Guangdong Investment Limited
粵海投資有限公司

Stock Code : 0270

2013
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. HUANG Xiaofeng *(Chairman)*
Mr. WEN Yinheng *(Managing Director)*
Mr. TSANG Hon Nam *(Chief Financial Officer)*

Non-Executive Directors

Mr. HUANG Zhenhai
Mr. WU Jianguo
Ms. XU Wenfang
Mr. ZHANG Hui
Ms. ZHAO Chunxiao
Mr. LI Wai Keung

Independent Non-Executive Directors

Dr. CHAN Cho Chak, John, *GBS, JP*
Dr. the Honourable LI Kwok Po, David, *GBM, GBS, OBE, JP*
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*
Dr. CHENG Mo Chi, Moses, *GBS, OBE, JP*
Mr. WU Ting Yuk, Anthony,
Standing Committee Member, CPPCC National Committee, GBS, JP

Audit Committee

Dr. the Honourable LI Kwok Po, David
(Committee Chairman)
Dr. CHAN Cho Chak, John
Mr. FUNG Daniel Richard
Dr. CHENG Mo Chi, Moses
Mr. WU Ting Yuk, Anthony

Remuneration Committee

Dr. CHAN Cho Chak, John *(Committee Chairman)*
Dr. the Honourable LI Kwok Po, David
Mr. FUNG Daniel Richard
Dr. CHENG Mo Chi, Moses
Mr. WU Ting Yuk, Anthony

Nomination Committee

Mr. HUANG Xiaofeng *(Committee Chairman)*
Dr. CHAN Cho Chak, John
Dr. the Honourable LI Kwok Po, David
Mr. FUNG Daniel Richard
Dr. CHENG Mo Chi, Moses
Mr. WU Ting Yuk, Anthony

Company Secretary

Mrs. HO LAM Lai Ping, Theresa

Auditors

Ernst & Young

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank, Guangzhou Branch
China Merchants Bank
DBS Bank Ltd., Hong Kong Branch
Goldman Sachs Capital Markets, L.P.
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China, Shenzhen Branch
Malayan Banking Berhad
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank

Registered Office

28th and 29th Floors
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong
Telephone : (852) 2860 4368
Facsimile : (852) 2528 4386
Website : http://www.gdi.com.hk

Share Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Customer Service Hotline: (852) 2980 1333

Share Information

Place of Listing	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code	0270
Board Lot	2,000 shares
Financial Year End	31 December

Shareholders' Calendar

Annual General Meeting	20 June 2014 10:00 a.m.
Final Dividend	16.0 HK cents per ordinary share, payable on 16 July 2014
Closure of Register of Members	
Annual General Meeting	19 and 20 June 2014
Final Dividend	26 June 2014

THE GROUP'S PRINCIPAL BUSINESSES

25 March 2014

Guangdong Investment Limited
粵海投資有限公司

- 96% GH Water Supply (Holdings) Limited
  - 99% Guangdong Yue Gang Water Supply Company Limited
- 49% Guangzhou Nansha GDH Water Co., Ltd. *(Huangge Water Plant)*

- 51% Guangdong Power (International) Limited
  - 90% Shaoguan Power Plant (D) Ltd.*
- 59.85% Zhongshan Thermal Power Co., Ltd.* *(Zhongshan Power Plant)*
- 49% Guangdong Power Investment Limited
  - 25% Guangdong Yuejia Electric Power Co., Ltd. *(Meixian Power Plant)*
- 25% Guangdong Yudean Jinghai Power Generation Co., Ltd.* *(Yudean Jinghai Power Plant)*

Property Investment and Development

- **76.09%** Guangdong Teem (Holdings) Limited* *(Teem Plaza)*
  - **100%** Tianjin Teem Limited* *(Tianjin Teem Shopping Mall project)*
  - **60%** Guangzhou Tianhecheng Investment Co., Ltd.*
    - **68%** Guangzhou City Wanye Investment Management Co. Ltd.* *(Panyu Wanbo CBD project)*
- **100%** Global Head Developments Limited *(Guangdong Investment Tower properties)*
- **100%** Guangdong Properties Holdings Limited *(Guangdong Group Building properties)*

Department Stores Operations

- **85.18%** Guangdong Teemall Department Stores Ltd.*

Hotel Operations and Management

- **100%** Guangdong (International) Hotel Management Holdings Limited
  - **76.09%** Sheraton Guangzhou Hotel
- **100%** Fill Success Investments Limited *(Wharney Guangdong Hotel (Hong Kong))*
- **100%** Guangdong Hotel Limited *(Guangdong Hotel (Hong Kong))*
- **100%** Guangdong Hotel (Zhu Hai)*
- **99%** Shenzhen Guangdong Hotel Enterprise Ltd.* *(Guangdong Hotel (Shen Zhen))*

Notes:

(i) Projects of the Group are shown in italics and do not constitute part of the individual company's or joint venture's name.

*(ii) * English translation of the official Chinese name of the individual company.*

FINANCIAL HIGHLIGHTS

Financial highlights for the year ended 31 December

	2013 HK$'000	2012 HK$'000	Changes %
Revenue	**7,990,015**	7,736,095	3.3
Profit for the year attributable to owners of the Company	**4,426,117**	3,413,824	29.6
Earnings per share — Basic	**70.96 HK cents**	54.77 HK cents	29.6
Dividends per share			
Interim	**7.00 HK cents**	7.00 HK cents	
Proposed final	**16.00 HK cents**	13.00 HK cents	
	23.00 HK cents	20.00 HK cents	15.0
EBITDA	**6,858,535**	5,993,549	14.4
Owners' equity	**27,313,322**	24,037,998	13.6
Total assets	**41,312,440**	37,361,992	10.6
Net financial borrowings[7]	**–**	–	N/A

Key ratios (as at 31 December)

	2013	2012
Gearing[1]	**N/A**	N/A
Interest cover[2]	**114.27X**	36.42X
Liquidity[3]	**2.78X**	2.27X
Return on average owners' equity[4]	**17.24%**	14.94%
Post-tax return on average assets[5]	**12.57%**	10.99%
Dividend payout ratio[6]	**32%**	37%

Share information (as at 31 December)

	2013	2012
Number of ordinary shares (HK$0.5 per share) in issue	**6,239m**	6,234m
Market capitalisation	**HK$47,295m**	HK$37,966m
Closing market price per share	**HK$7.58**	HK$6.09
Basic earnings per share	**70.96 HK cents**	54.77 HK cents
Diluted earnings per share	**70.75 HK cents**	54.58 HK cents
Net asset value[8] per share	**HK$4.38**	HK$3.86

Notes:

1. $\dfrac{\textit{Net Financial indebtedness}}{\textit{Net asset value}^{8}}$

2. $\dfrac{\textit{EBITDA}}{\textit{Finance costs}}$

3. $\dfrac{\textit{Current assets}}{\textit{Current liabilities}}$

4. $\dfrac{\textit{Profit for the year attributable to owners}}{(\textit{opening equity}^{8} + \textit{closing equity}^{8})/2}$

5. $\dfrac{\textit{Profit for the year}}{(\textit{opening total assets} + \textit{closing total assets})/2}$

6. $\dfrac{\textit{Dividends per share}}{\textit{Basic earnings per share}}$

7. *Financial borrowings – cash and cash equivalents*

8. *Excluded non-controlling interests*

Analysis of gross financial borrowings (as at 31 December)

	2013 HK$'000	2012 HK$'000
Loans maturity profile		
Within 1 year	**1,092,747**	356,200
In the 2nd year	**1,378,835**	1,087,573
In the 3rd to 5th years, inclusive	**674,600**	1,932,634
Over 5 years	**472,800**	591,000
	3,618,982	3,967,407
Currency	**%**	%
Hong Kong dollars	**82.9**	82.5
United States dollars	**17.1**	17.5
Interest rate	**%**	%
Floating	**70.6**	70.2
Non-interest bearing	**29.4**	29.8

Source of financing (as at 31 December 2013)

	Available and committed %	**Utilised %**
Interest-bearing bank borrowings	**70.6**	**70.6**
Non-interest-bearing borrowing	**29.4**	**29.4**
	100.0	**100.0**

Analysis of the Group's Businesses

An analysis of the Group's revenue and segment results by principal activity and geographical area of operations for the years ended 31 December 2013 and 2012 is as follows:

Year ended 31 December 2013

	Revenue HK$'000	%	Segment results HK$'000	%
By Activity:				
Water distribution	**4,934,479**	**61.76**	**2,860,524**	**56.20**
Property investment and development	**1,092,673**	**13.67**	**1,540,326**	**30.27**
Department stores	**771,857**	**9.66**	**252,088**	**4.95**
Electric power generation	**497,891**	**6.23**	**302,147**	**5.94**
Toll roads and bridges	**14,362**	**0.18**	**(4,200)**	**–**
Hotel operations and management	**678,753**	**8.50**	**134,185**	**2.64**
Others	**–**	**–**	**(63,483)**	**–**
	7,990,015	**100.00**	**5,021,587**	**100.00**
By Geographical Area:				
Mainland China	**7,700,162**	**96.37**		
Hong Kong	**289,853**	**3.63**		
	7,990,015	**100.00**		

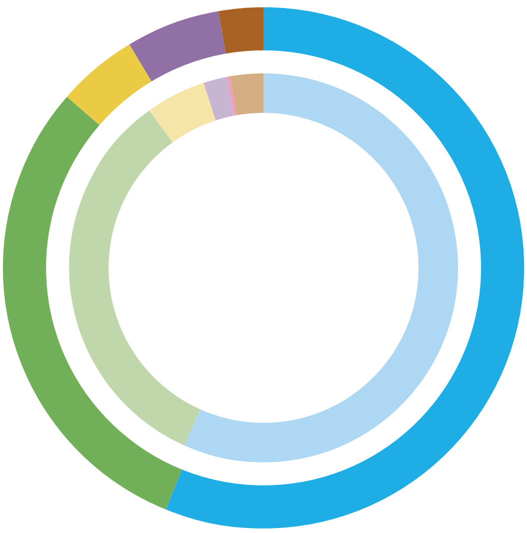
Year ended 31 December 2012

	Revenue HK$'000	%	Segment results HK$'000	%
By Activity:				
Water distribution	4,775,060	61.72	2,686,575	56.70
Property investment and development	1,039,671	13.44	1,590,586	33.57
Department stores	711,418	9.20	224,061	4.73
Electric power generation	520,014	6.72	101,154	2.14
Toll roads and bridges	24,751	0.32	5,697	0.12
Hotel operations and management	665,181	8.60	129,731	2.74
Others	–	–	(61,496)	–
	7,736,095	100.00	4,676,308	100.00
By Geographical Area:				
Mainland China	7,446,471	96.26		
Hong Kong	289,624	3.74		
	7,736,095	100.00		

Revenue by Operating Segments

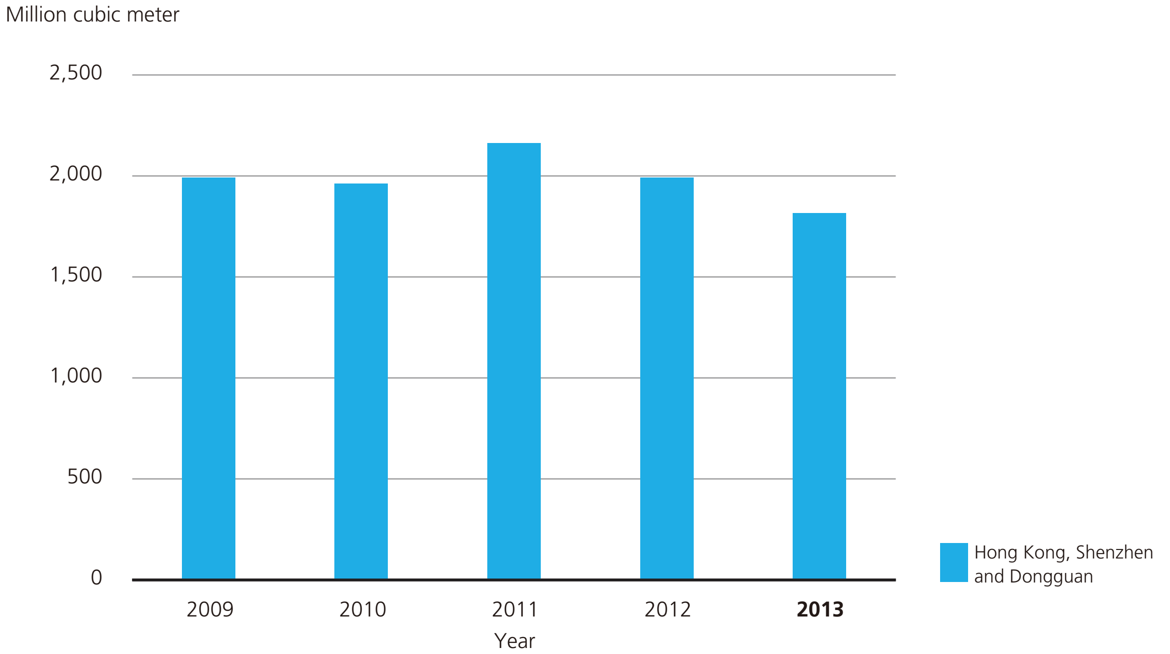
	2013	2012
Water distribution	**61.76%**	61.72%
Property investment and development	**13.67%**	13.44%
Department stores	**9.66%**	9.20%
Electric power generation	**6.23%**	6.72%
Toll roads and bridges	**0.18%**	0.32%
Hotel operations and management	**8.50%**	8.60%

