, the Company will make further capital contribution of RMB342 million (approximately HK\$388 million) in Yudean Jinghai.

### *Shaoguan Power Plant D ("Shaoguan PPD")*

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

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

The Group’s effective interest in Yue Jiang Power Plant is 11.48% (Shaoguan PPD holding a 25% interest in this project). Yue Jiang Power Plant has 2 power generation units with a total installed capacity of 600 MW. Sales of the electricity for the year amounted to 3,122 million kwh (2008: 2,836 million kwh), an increase of 10.1%. Sales revenue for the year reached HK\$1,629,379,000 (2008: HK\$1,421,968,000), an increase of 14.6%. The increase in revenue was mainly due to increases in both the electricity sales and the average electricity tariff. The profit before tax for the year was HK\$80,154,000 whereas a loss before tax of HK\$253,437,000 was recorded in 2008. In view of the expected increases in coal price and operating cost but decrease in tariff in the coming year, an impairment provision of HK\$75,405,000 in relation to the investment in Yue Jiang Power Plant has been made during the year.

#### *Meixian Power Plant*

The Group’s effective interest in Meixian Power Plant is 12.25% (a 49% associate of the Company, Guangdong Power Investment Limited (“GD Power Investment”), holding a 25% interest in the project). During the year, no dividend income was received by GD Power Investment from this investment (2008: HK\$20,540,000).

### **Toll Roads and Bridges**

#### *“1 Road and 2 Bridges”*

In 2009, the profit before tax of the Group's 51% owned jointly-controlled entity (the “JCE”) which holds interests in the “1 Road and 2 Bridges” project amounted to HK\$205,443,000 in aggregate (2008: HK\$299,830,000), a decrease of 31.5%.

#### *(i) Humen Bridge*

The JCE has a profit sharing ratio of 23% in this project. During the year, average daily traffic flow of this bridge decreased by 8.2% to 57,682 vehicle trips (2008: 62,825 vehicle trips). Revenue for the year amounted to HK\$982,928,000 (2008: HK\$1,116,205,000), a decrease of 11.9%. Following the completion of the repair and maintenance works at the Guangshen Highway in 2008, the Humen Bridge could no longer benefit from the traffic that would otherwise be diverted to it as a result of the said maintenance works. Accordingly, the profit before tax for the year decreased by 5.7% to HK\$760,213,000 (2008: HK\$805,747,000).

#### *(ii) Shantou Haiwan Bridge*

The JCE holds a 30% interest in this project. During the year, the average daily traffic flow of this bridge increased by 1.9% to 13,508 vehicle trips (2008: 13,258 vehicle trips). Revenue for the year increased by 5.7% to HK\$193,512,000 (2008: HK\$183,095,000). The profit before tax for the year was HK\$143,813,000 (2008: HK\$137,835,000), an increase of 4.3%.

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

The JCE holds a 51% interest in this project. During the year, the average daily traffic flow of this highway has increased by 16.3% to 17,574 vehicle trips (2008: 15,105 vehicle trips). Revenue for the year was HK\$76,546,000 (2008: HK\$57,088,000), an increase of 34.1%. Profit before tax for the year was HK\$22,152,000 (2008: HK\$5,661,000), an increase of 291.3%, mainly due to the increase of traffic flow.

### *Yingkeng Highway*

The Group's effective interest in this project is 70%. During the year, the average daily traffic flow of this highway increased by 18.2% to 4,222 vehicle trips (2008: 3,572 vehicle trips). Revenue increased by 46.8% to HK\$20,947,000 (2008: HK\$14,268,000). The loss before tax for the year increased to HK\$7,088,000 (2008: HK\$4,000) as a result of the increase in interest expenses.

### *Panyu Bridge*

The Group's effective interest in this project is 20%. During the year, the average daily traffic flow of this bridge decreased by 4.3% to 52,349 vehicle trips (2008: 54,690 vehicle trips). As a result, revenue for the year has decreased by 5.0% to HK\$138,142,000 (2008: HK\$145,364,000). The profit before tax for the year was HK\$50,248,000 (2008: HK\$71,550,000), a decrease of 29.8%.

## **Property Investment**

### *Mainland China*

#### *Teem Plaza*

As at 31 December 2009, the Group held an effective equity interest of 76.0% in 廣東天河城(集團)股份有限公司(Guangdong Teem (Holdings) Limited) ("GD Teem"), which owns the investment property Teem Plaza comprising of a shopping mall, an office building and a hotel.

Revenue of Teem Plaza, comprising rental income from both the shopping mall (including rentals from department store run by the Group) and the office building, during the year reached HK\$837,047,000 (2008: HK\$744,468,000), an increase of 12%. The profit before tax for the year increased by 211% to HK\$783,941,000 (2008: HK\$252,476,000), including the revaluation gain of HK\$172,767,000 (2008: losses of HK\$379,109,000) in respect of Teem Plaza.