Segment Results by Operating Segments

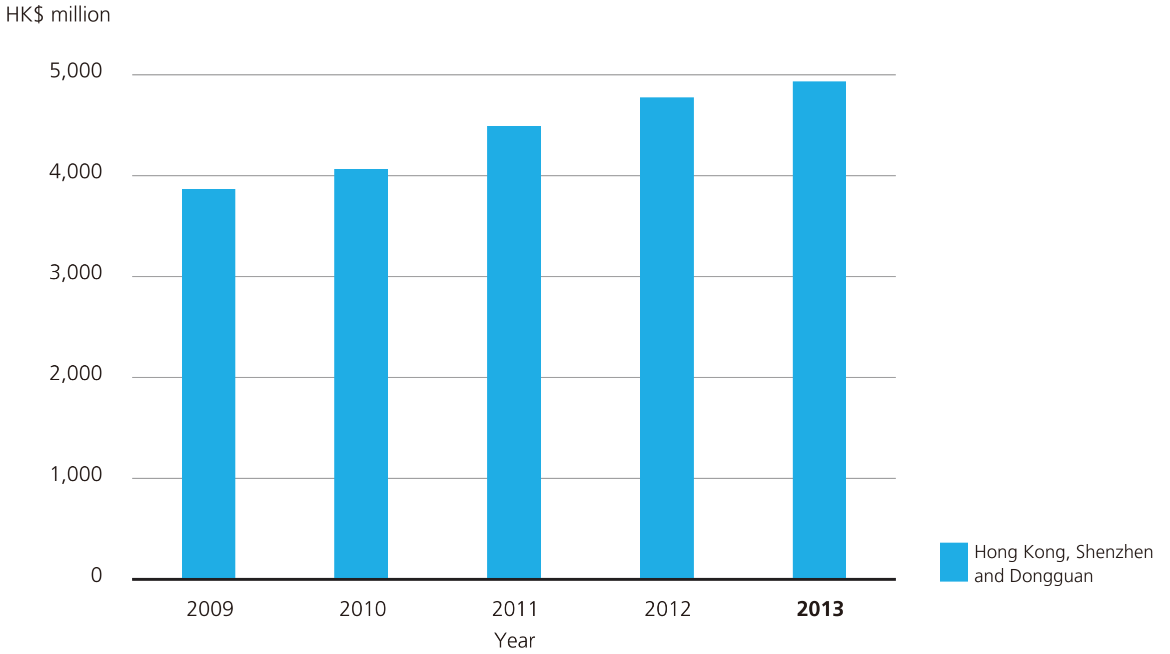


	2013	2012
Water distribution	**56.20%**	56.70%
Property investment and development	**30.27%**	33.57%
Department stores	**4.95%**	4.73%
Electric power generation	**5.94%**	2.14%
Toll roads and bridges	**–**	0.12%
Hotel operations and management	**2.64%**	2.74%

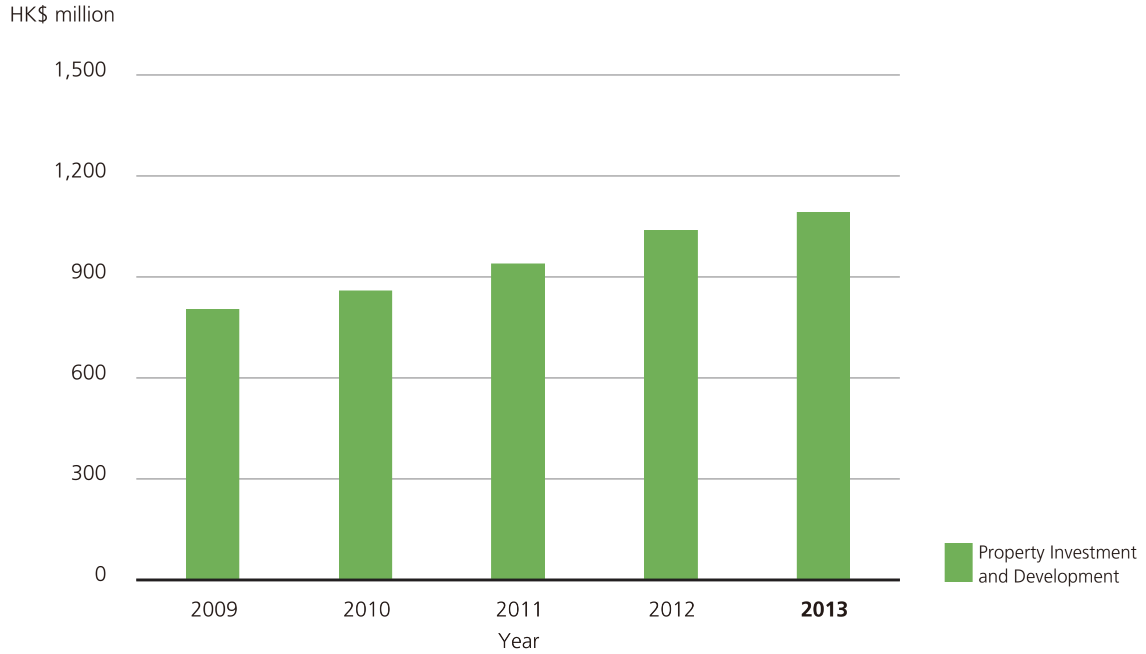
Water Distribution – Annual Volume



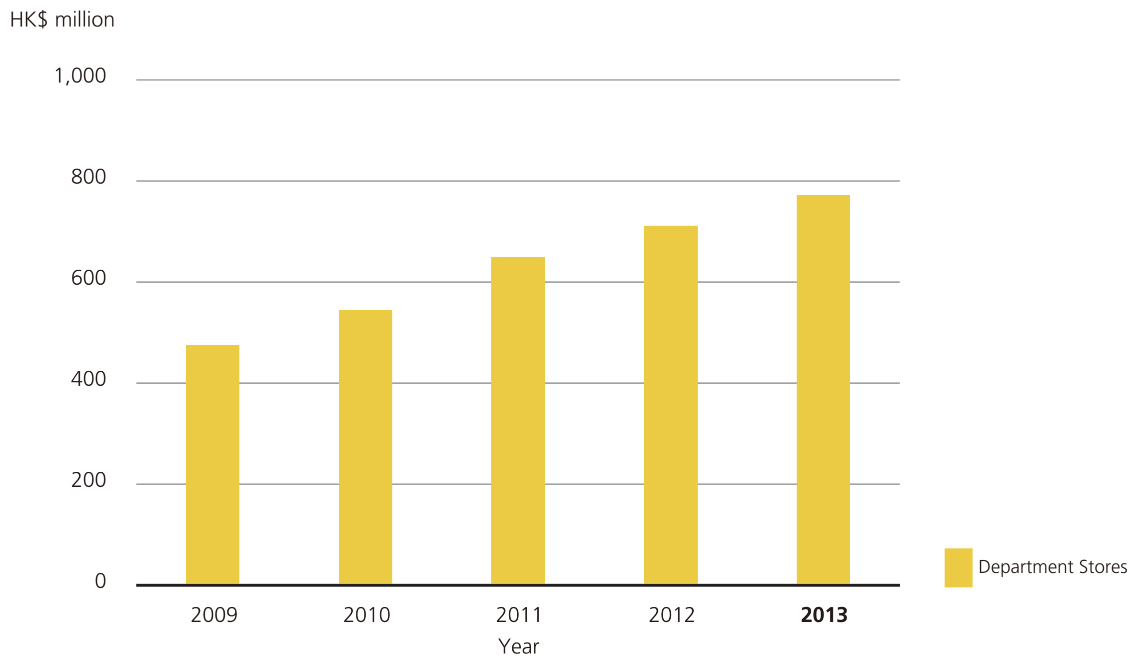
Water Distribution – Annual Revenue



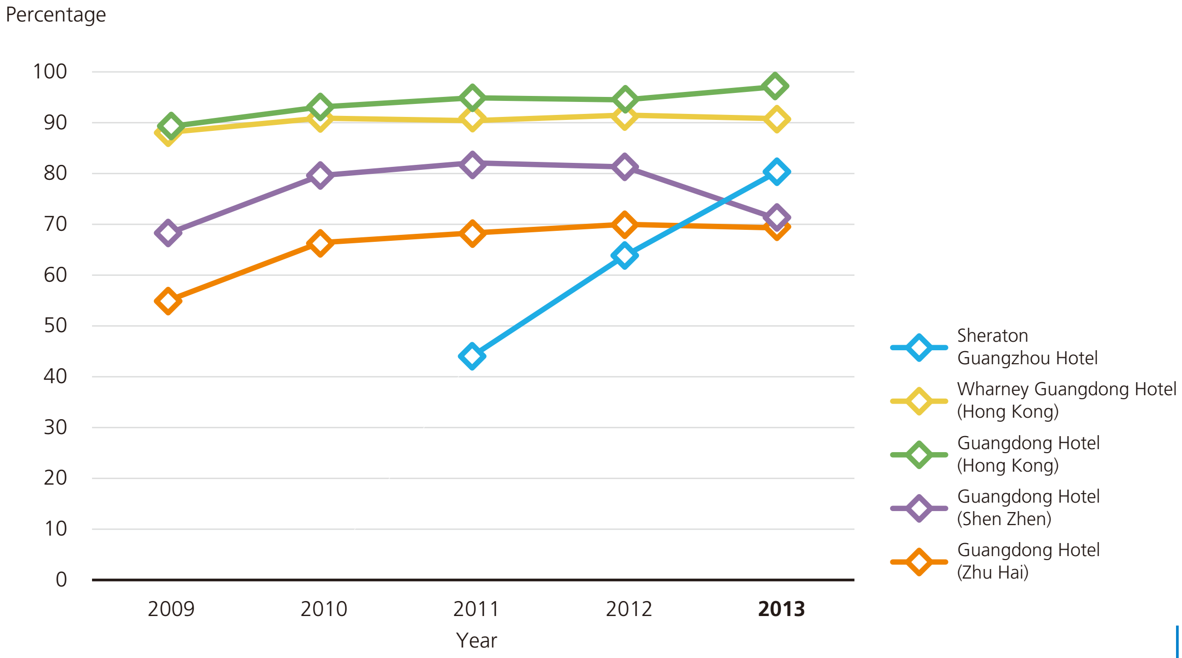
Property Investment and Development – Annual Revenue



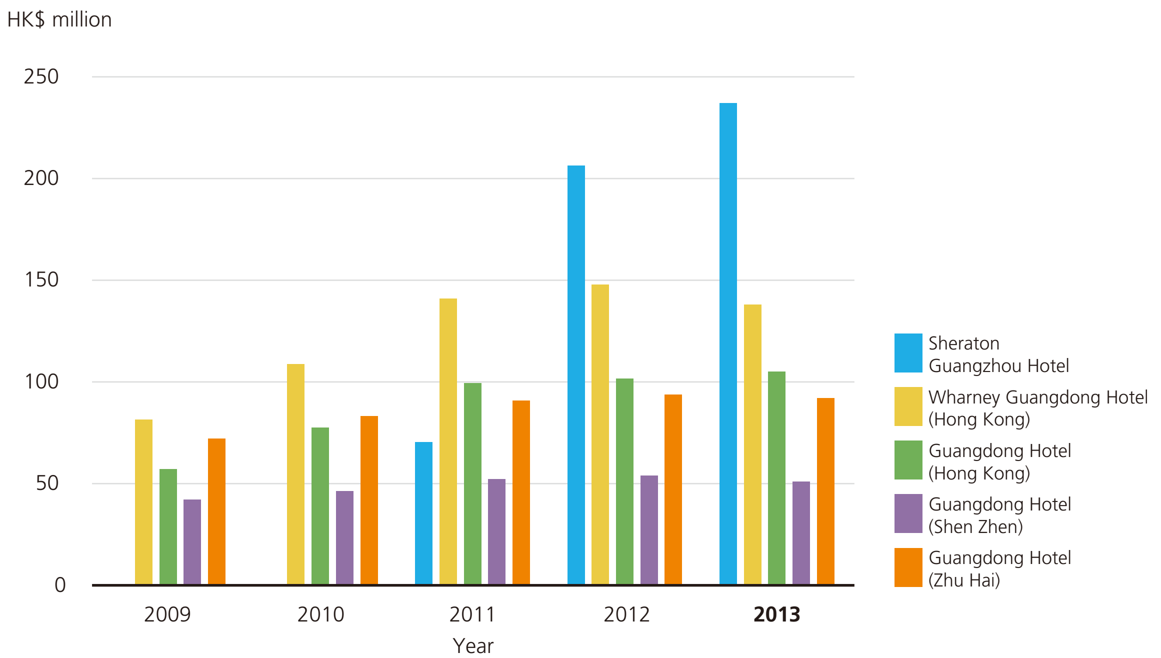
Department Stores – Annual Revenue



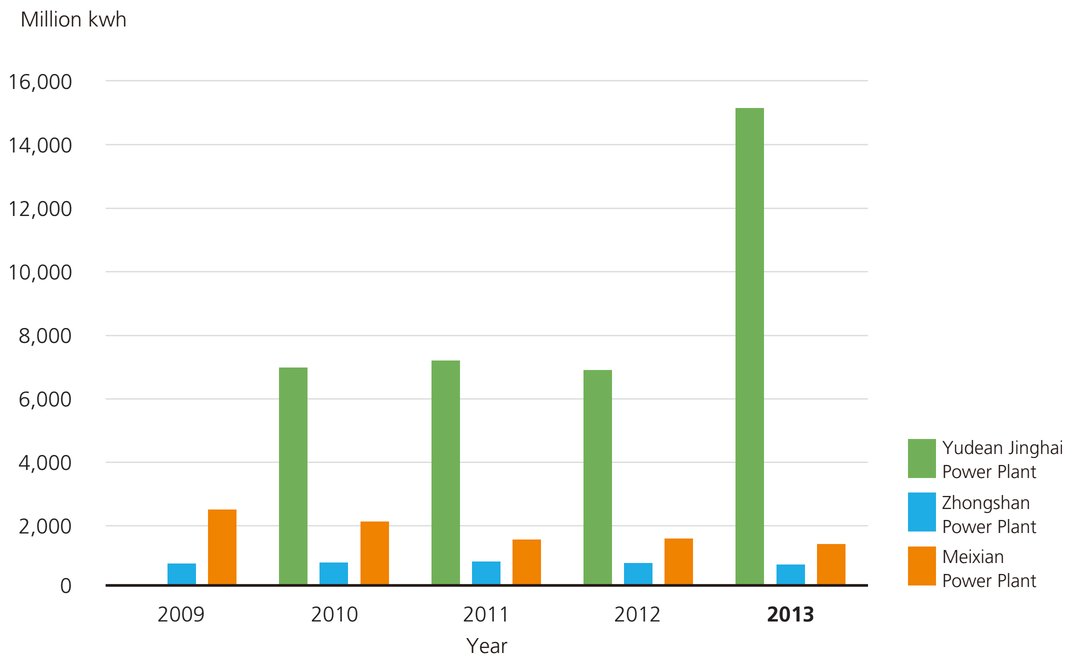
Hotel Operations and Management – Occupancy Rate



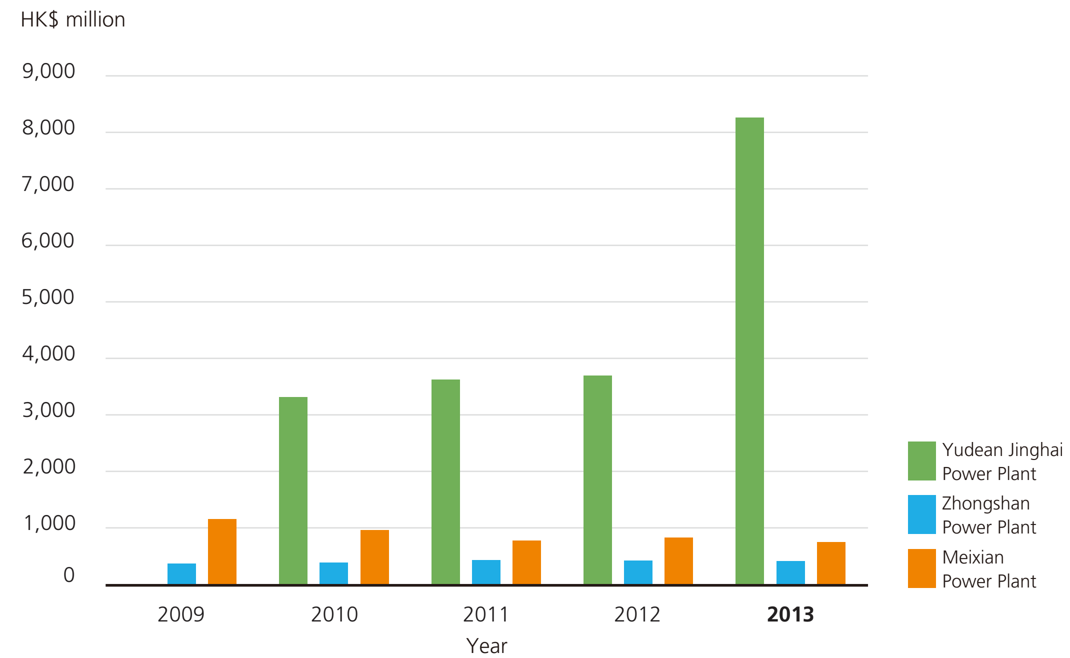
Hotel Operations and Management – Annual Revenue



Electric Power Generation – Annual Sales of Electricity



Electric Power Generation – Annual Revenue



CHAIRMAN'S STATEMENT

Results

I am pleased to report to the shareholders our results of 2013. The Group's audited consolidated profit attributable to shareholders for 2013 amounted to HK$4,426 million (2012: HK$3,414 million), representing an increase of 29.6% over 2012. Basic earnings per share increased by 29.6% over 2012, to 70.96 HK cents (2012: 54.77 HK cents).

Dividend

The Board recommends the payment of a final dividend of 16.0 HK cents per share for 2013. Aggregating such dividend with the interim dividend of 7.0 HK cents per share paid in 2013, the total dividend for the entire year will be 23.0 HK cents (2012: 20.0 HK cents) per share. The said 2013 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on 16 July 2014.

Review

In 2013, given the uncertainties over the global and China economies, the financial market remained volatile, which had an adverse effect on the economic growth in China. Despite the complicated domestic and international economic conditions, the Group continued to integrate its competitive resources through actively pushing ahead the strategic restructuring so as to greatly enhance its core competitiveness as well as to effectively consolidate the market position of the Group. Faced with these fluctuations in the market environment, the Group carried out a detailed analysis on the market landscape, actively adjusted the business mix and capitalised on the value creation potential of the existing assets to achieve satisfactory growth in results performance.

Through efforts made by the management, the Group's profit attributable to shareholders increased by 29.6% to HK$4,426 million, and profit before tax increased by 22.8% or HK$1,123 million to HK$6,045 million (2012: HK$4,922 million). The growth was mainly contributed by water distribution, electric power generation and the gain arising from disposal of certain non-core investments, but was partly offset by the decrease in net gain arising from fair value adjustments of investment properties.

Prospects

Looking ahead to 2014, the global economy will remain volatile and the sluggish economic growth will continue to affect the operating conditions in the near term. In face of the complicated and changing international economic conditions, in order to further strengthen the core competitiveness of the enterprise and enhance the standard of corporate governance, the Group will step up its efforts to closely monitor the market opportunities amid the changing trends in the market environment. While pushing ahead the innovation efforts of its internal control, the Group will optimise the standard of corporate governance and improve the operating efficiency with a view to achieving long-term value creation.

We will continue to closely monitor the economic environment, adopt stringent cost control and risk management measures, and further increase the operating efficiency leverage on the economies of scale to facilitate the sustainable development of business. In addition, in order to achieve another set of record breaking operating results, in pushing ahead our business integration, we will monitor the market and investment opportunities in the areas of water resources management and commercial real estate to allocate resources more appropriately and establish market positioning so as to build a solid and sound foundation for achieving the strategic growth objectives of the Group.

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

HUANG Xiaofeng
Chairman
Hong Kong, 25 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The consolidated revenue of the Group for 2013 was HK$7,990 million (2012: HK$7,736 million), an increase of 3.3% as compared with that in 2012. The growth was mainly contributed by water distribution, department stores operations, and property investment and development businesses.

The consolidated profit attributable to shareholders of the Group increased by 29.6% to HK$4,426 million (2012: HK$3,414 million). The profit before tax increased by 22.8% or HK$1,123 million to HK$6,045 million (2012: HK$4,922 million). The growth was mainly contributed by water distribution, electric power generation and the gain arising from disposal of certain non-core investments, but was partly offset by the decrease in net gain arising from fair value adjustments of investment properties.

Net gain arising from fair value adjustments of investment properties of HK$736 million (2012: HK$795 million) was recorded during the year. The finance cost of the Group substantially decreased by 63.6% to HK$60 million (2012: HK$165 million) as there was no finance charges arising from interest rate swap arrangement for the year.

Basic earnings per share was 70.96 HK cents (2012: 54.77 HK cents), representing an increase of 29.6% as compared with that in 2012.

Business Overview

A summary of the performance of the Group's major businesses during 2013 are set out as follows:

Water Distribution

Dongshen Water Supply

The profit contribution from the Dongshen Water Supply Project continued to form a significant part of the Group's profit. As at 31 December 2013, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.00% (2012: 95.98%). GH Water Holdings holds a 99% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion cubic meters. Total water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 1.817 billion cubic meters (2012: 1.991 billion cubic meters), down by 8.7%, which generated a revenue of HK$4,934,479,000 (2012: HK$4,775,060,000), an increase of 3.3% over 2012.

Pursuant to the Hong Kong Water Supply Agreement for years 2012 to 2014 entered into between the Government of Hong Kong Special Administrative Region and the Guangdong Provincial Government in 2011, the annual revenue for water sales to Hong Kong for the three years of 2012, 2013 and 2014 would be HK$3,538.70 million, HK$3,743.30 million and HK$3,959.34 million respectively.

The revenue from water sales to Hong Kong for the year increased by 5.8% to HK$3,743.30 million (2012: HK$3,538.7 million). The revenue from water sales to Shenzhen and Dongguan areas for the year decreased by 3.7% to HK$1,191,179,000 (2012: HK$1,236,360,000). The profit before tax of the Dongshen Water Supply Project for the year was HK$2,915,216,000 (2012: HK$2,575,817,000), 13.2% higher than that in 2012.

Nansha Water Supply

The Group's effective interest in 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd., formerly known as Nansha GDH Water Co., Ltd.) ("Nansha Water Co") is 49%. The annual capacity of water supply of Nansha Water Co is 71.90 million cubic meters. The total volume of water supplied to users during the year amounted to 59.74 million cubic meters (2012: 55.53 million cubic meters), showing an increase of 7.6%. Revenue for the year increased by 15.9% to HK$148,138,000 (2012: HK$127,807,000). The loss before tax of Nansha Water Co for the year was HK$61,787,000 (2012: HK$66,605,000), 7.2% less than that in 2012.

Property Investment

Mainland China

Teem Plaza

As at 31 December 2013, the Group held an effective equity interest of 76.09% in 廣東天河城（集團）股份有限公司 (Guangdong Teem (Holdings) Limited) ("GD Teem"), the owner of the property named Teem Plaza which comprises a shopping mall, an office building and a hotel. The shopping mall and the office building are held for investment purposes by the Group.