The Teemall, one of the most popular shopping malls in the premier area of Guangzhou, has a total gross floor area and lettable area of approximately 160,000 square meters and 97,000 square meters, respectively. The mall is operated at a full capacity with an average occupancy rate of approximately 99% during the year (2008: 99%). The mall is successful in retaining existing brand-name tenants and attracting new ones. The strong demands for shop spaces in the mall and the use of the open tender system for selecting tenants resulted in good rental increase.

The office building, known as the Teem Tower (粵海天河城大廈), is a 45-storey Grade A office tower with a total gross floor area and lettable area of approximately 102,000 square meters and 90,000 square meters, respectively. With an occupancy rate of 87% (2008: 80%) as at 31 December 2009, the total rental income for the year was HK\$136,070,000 (2008: HK\$106,027,000), an increase of 28%. The profit before tax for the year increased to HK\$132,945,000 (2008: HK\$98,878,000).

The hotel, which will be a 5-star hotel with approximately 450 hotel rooms, is expected to be completed in near future. Sheraton Overseas Management Corporation has been engaged to operate, manage and promote the hotel under the name of Sheraton Guangzhou Hotel (粵海喜來登酒店) for an initial 10-year term. The estimated total development cost of the hotel (inclusive of both the historic land and further development costs) is about HK\$993 million, of which approximately HK\$427 million has been invested as at 31 December 2009.

### *Tianjin Teem Shopping Mall*

During the year, GD Teem acquired a piece of land in Tianjin. The land will be developed into a large-scale modern shopping mall with a total gross floor area above ground and underground of approximately 137,100 square meters and 56,000 square meters, respectively. The estimated total investment of the mall is about RMB2,130 million, of which approximately HK\$562 million has been invested as at 31 December 2009. The mall is expected to be completed in 2013 if the progress is on schedule.

### *Hong Kong*

#### *Guangdong Investment Tower*

Average occupancy rate of the Guangdong Investment Tower for 2009 was 96.5% (2008: 100%), which was 3.5% lower than that in 2008. The total rental income for the year was HK\$32,174,000 (2008: HK\$33,068,000), a decrease of 2.7%. The decrease in rental income was mainly due to the decrease in occupancy rate but compensated by the increase in the average rental.

### **Department Stores**

With further expansion of department stores business, as at 31 December 2009, the Group held an effective interest of 85.12% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) which operates the Teemall store and Teemall store – Beijing road branch (“Ming Sheng store”) and 廣州市天河城萬博百貨有限公司 which operates the 天河城百貨歐萊斯折扣店 (“Wan Bo store”). The 3 stores in aggregate with leased area of approximately 62,100 square meters (2008: 61,900 square meters) generating revenue of HK\$475,893,000 (2008: HK\$433,266,000), an increase of 9.8%. The profit before tax for the year was HK\$213,404,000 (2008: HK\$204,135,000), an increase of 4.5%.

The Teemall store sells a wide range of products and its sales rank very high among the major department stores in Guangzhou. The revenue of the Teemall store increased by 0.2% to HK\$392,173,000 (2008: HK\$391,570,000) arising from the improvement of the retail market and the success of various promotion activities launched at Teemall store during the year.

The Ming Sheng store was opened in August 2008 and had an increase in revenue from HK\$3,937,000 in 2008 to HK\$34,338,000 in 2009.

The Wan Bo store operates as an outlet mall selling brand name products at substantial discount. The revenue of Wan Bo store for the year was HK\$49,382,000 (2008: HK\$37,759,000), an increase of 31%.

In 2009, the Group’s share of profit of 廣東吉之島天貿百貨有限公司 (Guangdong Jusco Teem Stores Co. Ltd.), a 26.6% associate of the Group, amounted to HK\$29,684,000 (2008: HK\$29,754,000).

### **Hotel Operations and Management**

As at 31 December 2009, our hotel management team managed a total of 38 hotels (2008: 34 hotels), of which 2 were in Hong Kong, 1 in Macau and 35 in Mainland China. Of these 38 hotels, 9 were owned by the Group (2 in Hong Kong, 4 in Shenzhen, 1 in Zhuhai, 1 in Zhengzhou and 1 in Changzhou).

Among the 9 hotels owned by the Group, 5 were star-rated hotels and 4 were limited service hotels. During the year, the average room rate of the star-rated hotels of the Group in Hong Kong, Shenzhen, Zhuhai, and Changzhou was HK\$432 (2008: HK\$515), a decrease of 16.1% as compared with that of 2008. The average room rate of the 4 limited service hotels of the Group in Shenzhen and Zhengzhou was HK\$180, a decrease of 8.0% as compared with that of 2008.