During the year, revenue of Teem Plaza, comprising rental income from both the shopping mall (included rentals from the department store operated by the Group) and the office building, reached HK$1,115,335,000 (2012: HK$1,055,948,000), an increase of 5.6%. The profit before tax for the year, excluding the revaluation gain and net interest income, increased by 1.8% to HK$748,499,000 (2012: HK$735,214,000).

Teemall, one of the most popular shopping malls in a prime 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 was operated at its full capacity with an average occupancy rate of nearly 99% during the year (2012: 99%). The mall is successful in retaining existing brand-name tenants as well as attracting new ones. Strong demands for shop spaces in the mall and the use of the open tendering system for tenants selection resulted in an increase in rental income during the year.

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 99.0% (2012: 98.7%) as at 31 December 2013, the total rental income for the year was HK$210,017,000 (2012: HK$202,438,000), an increase of 3.7%. The profit before tax for the year, excluding the revaluation gain, grew by 3.0% to HK$179,625,000 (2012: HK$174,394,000).

Tianjin Teem Shopping Mall

GD Teem owns a parcel of land in Tianjin which 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. Approximately HK$1,456 million had been invested as at 31 December 2013.

Panyu Wanbo CBD Project

The Group's effective interest in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Co., Ltd.) ("Wanye") is 31.04%. 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.) ("Tianhecheng Investco"), a 60%-owned subsidiary of GD Teem, directly holds 68% interest in Wanye. Wanye owns a parcel of land well located in 番禺萬博中央商務區 (Panyu Wanbo Central Business District), which is designed to be a new commercial area of Guangzhou. This parcel of land will be developed into a large-scale integrated commercial project with gross floor area of approximately 260,000 square meters, comprising shopping centre, offices and shops. Approximately HK$659 million had been invested by Tianhecheng Investco in Wanye according to the cooperation agreement as at 31 December 2013.

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 99.1% (2012: 98.1%), 1% higher than that in 2012. As a result of the upsurge in average rental, total rental income for the year was increased by 18.0% to HK$44,225,000 (2012: HK$37,482,000).

Department Stores Operations

As at 31 December 2013, the Group held an effective interest of approximately 85.18% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) ("GDTDS") and 廣州市天河城萬博百貨有限公司 ("天河城萬博"). GDTDS operates the Teemall Store in Teem Plaza. It also operates Teemall Store – Beijing Road Branch ("Ming Sheng Store"), 奧體歐萊斯名牌折扣店 ("Ao Ti Store"), 白雲新城百貨店 ("Baiyun New Town Store") and東圃百貨店 ("Dong Pu Store"). 天河城萬博 operates 天河城百貨歐萊斯折扣店 ("Wan Bo Store"). The six stores in aggregate with leased area of around 133,700 square meters (2012: 129,600 square meters) generated revenue of HK$771,857,000 (2012: HK$711,418,000), an increase of 8.5%. The profit before tax for the year excluding interest income, increased by 12.5% to HK$252,088,000 (2012: HK$224,060,000).

Teemall Store offers a wide range of products and is one of the major top-selling department stores in Guangzhou. The revenue of Teemall Store increased by 6.9% to HK$520,046,000 (2012: HK$486,346,000) during the year.

Due to keen competition from those newly opened department stores along the Beijing Road, the revenue of Ming Sheng Store for the year decreased by 1.3% to HK$61,385,000 (2012: HK$62,199,000). Ao Ti Store is operated as an outlet mall and its revenue for the year was HK$30,649,000 (2012: HK$23,177,000), an increase of 32.2%. The revenue of Baiyun New Town Store for the year was HK$18,733,000 (2012: HK$14,076,000), an increase of 33.1%. The revenue of Dong Pu Store for the year was HK$46,843,000 (2012: HK$33,895,000), an increase of 38.2%.

Wan Bo Store is operated as an outlet mall and offers brand-name products at a substantial discount. The revenue of Wan Bo Store for the year was HK$94,201,000 (2012: HK$91,725,000), an increase of 2.7%.

The Group's effective interest in 廣東永旺天河城商業有限公司 (Guangdong Aeon Teem Co., Ltd.) ("GD Aeon Teem") is 26.63%. Due to a negative contribution from new stores of GD Aeon Teem and the impairment on leasehold improvements of those new stores, the Group's share of losses in GD Aeon Teem amounted to HK$26,588,000 (2012: share of profit HK$13,141,000) during the year.

Hotel Operations and Management

As at 31 December 2013, our hotel management team managed a total of 39 hotels (2012: 37 hotels), of which two were located in Hong Kong, one in Macau and 36 in Mainland China. As at 31 December 2013, seven hotels, of which two were located in Hong Kong, two in Shenzhen, one in each of Guangzhou, Zhuhai and Zhengzhou, were owned or lease-owned by the Group. Of these seven hotels, six were managed by our hotel management team but the one located in Guangzhou, namely Sheraton Guangzhou Hotel, is managed by Sheraton Overseas Management Corporation.

Among the seven hotels owned or lease-owned, five are star-rated hotels and two are hotels with limited services. During the year, the average room rate of Sheraton Guangzhou Hotel was HK$1,218 (2012: HK$1,279) whereas the average room rates of the remaining four star-rated hotels and the two hotels with limited services were HK$763 (2012: HK$780) and HK$244 (2012: HK$226), respectively. The average occupancy rate of Sheraton Guangzhou Hotel was 80.3% (2012: 63.8%) and of the other four star-rated hotels was 80.4% (2012: 82.5%) during the year.

Regarding the hotel operations and management business as a whole, the revenue for the year increased by 2.0% to HK$678,753,000 (2012: HK$665,181,000). The profit before tax for the year increased by 8.3% to HK$143,530,000 (2012: HK$132,485,000).

Electric Power Generation

Zhongshan Power Plant

Zhongshan Power (Hong Kong) Limited ("ZPHK"), a 95% owned subsidiary of the Company, holds 63% interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.) ("ZTP"). Accordingly, the Group's effective interest in ZTP is 59.85%. ZTP has two power generation units with a total installed capacity of 110 MW and steam generation capacity of 80 tons per hour. Sales of electricity during the year amounted to 655 million kwh (2012: 697 million kwh), a decrease of 6.0%. As a result of the decrease in electricity sales, revenue for the year was down by 3.4% to HK$424,961,000 (2012: HK$440,138,000). However, due to the decrease in coal price, profit margin for the year increased as compared to that in 2012. The profit before tax for the year was HK$125,919,000 (2012: HK$104,790,000), an increase of 20.2%.

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, to replace the two existing power generation units. Pursuant to the aforesaid agreements, ZPHK and Xing Zhong agreed to make additional contribution into ZTP in order to provide part of the funds for the Zhongshan Project, and their respective interests in ZTP will then be adjusted to 75% and 25% after completion of the contribution. ZPHK and Xing Zhong also agreed to extend the original term of the joint venture, for another 30 years from the expiry of the original term of ZTP and upon approval of the Zhongshan Project by the relevant PRC authorities.

The construction of Zhongshan Project was approved by the National Development and Reform Commission in 2012. Thus, ZPHK and Xing Zhong are in the course of applying for the extension of the term of the joint venture.

廣東粵電靖海發電有限公司 (Guangdong Yudean Jinghai Power Generation Co., Ltd.) ("Yudean Jinghai Power")

The Group's effective interest in Yudean Jinghai Power is 25%. As at 31 December 2013, Yudean Jinghai Power had four (2012: two) power generation units with a total installed capacity of 3,200 MW (2012: 1,200 MW). The construction of two new power generation units with total installed capacity of 2,000 MW was completed and put into operation in January 2013. Sales of electricity for the year amounted to 15,025 million kwh (2012: 6,775 million kwh), an increase of 121.8%. Revenue for the year amounted to HK$8,280,555,000 (2012: HK$3,708,181,000), an increase of 123.3%. Due to the increase in sales volume together with and the decrease in coal price, profit before tax for the year increased by 238.2% to HK$1,682,825,000 (2012:HK$497,564,000).

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")

The Group's effective interest in Yue Jiang Power is 11.48%. Yue Jiang Power has two power generation units with a total installed capacity of 600 MW. As a full provision was made against the investment in Yue Jiang Power in 2009, no further loss would be attributed by Yue Jiang Power to the Group for the year.

Pursuant to the equity transfer agreement dated 27 September 2013, the Group disposed of its entire equity interest in Yue Jiang Power to 廣東電力發展股份有限公司 (Guangdong Electric Power Development Co., Ltd.) for a consideration of approximately RMB86,195,000 (equivalent to approximately HK$107,898,000) and a gain of HK$39,219,000 arising from the said disposal was recognised during the year. The transaction was completed on 23 October 2013.

Further, pursuant to the capacity quota transfer agreement dated 27 September 2013, 韶關發電D廠有限公司 (Shaoguan Power Plant (D) Ltd.), an indirect non wholly-owned subsidiary of the Company, sold the 200 MW capacity quota of its generating unit, which had been closed down in 2008, to Yue Jiang Power for a consideration of RMB56,000,000 (equivalent to approximately HK$70,101,000).

廣東粵嘉電力有限公司 (Guangdong Yue Jia Electric Co. Ltd) ("Meixian Power Plant")

The Group's effective interest in Meixian Power Plant is 12.25%. Guangdong Power Investment Limited ("GD Power Investment"), a 49% associate of the Company, holds a 25% interest in Meixian Power Plant. During the year, no dividend income was received by GD Power Investment from Meixian Power Plant (2012: Nil).

Toll Roads and Bridges

"Two Bridges" and Panyu Bridge

The Group had a 51% equity interest in Guangdong Transport Investment (BVI) Company Limited ("GTI"), a joint venture of the Group. GTI held interests in the "Two Bridges" projects namely Humen Bridge and Shantou Haiwan Bridge with profit sharing ratios of 23% and 30%, respectively. The Group through a wholly-owned subsidiary, Guangdong Assets Management (BVI) No.3 Limited ("GAM3"), indirectly held a 20% equity interest in 廣東番禺大橋有限公司 (Guangdong Pan Yu Bridge Company Limited) ("Panyu Bridge").

On 17 June 2013, the Group and Xin Yue (BVI) Company Limited, the joint venture partner which held a 49% equity interest in GTI, entered into an agreement for the disposal of the Group's entire 51% and 100% equity interests in GTI and GAM3, for a total consideration of RMB821,660,000 (equivalent to approximately HK$1,031,430,000). The transaction was completed on 28 June 2013 and the gain arising from the disposal in the sum of HK$424,245,000 was recognised during the year.

Yingkeng Highway

The Group's effective interest in this project is 70%. Given the poor conditions of Yingkeng Highway, the toll charged to road users for Shakou station and Wangbu station has been stopped since 31 July 2013 and 1 October 2013 respectively. Revenue for the year decreased by 42.0% to HK$14,362,000 (2012: HK$24,751,000). The loss before tax for the year was HK$7,465,000 (2012: profit before tax of HK$7,500,000).

On 25 December 2013, the Group disposed of its entire equity interest in Yingkeng Highway to 英德市城建綜合開發公司, resulting in a loss on disposal of HK$21,946,000 during the year.

Available-for-sale Financial Assets

As at 31 December 2013, the available-for-sale financial assets of the Group increased by HK$4,605 million to HK$5,037 million (2012: HK$432 million), these financial assets are placed by the Group with a number of licensed banks in the PRC for a term of no more than one year. The principal sums are denominated in Renminbi and guaranteed by those banks upon the maturity date.

Liquidity, Gearing and Financial Resources

As at 31 December 2013, the cash and bank balances of the Group increased by HK$2,060 million to HK$6,532 million (2012: HK$4,472 million), of which 19.9% was denominated in Hong Kong dollars, 77.4% in Renminbi and 2.7% in US dollars.

As at 31 December 2013, the Group's financial borrowing amounted to HK$3,619 million (2012: HK$3,967 million), of which 17.1% was denominated in US dollars and 82.9% was in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK$1,064 million. Of the Group's total financial borrowings, HK$1,093 million was repayable within one year while the remaining balances of HK$2,053 million and HK$473 million are repayable within two to five years and beyond five years from the end of reporting period, respectively. During the year, the Group's financial borrowing decreased by HK$348 million mainly due to the repayments of the bank loans in 2013 of HK$238 million.

The Group did not have any credit facilities as at 31 December 2013 (2012: RMB1,100 million).

As at 31 December 2013 and 2012, the Group was in net cash position. Hence, no gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was presented. The Group was in a healthy debt servicing position as the EBITDA/finance cost as at 31 December 2013 was 114.3 times (2012: 36.4 times).

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

Pledge of Assets

As at 31 December 2013, 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 (2012: Nil).