For the hotel business as a whole, the revenue for the year decreased by 16.0% to HK\$311,805,000 (2008: HK\$371,352,000), and profit before tax decreased by 77.8% to HK\$22,759,000 (2008: HK\$102,503,000). The decrease was due to global economic downturn and impairments of HK\$36,183,000 (2008:nil).

## **LIQUIDITY, GEARING AND FINANCIAL RESOURCES**

As at 31 December 2009, the cash and bank balances of the Group decreased by HK\$229 million to HK\$3,871 million (2008: HK\$4,100 million), of which 22% in Hong Kong dollars, 76% in Renminbi and 2% in US dollars.

During the year under review, the level of the Group's financial borrowing decreased by HK\$2,576 million due to the repayment of certain interest-bearing debts.

As at 31 December 2009, the Group's financial borrowings amounted to HK\$7,473 million (2008: HK\$10,049 million), of which 8% in Renminbi and 92% in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK\$1,537 million. Of the Group's total financial borrowings, HK\$1,703 million was repayable within one year while the remaining balance of HK\$4,344 million and HK\$1,426 million are repayable within two to five years and beyond five years from the balance sheet date, respectively.

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

The gearing (i.e. net financial indebtedness/net asset value (excluded minority interests)) of the Group as at 31 December 2009 was 0.23 times (2008: 0.41 times). The improvement is in fact a reflection of the reduction in the level of the Group's financial borrowings and the increase in the net assets of the Group. The Group is in a healthy debt servicing position as the EBITDA /finance cost is 15.84 times (2008: 9.73 times).

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

## **PLEDGE OF ASSETS**

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

## **CAPITAL EXPENDITURE**

The Group's capital expenditure in 2009 amounted to HK\$831 million which was principally related to the land and development cost for the Tianjin Teem Shopping Mall and the construction in progress of the Sheraton Guangzhou Hotel and the Zhongshan Project.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES**

As at 31 December 2009, total Renminbi borrowings amounted to HK\$620 million (2008: HK\$930 million).

As at 31 December 2009, the Group's total floating rate borrowings amounted to HK\$5,936 million (2008: HK\$8,394 million). For the purpose of interest rate risk management, the Group has entered into certain fixed interest rate swap agreements, amounting to HK\$5,400 million (2008: HK\$5,400 million), with remaining life of 3 years.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2009, the Group had a total of 4,016 employees, of which 836 were at the managerial level. Among the employees, 3,810 were employed by subsidiaries in Mainland China and 206 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$406,858,000 (2008: HK\$381,223,000).

In 2009, even when facing the challenges of continuing adverse economic situation and business environments, the Group further enhanced its human resources, staff productivity and creativity in order to strengthen the overall competitiveness of the enterprise. At the same time, the Group raised and improved its management standard further for efficiency and competitive advantages. Despite the unfavourable external conditions in the past year, all these measures have made it possible for the Group to successfully maintain a stable and healthy growth. To sustain our growth in the long term, the Group has implemented the core value of corporate culture, "Credibility, Integrity and Profitability", and aimed at creating an environment of fair competition with an impartial reward and discipline system conducive to nurturing our human resources. The Group has put in place the mechanism for regular performance appraisals of and feedback to senior management staff to ensure their integrity and performance. Our remuneration and incentive packages are driven mainly by the operating results. In order to effectively motivate our employees, the incentive bonuses we pay to our management, key staff and employees with outstanding performance are determined by reference to the operating net cash flows and profits after tax, as well as by a policy that links rewards with individual performance. The Group has adopted a share option scheme to attract and motivate outstanding employees to contribute to the continuing success of the Group in the long run. In terms of staff training and development, the Group encourages and subsidizes our staff to actively participate in relevant professional development and training programs. The Group has also continued to offer its various functional skilled-based and general corporate culture internal training to upgrade the overall quality of all our staff and thereby lay down a solid foundation for the sustainable growth and development of the Group in the years ahead.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Group recognizes the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the opinion of the directors of the Company, the Company has met the code provisions set out in the CG Code.

## REVIEW OF RESULTS

The results of the Group for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

	<b>No. of new ordinary shares issued</b>	<b>Exercise price per ordinary share</b> HK\$	<b>Cash consideration</b> HK\$
	27,550,000	1.25	34,437,500
	<u>24,500,000</u>	1.59	<u>38,955,000</u>
Total	<u>52,050,000</u>		<u>73,392,500</u>

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 31 May 2010 to Wednesday, 2 June 2010, both days inclusive, during such period no transfer of shares will be registered.

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

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

Hong Kong, 8 April 2010

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