Capital Expenditure

The Group's capital expenditure during the year amounted to HK$248 million which was principally related to development cost for property development projects, construction cost for Zhongshan Project and hotel renovations cost.

Exposure to Fluctuations in Exchange and Interest Rates and Related Hedges

As at 31 December 2013, total US dollars borrowings amounted to HK$620 million (2012: HK$692 million). The foreign currency risk exposure was considered to be minimal and thus no currency hedging was considered necessary.

As at 31 December 2013, the Group's total floating rate borrowings amounted to HK$2,555 million (2012: HK$2,785 million). The interest rate risk exposure was considered to be minimal and thus no interest rate hedging was considered necessary.

Employee and Remuneration Policy

As at 31 December 2013, the Group had a total of 4,200 employees, of whom 853 employees were at managerial level. Among them, 3,942 employees were employed by subsidiaries in Mainland China and 258 were employed by the head office and subsidiaries in Hong Kong. Total remuneration for the year was approximately HK$701,985,000 (2012: HK$621,237,000).

In 2013, the profound impacts of the global financial crisis continued to linger, while the world's economic recovery remained slow. Under such unfavorable circumstances, the Group made every effort in improvement of business outcomes by way of optimizing investment portfolio and maximizing capital employed. Through these adjustments the Group has successfully built up its focus on the industries with advantages and enhanced its business competitiveness continuously. Over the past year, a corporate culture with core values in honesty and responsibility was fostered; a variety of strategies were employed to recruit professional talents, who were being trained intensively to meet the rapid development of the company. On this basis, the Group introduced an innovative incentive and check and balance mechanism, put forward a new strategic management guided by long term development. The Group hopes it will nurture an environment which could attract high caliber managerial and technical talents. Further the Group implemented an achievement-oriented appraisal system, regularly reviewing the performance of its senior management to ensure the integrity and efficiency. Remuneration and incentive packages for staff were commensurate with the results of the company, such as operating net cash flows and profits after tax. To further motivate our employees, performance-based incentive policy was introduced in which incentive bonuses were paid to the management team, key officers and outstanding staff according to their positions and performance appraisals. The Group also adopted a share option scheme to reward and retain long-service employees of the Group. In order to meet the needs of staff career development, the Group actively encouraged staff and provided subsidies for continuing education by way of various training programs. Looking into the future, the Group will put the stress on regulating internal management, enhance capability of the management team, optimize the organizational structure and the internal control system, push up reconciliation of the company resources orderly, carry on capital operation effectively, and build a corporate culture and working environment emphasizing honesty and integrity. The Group believes these arrangements will build a solid foundation for the long term development of the company in the year ahead.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Directors

Mr. HUANG Xiaofeng, aged 55, was appointed a Non-Executive Director of the Company on 26 June 2008. He was appointed the Chairman and re-designated as an Executive Director of the Company with effect from 11 November 2010. Mr. Huang graduated from South China Normal University and holds a Bachelor's degree in History. He also holds a Master's degree in Public Administration from Sun Yat-Sen University, PRC. From 1987 to 1999, he worked for the General Office of the Communist Party of China ("CPC") Guangdong Committee in a number of positions. Between 1999 and 2003, Mr. Huang was the Deputy Director General of the General Office of the CPC Guangzhou Committee and thereafter the Deputy Secretary General of the CPC Guangzhou Committee. Between 2003 and 2008, Mr. Huang was the Deputy Director General of the General Office of the Guangdong Provincial Government and then the Deputy Secretary General of the Guangdong Provincial Government. Mr. Huang was appointed a Director and a Deputy General Manager of 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") in April 2008 and was subsequently appointed an Executive Director and a Deputy General Manager of GDH Limited ("GDH"). He was appointed the Chairman of Guangdong Holdings and GDH in September 2010 and October 2010, respectively. Mr. Huang was the General Manager of both Guangdong Holdings and GDH during the period from February 2009 to May 2012. Guangdong Holdings and GDH are the ultimate holding company and the immediate holding company of the Company, respectively. In October 2008, Mr. Huang was appointed a Non-Executive Director of Guangdong Land Holdings Limited ("Guangdong Land") and was subsequently appointed the Chairman of Guangdong Land in November 2010. Mr. Huang was a Non-Executive Director of Guangnan (Holdings) Limited ("Guangnan Holdings") during the period from October 2008 to July 2012. Both Guangdong Land and Guangnan Holdings are subsidiaries of GDH.

Mr. WEN Yinheng, aged 36, was appointed an Executive Director and the Managing Director of the Company on 15 November 2012. Mr. Wen holds a Bachelor's degree in Economics from Jinan University, PRC, and a degree in Master of Commerce in International Professional Accounting from the University of New South Wales, Australia. From 2003 to 2006, Mr. Wen worked in Guangdong Bureau and Listed Company Supervision Department of China Securities Regulatory Commission and had regulatory experience of listed companies in China, supervising their merger, acquisition and restructuring activities. Between 2006 and 2011, he worked for Dalian Commodity Exchange and held a number of positions including Director of the Surveillance Department. Mr. Wen joined the Company in November 2011 and acted as a Deputy General Manager of the Company between November 2011 and November 2012. He is also a Director of Teem Holdings Limited, 廣東天河城（集團）股份有限公司 (Guangdong Teem (Holdings) Limited), 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Limited) and Guangdong (International) Hotel Management Holdings Limited and the Chairman of 北京粵海金信投資有限公司 (Beijing Yuehai Jinxin Investment Limited), all of which are subsidiaries of the Company.

Mr. TSANG Hon Nam, aged 44, was appointed an Executive Director and the Chief Financial Officer of the Company on 17 April 2008. Mr. Tsang graduated from The Chinese University of Hong Kong and holds a Bachelor's degree in Science. He is an Associate of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr. Tsang acted as an Executive Director and the Chief Financial Officer of Guangnan Holdings during the period from February 2004 to April 2008. Before joining Guangnan Holdings, he was the Deputy General Manager of the Finance Department of GDH and had also worked for Guangdong Enterprises (Holdings) Limited.

Mr. HUANG Zhenhai, aged 51, was appointed a Non-Executive Director of the Company on 20 July 2012. Mr. Huang holds a Bachelor of Science degree from Sun Yat-Sen University, PRC, and a Ph.D from University of Technology, Sydney, Australia. Mr. Huang was the General Manager of Guangdong International Certification Technology Co., Ltd. from 1995 to 2003 and was the Director and General Manager of China Certification & Inspection Group from 2003 to 2007. From 2007 to 2010, he acted as the Vice President of the China Certification & Inspection Group which had merged with China Quality Certification Center. He was the Vice Director of the Quality Certification Sub-committee of the Science and Technology Committee of the State Administration for Entry-Exit Inspection and Quarantine of the PRC from 2001 to 2010 and a committee member of the China National Accreditation Service for Conformity Assessment from 2006 to 2010. Mr. Huang was appointed a Deputy General Manager of Guangdong Holdings in October 2010, and the General Manager and a Director of Guangdong Holdings in April 2012 and May 2012, respectively. Mr. Huang was appointed an Executive Director of GDH in December 2010 and the General Manager of GDH in May 2012. Mr. Huang was appointed a Non-Executive Director of Guangdong Land in March 2011.

Mr. WU Jianguo, aged 56, was appointed a Non-Executive Director of the Company on 11 November 2010. Mr. Wu holds a Bachelor's Degree in Economics and Management from Guangdong Provincial Party School. From 1988 to 2004, he worked for the Organisation Department of the Guangdong Provincial Party Committee in a number of positions. From June 2004 to March 2010, he served as Director of Personnel Department and Deputy Director of the Guangdong State-Owned Assets Supervision and Administration Commission. Mr. Wu was appointed a Director and Secretary of the Discipline and Inspection Group of Guangdong Holdings, and an Executive Director of GDH in March 2010.

Ms. XU Wenfang, aged 59, was appointed a Non-Executive Director of the Company on 3 March 2005. She is a Senior Economist and holds a Master's degree in Business Administration from International East-West University, USA. Ms. Xu was appointed a Director of GDH in December 2008 and was subsequently appointed a Deputy General Manager of Guangdong Holdings and an Executive Director of GDH in February 2009. She is also the Chief Personnel and Appraisal Officer of both Guangdong Holdings and GDH, and is responsible for human resources management. Ms. Xu acted as Non-Executive Director of Guangdong Land for the period from November 2010 to 12 December 2012. She is a Director of GH Water Supply (Holdings) Limited and Guangdong Yue Gang Water Supply Company Limited, both of which are subsidiaries of the Company. She is also the Chairman of 廣東粵港建設發展有限公司 (Guangdong Yue Gang Construction Development Company Limited), a company which is a wholly-owned subsidiary of Guangdong Holdings.

Mr. ZHANG Hui, aged 55, was appointed an Executive Director of the Company on 28 October 2002 and was subsequently appointed the Managing Director of the Company in December 2002. He was re-designated as a Non-Executive Director of the Company on 15 November 2012. Mr. Zhang holds a Master's degree in Business Administration from International East-West University, USA. He worked for the Guangdong Province Dongshen Water Supply Management Bureau from July 1996 to September 2000 in a number of positions, including Section Chief and Vice President. Mr. Zhang joined the Company in July 2002. He is also a Director of 廣東天河城（集團）股份有限公司 (Guangdong Teem (Holdings) Limited) ("GD Teem"), 廣東粵港投資開發有限公司 (Guangdong Yue Gang Investment Development Company Limited) ("Yue Gang Investment Development") and GDH Real Estates (China) Limited ("GDH Real Estates (China)"). GD Teem is a subsidiary of the Company. Yue Gang Investment Development is a subsidiary of Guangdong Holdings whereas GDH Real Estates (China) is a subsidiary of GDH. Mr. Zhang was appointed a Director of GDH in December 2008 and was subsequently appointed a Deputy General Manager of Guangdong Holdings and an Executive Director of GDH in May 2012.

Ms. ZHAO Chunxiao, aged 44, was appointed a Non-Executive Director of the Company on 30 August 2011. Ms. Zhao graduated from Liaoning Normal University (Faculty of Chinese Studies) and the School of China Journalism and Communication (major in Domestic News) and obtained two Bachelor's degrees. From 1994 to 2002, she worked for the Guangdong Branch of Xinhua News Agency as Director of the Finance Office and also Director of the Featured News Division. Between 2003 and 2008, she held a number of positions in Asia Television Limited including Director of Information Division of News and Public Relations Department and Assistant Vice President. Ms. Zhao was appointed the Deputy General Manager of the Administration Department of GDH and Guangdong Holdings in December 2008 and January 2009, respectively. She was appointed the General Manager of the Administration Department of Guangdong Holdings and GDH and also the Company Secretary of GDH in December 2009. Ms. Zhao was appointed the Chief Administration Officer of both of Guangdong Holdings and GDH in December 2010. She was subsequently appointed a Deputy General Manager of Guangdong Holdings and an Executive Director of GDH in May 2012. She is a Director of 北京粵海金信投資有限公司, a subsidiary of the Company.

Mr. LI Wai Keung, aged 57 was appointed a Non-Executive Director of the Company on 30 May 2000. He acted as an Executive Director and the Chief Financial Officer of the Company from 19 July 2006 to 16 April 2008 and was re-designated as a Non-Executive Director of the Company on 17 April 2008. Mr. Li graduated from the Hong Kong Polytechnic and holds a Master's degree in Business Administration from the University of East Asia. He is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Li had worked for Henderson Land Development Company Limited. Mr. Li is an Executive Director and the Chief Financial Officer of GDH and also the Chief Financial Officer of Guangdong Holdings. He was appointed a Non-Executive Director of Guangdong Land in October 2011 and was re-designated as an Executive Director in March 2012. He is also a Director of 永順泰麥芽（中國）有限公司 (Supertime Malting (China) Limited) ("Supertime"). Both Guangdong Land and Supertime are subsidiaries of GDH. He is also an Independent Non-Executive Director of Shenzhen Investment Limited, Hans Energy Company Limited and China South City Holdings Limited and a Director of Shenzhen City Airport (Group) Company Limited. He is the Vice Chairman on the Council of the Hong Kong Chinese Orchestra Limited, a member of China Overseas Friendship Association and Vice Chairman and Secretary of the Financial and Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association. Mr. Li was an Independent Non-Executive Director of Sun Century Group Limited for the period from 16 March 2010 to 27 May 2011.

Dr. CHAN Cho Chak, John, *GBS, JP*, aged 70, was appointed an Independent Non-Executive Director of the Company on 25 June 1998.

Dr. Chan is also a Non-Executive Director and Chairman of RoadShow Holdings Limited; Independent Non-Executive Director and Deputy Chairman of Transport International Holdings Limited; Independent Non-Executive Director of Hang Seng Bank Limited, Swire Properties Limited and Fordwell International Holdings Limited; and Non-Executive Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. He is Chairman of the Court of the Hong Kong University of Science and Technology, Chairman of Hong Kong News-Expo Limited and a Director of The Community Chest.

Dr. Chan was educated in Hong Kong and graduated from the University of Hong Kong in 1964 with an Honours Degree in English Literature. He later obtained a Diploma in Management Studies from the same university following the completion of evening studies. He was awarded the degree of Doctor of Business Administration (honoris causa) by the International Management Centres in October 1997 and the degree of Doctor of Social Sciences (honoris causa) by the Hong Kong University of Science and Technology in November 2009, the University of Hong Kong in March 2011 and Lingnan University in November 2012.

Dr. Chan served in the Hong Kong Government for two periods: from 1964 to 1978 and from 1980 to 1993. Initially appointed as an Executive Officer Class II, he rose through the ranks of the civil service to become one of the Cabinet-level Policy Secretaries of the Government. Among the key posts he held over the years were those of Private Secretary to the Governor, Deputy Secretary (General Duties), Director of Information Services, Deputy Chief Secretary, Secretary for Trade and Industry and Secretary for Education and Manpower. He also served as a Member of the Executive Council from October 1992 to May 1993.

Dr. Chan was also the Executive Director and General Manager of Sun Hung Kai Finance Company Limited from 1978 to 1980, the Managing Director of The Kowloon Motor Bus Company (1933) Limited from 1993 to 2006, the Managing Director of Transport International Holdings Limited from 1997 to April 2008 and the Chairman of The Hong Kong Jockey Club from 2006 to August 2010.

Dr. Chan was appointed as a Justice of the Peace (JP) in 1994 and was awarded the Gold Bauhinia Star (GBS) in 1999.

Dr. the Honourable LI Kwok Po, David, *GBM, GBS, OBE, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. DLitt (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCIArb, JP, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur*, aged 75, was appointed an Independent Non-Executive Director of the Company on 25 June 1998.

Dr. Li is Chairman and Chief Executive of The Bank of East Asia, Limited. He is a Member of the Council of the Treasury Markets Association. Dr. Li is the Pro-Chancellor of the University of Hong Kong, an Advisory Committee Member of the Chinese University of Hong Kong S.H. Ho College, an Honorary Fellow of the School of Accountancy, Central University of Finance and Economics and a Companion of the Chartered Management Institute. He was a Member of the Legislative Council of Hong Kong from 1985 to 2012.

Dr. Li is the Chairman of The Chinese Banks' Association, Limited. He is the Honorary Chairman of The Chamber of Hong Kong Listed Companies. Dr. Li is Vice President of the Council of the Hong Kong Institute of Bankers, Chairman of the Saint Joseph's College Foundation Limited, and a member of the International Advisory Council of the Cambridge Commonwealth Trust and Cambridge Overseas Trust. He is also an Emeritus Trustee of the Cambridge Foundation and a Trustee Emeritus of the Institute for Advanced Study in Princeton. Dr. Li is Chairman of the Advisory Board of The Salvation Army Hong Kong and Macau Command, Chairman of the Executive Committee of St. James' Settlement and he also serves on the Hong Kong Red Cross Advisory Board. He is a Council Member of the Employers' Federation of Hong Kong, a Director of the David Li Kwok-po Charitable Foundation Limited, a Founder Member and an Executive Committee Member of the Heung Yee Kuk Foundation Limited, Chairman of The Légion d'Honneur Club Hong Kong Chapter Association Limited and Chairman of the Executive Committee of The Marco Polo Society Limited.

Dr. Li is a Director of CaixaBank, S.A. (listed in Spain), The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited and Vitasoy International Holdings Limited. He is also a Director of Hong Kong Interbank Clearing Limited and The Hong Kong Mortgage Corporation Limited. He was a Director of AFFIN Holdings Berhad (listed in Malaysia), COSCO Pacific Limited and China Overseas Land & Investment Limited.

Dr. Li is a member of the Board of Trustees of the Asia Society International Council, a member of the Asia Business Council, a member of the Munich Re Greater China Advisory Board, and Chairman Emeritus of the Asian Youth Orchestra Board. He serves on the advisory boards of Federal Reserve Bank of New York's International Advisory Committee and Hospital for Special Surgery. Dr. Li is the Chairman of INSEAD East Asia Council, the Non-Executive Chairman for Edelman Asia-Pacific and a Senior Adviser of Metrobank.

Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*, aged 60, was appointed an Independent Non-Executive Director of the Company on 3 January 2000.

Mr. Fung is Senior Counsel of the Hong Kong Bar. Called to the English Bar in Middle Temple in 1975 and to the Hong Kong Bar in 1977, Mr. Fung has been in continuous practice for over three decades, achieving in 1990 appointment as Queen's Counsel.

In 1994, Mr. Fung became the first person of Chinese extraction to serve as Solicitor General of Hong Kong, a position he occupied for four years, becoming in 1997 the first Solicitor General of the Hong Kong Special Administrative Region of the People's Republic of China.

In 1998, Mr. Fung left public office to take up successive appointments as Visiting Scholar at Harvard Law School (1998-9) and Senior Visiting Fellow at Yale Law School (1999).

Mr. Fung served as Chairman of the Broadcasting Authority (2002–2008) and on respectively the Basic Law Consultative Committee (1985–1990) and the Central Policy Unit of the Hong Kong Government (1993–1994) and was Distinguished Fulbright Scholar for Hong Kong in the Year 2000, International Consultant to the UNDP on Corporate Governance in the PRC, Special Advisor to the UNDP on the Rule of Law Development Program in Cambodia and in Laos. Additionally, Mr. Fung currently serves as President of the International Law Association Hong Kong Branch, Member of the World Bank International Advisory Council on Law and Justice, and Advisory Committee Member of the American Bar Association/United Nations Development Program Legal Resource Unit.

Mr. Fung is a Hong Kong Delegate to the National Committee of the Chinese People's Political Consultative Conference.

Dr. CHENG Mo Chi, Moses, *GBS, OBE, JP*, aged 64, was appointed an Independent Non-Executive Director of the Company on 25 November 1999 and was re-designated as a Non-Executive Director of the Company on 13 October 2004. He was further re-designated as an Independent Non-Executive Director of the Company on 15 November 2012.

Dr. Cheng is a practising solicitor and the senior partner of Messrs. P.C. Woo & Co. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. He is also Chairman of the Committee on Free Kindergarten Education. Dr. Cheng currently holds directorships in Hong Kong Television Network Limited, China Mobile Limited, China Resources Enterprise, Limited, Towngas China Company Limited, K. Wah International Holdings Limited, Liu Chong Hing Investment Limited, Kader Holdings Company Limited and Tian An China Investments Company Limited, all being public listed companies in Hong Kong. He is an Independent Non-Executive Director of OTC Clearing Hong Kong Limited, a subsidiary of the Hong Kong Exchanges and Clearing Limited. He is also an Independent Non-Executive Director of ARA Asset Management Limited, a company whose shares are listed on Singapore Exchange Limited. His other directorships in public listed companies in Hong Kong in the last three years include China COSCO Holdings Company Limited and Hong Kong Exchanges and Clearing Limited.

Mr. WU Ting Yuk, Anthony, *Standing Committee Member, Chinese People's Political Consultative Conference National Committee, GBS, JP*, aged 59, was appointed an Independent Non-Executive Director of the Company on 25 August 2012. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an Honorary Fellow of the Hong Kong College of Community Medicine. He is a Board Member of the Hong Kong General Chamber of Commerce, a Board Member of the Bauhinia Foundation Research Centre, a member of the Public Policy Advisory Committee of the National Health and Family Planning Commission, PRC, Principal Advisor to the State Administration of Traditional Chinese Medicine, PRC and a Council Member of the Oxford University Scholarship Fund. Mr. Wu also acts as the Chief Advisor of Greater China, Bank of Tokyo-Mitsubishi UFJ, an Independent Non-Executive Director of Agricultural Bank of China Limited, Fidelity Funds, China Taiping Insurance Holdings Company Limited and Zhuhai Dahengqin Company Limited. He was formerly the Chairman of Hong Kong General Chamber of Commerce, the Bauhinia Foundation Research Centre and the Hong Kong Hospital Authority.

Mr. Wu was appointed as Justice of the Peace in 2004 and was awarded the honour of the Gold Bauhinia Star in 2008.

Senior Management

The senior management of the Group comprises the Executive Directors above, namely, Mr. Huang Xiaofeng, Mr. Wen Yinheng and Mr. Tsang Hon Nam.

DIRECTORS' REPORT

The directors (the "Directors") of Guangdong Investment Limited (the "Company") herein present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2013.

Principal Activities

The Group was principally engaged in investment holding, property holding and investment, water supply projects in Mainland China, hotel ownership and operations, hotel management, department stores operations, investment in infrastructure and energy projects. Details of the principal activities of the principal subsidiaries and associates are set out in notes 18 and 20 to the financial statements, respectively.

Results and Dividends

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 51 to 155.

An interim dividend of 7.0 HK cents (2012: 7.0 HK cents) per ordinary share was paid on 9 October 2013. The board of Directors (the "Board") has resolved to recommend the payment of a final dividend of 16.0 HK cents (2012: 13.0 HK cents) per ordinary share for the year ended 31 December 2013. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Friday, 20 June 2014 (the "2014 AGM"), is expected to be paid on Wednesday, 16 July 2014 to shareholders whose names appear on the register of members of the Company on Thursday, 26 June 2014.

The register of members of the Company will be closed on Thursday, 19 June 2014 and Friday, 20 June 2014 for the purpose of determining shareholders' entitlement to attend and vote at the 2014 AGM. During these two days, no transfer of shares will be registered. In order to qualify for attending and voting at the 2014 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited ("Tricor"), not later than 4:30 p.m. on Wednesday, 18 June 2014. Tricor is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong and shall relocate to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on 31 March 2014.

The register of members of the Company will also be closed on Thursday, 26 June 2014, for the purpose of determining shareholders' entitlement to the proposed final dividend. On that day, 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 Tricor not later than 4:30 p.m. on Wednesday, 25 June 2014.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years extracted from the audited financial statements is set out below:

Results

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**7,990,015**	7,736,095	7,161,377	6,351,741	5,915,758
PROFIT FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	**5,731,491**	4,769,586	4,230,963	3,537,008	2,841,778
Share of profit of a joint venture	**51,238**	81,527	82,588	89,585	91,074
Share of profits less losses of associates	**262,168**	70,573	107,976	133,744	26,347
PROFIT BEFORE TAX	**6,044,897**	4,921,686	4,421,527	3,760,337	2,959,199
INCOME TAX EXPENSE	**(1,098,511)**	(953,672)	(936,562)	(931,480)	(495,046)
PROFIT BEFORE NON-CONTROLLING INTERESTS	**4,946,386**	3,968,014	3,484,965	2,828,857	2,464,153
Non-controlling interests	**(520,269)**	(554,190)	(478,237)	(397,813)	(415,199)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**4,426,117**	3,413,824	3,006,728	2,431,044	2,048,954

Summary of Financial Information (continued)

Assets, liabilities and non-controlling interests

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROPERTY, PLANT AND EQUIPMENT	**3,085,632**	3,100,116	3,294,283	3,165,098	3,033,699
INVESTMENT PROPERTIES	**10,531,668**	9,459,530	7,106,639	5,934,101	4,810,466
PREPAID LAND LEASE PAYMENTS	**94,558**	96,772	101,501	101,986	103,581
GOODWILL	**266,146**	266,146	266,146	266,146	266,146
INVESTMENT IN A JOINT VENTURE	**–**	720,386	806,620	859,406	909,136
INVESTMENTS IN ASSOCIATES	**1,702,873**	1,482,287	1,346,244	1,087,102	184,521
INTANGIBLE ASSETS	**13,320,172**	14,124,484	14,933,423	15,862,440	16,667,163
OTHER ASSETS	**12,281,693**	8,083,524	6,953,128	4,622,098	4,796,669
DEFERRED TAX ASSETS	**29,698**	28,747	23,580	22,099	15,773
TOTAL ASSETS	**41,312,440**	37,361,992	34,831,564	31,920,476	30,787,154
OTHER LOANS AND LIABILITIES	**(7,135,234)**	(7,305,330)	(8,728,591)	(8,715,134)	(10,449,471)
DEFERRED TAX LIABILITIES	**(1,995,688)**	(1,672,413)	(1,602,308)	(1,257,072)	(857,763)
TOTAL LIABILITIES	**(9,130,922)**	(8,977,743)	(10,330,899)	(9,972,206)	(11,307,234)
NON-CONTROLLING INTERESTS	**(4,868,196)**	(4,346,251)	(2,849,468)	(2,791,881)	(2,420,879)
TOTAL EQUITY	**32,181,518**	28,384,249	24,500,665	21,948,270	19,479,920

Property, Plant and Equipment, Investment Properties and Intangible Assets

Details of movements in property, plant and equipment, investment properties and intangible assets of the Company and the Group during the year are set out in notes 14, 15 and 21 to the financial statements, respectively.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 31 to the financial statements.

Share Premium Accounts and Reserves

Details of movements in the share premium accounts and reserves of the Company and the Group during the year are set out in notes 31 and 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2013, subject to the Undertaking more particularly referred to in note 33 to the financial statements, the Company's reserves available for distribution amounted to HK$740,308,000.

Charitable Contributions

The charitable contributions made by the Group during the year amounted to HK$23,962,000 (2012: HK$24,178,000).

Arrangement to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' Interests and Short Positions in Securities" of this report, and "Share Option Scheme" in note 32 to the financial statements, at no time during the year was the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangements to enable Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors

The Directors of the Company during the year and up to the date of this report are:

Executive Directors
Huang Xiaofeng *(Chairman)*
Wen Yinheng *(Managing Director)*
Tsang Hon Nam *(Chief Financial Officer)*

Non-Executive Directors
Huang Zhenhai
Wu Jianguo
Xu Wenfang
Zhang Hui
Zhao Chunxiao
Li Wai Keung

Independent Non-Executive Directors
Chan Cho Chak, John
Li Kwok Po, David
Fung Daniel Richard
Cheng Mo Chi, Moses
Wu Ting Yuk, Anthony

In accordance with Articles 77 to 79 of the Articles of Association of the Company, Mr. Tsang Hon Nam, Mr. Wu Jianguo, Mr. Zhang Hui, Ms. Zhao Chunxiao and Mr. Fung Daniel Richard will retire by rotation at the 2014 AGM and shall be eligible for re-election.

Mr. Tsang Hon Nam, Mr. Wu Jianguo, Mr. Zhang Hui, Ms. Zhao Chunxiao and Mr. Fung Daniel Richard, being eligible, have offered themselves for re-election and, if re-elected, they will hold office from the date of re-election to the earlier of (i) the conclusion of the annual general meeting of the Company to be held in 2017, and (ii) 30 June 2017, subject to earlier determination in accordance with the Articles of Association of the Company and/or any applicable laws and regulations.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2014 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

No contract of significance, to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party and in which a Director of the Company had material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

Directors' Interests in Competing Businesses

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group ("Competing Business") as required to be disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

1. Core Business Activities of the Group

(1) Water supply projects in Mainland China
(2) Property holding and investment
(3) Hotel ownership and operations
(4) Hotel management
(5) Department stores operations
(6) Investment in infrastructure and energy projects

2. Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business
Huang Xiaofeng	廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings")	Chairman	(1), (2) & (3)
	GDH Limited ("GDH")	Chairman	(1), (2) & (3)
	Guangdong Land Holdings Limited ("GD Land")	Chairman & Non-Executive Director	(2)
Huang Zhenhai	Guangdong Holdings	Director & General Manager	(1), (2) & (3)
	GDH	Executive Director & General Manager	(1), (2) & (3)
	GD Land	Non-Executive Director	(2)
Wu Jianguo	Guangdong Holdings	Director	(1), (2) & (3)
	GDH	Executive Director	(1), (2) & (3)
Xu Wenfang	GDH	Executive Director	(1), (2) & (3)
Zhang Hui	GDH	Executive Director	(1), (2) & (3)
Zhao Chunxiao	GDH	Executive Director	(1), (2) & (3)
Li Wai Keung	GDH	Executive Director	(1), (2) & (3)
	GD Land	Executive Director	(2)

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Directors' Interests and Short Positions in Securities

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests and short positions in the Company

(i) Interests in ordinary shares

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held *(Note)*
Tsang Hon Nam	Personal	1,620,000	Long position	0.026%
Xu Wenfang	Personal	1,520,000	Long position	0.024%
Zhang Hui	Personal	1,009,000	Long position	0.016%
Li Wai Keung	Personal	2,335,000	Long position	0.037%
Chan Cho Chak, John	Personal	5,450,000	Long position	0.087%
Li Kwok Po, David	Personal	10,000,000	Long position	0.160%
Cheng Mo Chi, Moses	Personal	3,150,000	Long position	0.050%

Note: The approximate percentage of interests held was calculated on the basis of 6,239,382,571 ordinary shares of the Company in issue as at 31 December 2013.

Directors' Interests and Short Positions in Securities (continued)

Interests and short positions in the Company (continued)

(ii) Interests in options relating to ordinary shares (Long positions)

(1) Share Option Scheme adopted on 24 October 2008 ("2008 Scheme")

Name of Director	Date of grant of share options* (dd.mm.yyyy)	At date of grant	Number of share options during the year: At 1 January 2013	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2013	Total consideration paid for share options granted HK$	Exercise price of share options** HK$ (per share)	Price of ordinary share at date immediately before date of grant*** HK$ (per share)	Price of ordinary share at date immediately before the exercise date*** HK$ (per share)
Huang Xiaofeng	24.10.2008	5,700,000	5,700,000	–	–	–	5,700,000	–	1.88	1.73	–
	22.01.2013	2,693,000#	–	2,693,000	–	–	2,693,000	–	6.20	6.30	–
Wen Yinheng	22.01.2013	1,395,000#	–	1,395,000	–	–	1,395,000	–	6.20	6.30	–
Tsang Hon Nam	24.10.2008	2,950,000	1,770,000	–	(440,000)	–	1,330,000	–	1.88	1.73	6.82
	22.01.2013	1,256,000#	–	1,256,000	–	–	1,256,000	–	6.20	6.30	–
Huang Zhenhai	22.01.2013	2,315,000#	–	2,315,000	–	–	2,315,000	–	6.20	6.30	–
Wu Jianguo	22.01.2013	2,268,000#	–	2,268,000	–	–	2,268,000	–	6.20	6.30	–
Xu Wenfang	24.10.2008	3,300,000	1,980,000	–	(200,000)	–	1,780,000	–	1.88	1.73	7.18
	22.01.2013	2,268,000#	–	2,268,000	–	–	2,268,000	–	6.20	6.30	–
Zhang Hui	24.10.2008	4,400,000	2,640,000	–	(149,000)	–	2,491,000	–	1.88	1.73	7.01
	22.01.2013	2,268,000#	–	2,268,000	–	–	2,268,000	–	6.20	6.30	–
Zhao Chunxiao	22.01.2013	2,268,000#	–	2,268,000	–	–	2,268,000	–	6.20	6.30	–
Li Wai Keung	24.10.2008	3,350,000	2,010,000	–	(995,000)	–	1,015,000	–	1.88	1.73	6.82
	22.01.2013	2,243,000#	–	2,243,000	–	–	2,243,000	–	6.20	6.30	–
Cheng Mo Chi, Moses	24.10.2008	2,500,000	1,500,000	–	(1,000,000)	(500,000)	–	–	1.88	1.73	–

Notes to the above share options granted pursuant to the 2008 Scheme:

(a) The option period of all the share options is five years and six months from the date of grant.

(b) Any share option is only exercisable during the option period after it has become vested.

(c) The normal vesting scale of the share options is as follows:

Date	***Percentage Vesting***
The date two years after the date of grant	*40%*
The date three years after the date of grant	*30%*
The date four years after the date of grant	*10%*
The date five years after the date of grant	*20%*

(d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the Board upon grant and stated in the offer of grant.

Directors' Interests and Short Positions in Securities (continued)

Interests and short positions in the Company (continued)

(ii) Interests in options relating to ordinary shares (Long positions) (continued)

(1) Share Option Scheme adopted on 24 October 2008 ("2008 Scheme") (continued)

Notes to the above share options granted pursuant to the 2008 Scheme: (continued)

(e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date on which event occurs	***Percentage Vesting***
Before the date which is four months after the date of grant	*0%*
On or after the date which is four months after but before the date which is one year after the date of grant	*10%*
On or after the date which is one year after but before the date which is two years after the date of grant	*25%*
On or after the date which is two years after but before the date which is three years after the date of grant	*40%*
On or after the date which is three years after but before the date which is four years after the date of grant	*70%*
On or after the date which is four years after the date of grant	*80%* *The remaining 20% also vests upon passing the overall performance appraisal for those four years*

(2) Notes to the reconciliation of share options outstanding during the year

* *Details of the vesting period of the share options granted under the 2008 Scheme are set out in the "Share Option Scheme adopted on 24 October 2008" section of this report.*

** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

*** *The price of the Company's ordinary share disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the share options were granted.*

The price of the Company's ordinary share disclosed as "at date immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the Directors or all other participants as an aggregate whole.

\# *These are the new share options granted by the Company on 22 January 2013.*

Directors' Interests and Short Positions in Securities (continued)

Interests and short positions in Guangdong Land Holdings Limited

Interests in ordinary shares

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held *(Note 1)*
Huang Xiaofeng	Family *(Note 2)*	3,880,000	Long position	0.227%
Zhao Chunxiao	Personal	862,000	Long position	0.050%
Cheng Mo Chi, Moses	Personal	600,000	Long position	0.035%

Notes:

1. *The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of GD Land Holdings Limited in issue as at 31 December 2013.*

2. *The interest in the shares is held jointly by Mr. Huang Xiaofeng and his spouse.*

Interests and short positions in Guangnan (Holdings) Limited

(i) *Interests in ordinary shares*

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held *(Note)*
Tsang Hon Nam	Personal	300,000	Long position	0.033%
Li Kwok Po, David	Personal	15,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of Guangnan (Holdings) Limited ("Guangnan Holdings") in issue as at 31 December 2013.

(ii) *Interests in options relating to ordinary shares (Long positions)*

		Number of share options									
Name of Director	Date of grant of share options (dd.mm.yyyy)	At 1 January 2013	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2013	Total consideration paid for share options granted HK$	Exercise period of share options (both days inclusive)** (dd.mm.yyyy)	Exercise price of share options*** HK$ (per share)	Price of ordinary share at date immediately before date of grant**** HK$ (per share)	Price of ordinary share at date immediately before the exercise date**** HK$ (per share)
Tsang Hon Nam	09.03.2006	300,000	–	–	–	300,000	1.00	09.06.2006 to 08.03.2016	1.66	1.61	–

Notes to the share option scheme of Guangnan Holdings adopted on 11 June 2004:

* *The vesting period of the share options is from the date of grant until the commencement of the exercise period or the grantee's completion of half year's full time service with Guangnan Holdings or its subsidiaries, whichever is the later.*

** *If the last day of the exercise period is not a business day in Hong Kong, the exercise period shall end at the close of business on the last business day preceding that day.*

*** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Guangnan Holdings share capital.*

**** *The price of Guangnan Holdings ordinary shares disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.*

The price of Guangnan Holdings ordinary shares disclosed as "immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the directors or all other participants as an aggregate whole.

Directors' Interests and Short Positions in Securities (continued)

Save as disclosed above, as at 31 December 2013, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

As at 31 December 2013, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held *(Note 1)*
廣東粵海控股有限公司 (Guangdong Holdings Limited) *(Note 2)*	Interest in controlled corporation	3,769,979,875	Long position	60.42%
	Interest in controlled corporation	350,819,672	Short position	5.62%
GDH Limited *(Note 3)*	Beneficial owner/ Interest in controlled corporation	3,769,979,875	Long position	60.42%
	Beneficial owner	350,819,672	Short position	5.62%
Guangdong Trust Ltd.	Beneficial owner/ Interest in controlled corporation	576,404,918	Long position	9.24%

Notes:

1. *The approximate percentage of interests held was calculated on the basis of 6,239,382,571 ordinary shares of the Company in issue as at 31 December 2013.*

2. *The attributable interest which 廣東粵海控股有限公司 (Guangdong Holdings Limited) has in the Company is held through its 100% direct interest in GDH Limited.*

3. *The interests of GDH Limited set out above include attributable interest held through its wholly-owned subsidiary, Guangdong Trust Ltd.*

Save as disclosed above, as at 31 December 2013, no other person (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Significant Contracts with Controlling Shareholder

Save as disclosed in notes 40 and 41 to the financial statements, the Group and the controlling shareholders of the Company had not entered into any contracts of significance during the year.

Connected Transactions

Details of the connected transactions, including continuing connected transactions, are disclosed in note 41 to the financial statements.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 40 to the financial statements. The transactions described in note 40(a) (notes (i) to (iii)) to the financial statements constitute continuing connected transactions under the Listing Rules, and details of which are disclosed in note 41 to the financial statements. In respect of these transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Apart from the abovementioned continuing connected transactions, none of the related party transactions as disclosed in note 40 to the financial statements is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

Share Options of the Company

As at 31 December 2013, save as disclosed in the section of "Directors' Interests and Short Positions in Securities", certain other eligible persons had the following interests in rights to subscribe for the ordinary shares of the Company granted under the 2008 Scheme. Each option entitled the holder to subscribe for one ordinary share of the Company. Further details are set out in note 32 to the financial statements.

			Number of share options during the year								
Category of Participants	Date of grant of share options (dd.mm.yyyy)	At date of grant	At 1 January 2013	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2013	Total consideration paid for share options granted HK$	Exercise price of share options HK$ (per share)	Price of ordinary share at date immediately before date of grant HK$ (per share)	Price of ordinary share at date immediately before the exercise date HK$ (per share)
Employees	24.10.2008	18,500,000	9,150,000	–	(1,925,000)	(2,760,000)	4,465,000	–	1.88	1.73	7.01
	22.01.2013	20,458,000	–	20,458,000	(198,500)	–	20,259,500	–	6.20	6.30	7.30
Ex-Directors	24.10.2008	13,000,000	2,100,000	–	(270,000)	(1,830,000)	–	–	1.88	1.73	6.82

Additional information regarding the above share options granted in 2008 is set out in the "Notes to the above share options granted pursuant to the 2008 Scheme" in the section headed "Directors' Interests and Short Positions in Securities" of this report on pages 31 and 32.

Details regarding the reconciliation of share options outstanding during the year are set out in the "Notes to the reconciliation of share options outstanding during the year" in the section headed "Director's Interests and Short Positions in Securities" of this report on page 32.

Purchase, Sale and Redemption of Listed Securities

During the year, the Company issued the following new ordinary shares to certain option holders pursuant to the share option scheme adopted by the Company on 24 October 2008:

	Total number of new ordinary shares issued	Exercise price per ordinary share HK$	Total cash consideration HK$
	4,979,000	1.88	9,360,520
	198,500	6.20	1,230,700
Total	5,177,500		10,591,220

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 61% of the total revenue for the year and sales to the Group's largest customer included therein amounted to 47%. Purchases from the Group's five largest suppliers accounted for 23% of the total purchases for the year and purchases from the Group's largest supplier included therein amounted to 13%.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Disclosure under Rule 13.21 of the Listing Rules

Facility Agreement dated 19 December 2011

Pursuant to a facility agreement (the "GDI Facility Agreement") entered into between the Company and a bank on 19 December 2011 in relation to a term loan facility (the "GDI Facility") of up to a principal amount of US$100 million made available by the bank to the Company, it shall be an event of default if:

(i) GDH Limited ("GDH") does not or ceases to beneficially own, directly or indirectly, at least 51% of the shareholding in the Company; or

(ii) the Guangdong Provincial People's Government does not or ceases to beneficially own, directly or indirectly, 100% of the shareholding in GDH.

Disclosure under Rule 13.21 of the Listing Rules (continued)

Facility Agreement dated 19 December 2011 (continued)

On and at any time after the occurrence of any of the aforementioned events which is continuing, the bank may by notice to the Company:

(i) cancel the commitments (or any part thereof) under the GDI Facility whereupon they shall immediately be cancelled; and/or

(ii) declare that all or part of the principal amount outstanding, together with accrued interest, and all other amounts accrued or outstanding under the GDI Facility Agreement and any other finance documents be immediately due and payable, whereupon they shall immediately become due and payable; and/or

(iii) declare that all or part of the principal amount outstanding be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the GDI Facility as at 31 December 2013 amounted to US$80 million. The GDI Facility shall be repaid by the Company by instalments with the last instalment due on the date 36 months from the date of the GDI Facility Agreement.

Facility Agreement dated 21 November 2012

Pursuant to a facility agreement (the "GH Water Facility Agreement") entered into by GH Water Supply (Holdings) Limited ("GH Water"), a subsidiary of the Company, on 21 November 2012 in relation to a term loan facility (the "GH Water Facility") of up to a principal amount of HK$1,300 million made available by certain banks (the "Lenders"), it shall be an event of default if:

(i) GDH or the Company does not or ceases to beneficially own, directly or indirectly, at least 51% interest in GH Water; or

(ii) the Guangdong Provincial People's Government does not or ceases to beneficially own, directly or indirectly, 51% interest in GDH.

On and at any time after the occurrence of any of the aforementioned events which is continuing, the agent of the Lenders may, and shall if so directed by the Lenders whose lending commitments aggregate $66\frac{2}{3}\%$ or more of all the loans then outstanding, by notice to GH Water:

(i) cancel the total commitments under the GH Water Facility whereupon they shall immediately be cancelled; and/or

(ii) declare that the whole or any part of the principal amount outstanding, together with accrued interest, and all other amounts accrued or outstanding under the GH Water Facility Agreement and related finance documents be immediately due and payable, whereupon they immediately shall become due and payable; and/or

(iii) declare that the whole or any part of the principal amount outstanding be payable on demand, whereupon it shall immediately become payable on demand by the Lenders.

The outstanding principal of the GH Water Facility as at 31 December 2013 amounted to HK$1,300 million. The GH Water Facility shall be repaid by the Company by instalments with the last instalment due on the date 36 months from the date of the GH Water Facility Agreement.

Changes in Directors' Information

The changes in Directors' information are set out below:

(i) Mr. Wen Yinheng was appointed a Director of each of 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Limited) and Guangdong (International) Hotel Management Holdings Limited during the year. In addition, Mr. Wen was appointed as Chairman of 北京粵海金信投資有限公司. All of the aforementioned companies are subsidiaries of the Company.

As from November 2013, the monthly mandatory provident fund contribution made by the Company for Mr. Wen Yinheng has been adjusted in accordance with the rules of the mandatory provident fund scheme of the Company. His remuneration package comprising salary, pension scheme contributions, allowances and benefits in kind, but excluding any performance related bonus and its corresponding mandatory provident fund contributions, will amount to approximately HK$893,000 per annum.

(ii) Mr. Tsang Hon Nam was appointed a Director of Tianjin Teem International Limited, Tianjin Teem (Hong Kong) Limited, Golden Way Investments Limited and New Chance Investments Limited during the year. In addition, Mr. Tsang was appointed a Director of 中山火力發電有限公司 (Zhongshan Thermal Power Co. Ltd.) on 26 February 2014. All of the aforementioned companies are subsidiaries of the Company.

(iii) Mr. Zhang Hui ceased to be a Director of Dragon Light Investment Ltd., a subsidiary of the Company, on 28 October 2013.

(iv) Ms. Zhao Chunxiao ceased to be the Chairman of 北京粵海金信投資有限公司.

(v) Mr. Li Wai Keung is currently the Vice Chairman on the Council of the Hong Kong Chinese Orchestra Limited, a member of China Overseas Friendship Association, and Vice Chairman and Secretary of the Financial and Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association.

(vi) As from 1 January 2014, Dr. Chan Cho Chak, John is entitled to director's fees of HK$434,000, HK$126,000, HK$133,000 and HK$56,000 per annum for his service as an Independent Non-Executive Director of the Board, Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee, respectively. The said fees amount to a total of HK$749,000 per annum.

(vii) Dr. Li Kwok Po, David resigned as a member of the Banking Advisory Committee on 1 December 2013.

As from 1 January 2014, Dr. Li Kwok Po, David is entitled to director's fees of HK$434,000, HK$203,000, HK$77,000 and HK$56,000 per annum for his service as an Independent Non-Executive Director of the Board, Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee, respectively. The said fees amount to a total of HK$770,000 per annum.

(viii) As from 1 January 2014, Mr. Fung Daniel Richard is entitled to director's fees of HK$434,000, HK$133,000, HK$77,000 and HK$56,000 per annum for his service as an Independent Non-Executive Director of the Board, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, respectively. The said fees amount to a total of HK$700,000 per annum.

(ix) As from 1 January 2014, Dr. Cheng Mo Chi, Moses is entitled to director's fees of HK$434,000, HK$133,000, HK$77,000 and HK$56,000 per annum for his service as an Independent Non-Executive Director of the Board, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, respectively. The said fees amount to a total of HK$700,000 per annum.

Changes in Directors' Information (continued)

(x) Mr. Wu Ting Yuk, Anthony was appointed an Independent Non-Executive Director of China Taiping Insurance Holdings Company Limited and Zhuhai Dahengqin Company Limited. He is currently a member of the Public Policy Advisory Committee of the National Health and Family Planning Commission, PRC. He ceased to be a member of China Society for People's Friendship Studies. He also ceased to be Chairman of the Hong Kong Hospital Authority with effect from 1 December 2013.

As from 1 January 2014, Mr. Wu Ting Yuk, Anthony is entitled to director's fees of HK$434,000, HK$133,000, HK$77,000 and HK$56,000 per annum for his service as an Independent Non-Executive Director of the Board, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, respectively. The said fees amount to a total of HK$700,000 per annum.

Save for the above changes in Directors' information, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Auditors

The consolidated financial statements now presented have been audited by Ernst & Young, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2014 AGM for the re-appointment of Ernst & Young as auditors of the Company.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 25 March 2014

CORPORATE GOVERNANCE REPORT

Business Model and Development Strategies

The principal businesses of the Group include water distribution, infrastructure and energy projects, property investment and development, department stores operation, hotel operations and management. The Group has committed to consolidating the operational development of its existing businesses and expanding its core businesses in order to generate continuous and steady investment returns for shareholders. By optimising the asset portfolio, strengthening the capital operation, enhancing management standard and corporate governance, the Group endeavours to further increase its competitive strengths and enhance its market influence, thus providing strong support for the long-term, steady and sustainable development of the enterprise.

According to its strategic development plan, the Group will continue to develop the integrated water business in an active and prudent manner. The Group also explores the market investment opportunities in areas of water business such as untreated water, urban water supply and sewage treatment, and construction of water supply work. The Group will speed up the pace of project acquisitions and expansion of new businesses to upgrade its scale and strength in the professional segments as soon as possible. Meanwhile, the Group will continue to push ahead the adjustment of asset portfolio and steadily facilitate its business integration.

Under the trend of globalisation, the Group will continue to capitalise on the competitive edges and functions of the capital platform of Hong Kong as an international financial centre, as well as increase the efficiency of its capital usage and increase the awareness on capital operation with a view to facilitating the effective capital appreciation. Meanwhile, the Group will optimise the establishment of human resources and further lift the professionalism of its management. The Group steps up its efforts on establishment of corporate culture and increase its corporate core competitiveness.

Corporate Governance Code

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 provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the Directors of the Company, the Company was in compliance with the applicable code provisions in the CG Code for the year ended 31 December 2013 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for Code Provision A.6.7. Under Code Provision A.6.7, Independent Non-Executive Directors and other Non-Executive Directors, as equal Board members, should attend general meetings of the Company. During the year, certain Independent Non-Executive Directors and Non-Executive Directors were unable to attend the annual general meeting of the Company held on 14 June 2013 as they were out of town or had other engagements.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all Directors confirmed that they had complied with the required standards of dealings as set out in the Model Code during the year.

Board of Directors

The board of Directors (the "Board") is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management is entrusted by the Board with the authority and responsibility for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements, rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

Board Composition

The Board currently comprises three Executive Directors, being Mr. Huang Xiaofeng, Mr. Wen Yinheng and Mr. Tsang Hon Nam, six Non-Executive Directors, being Mr. Huang Zhenhai, Mr. Wu Jianguo, Ms. Xu Wenfang, Mr. Zhang Hui, Ms. Zhao Chunxiao and Mr. Li Wai Keung, and five Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony.

During the year, the Non-Executive Directors (including the Independent Non-Executive Directors) provided the Company with a wide range of expertise and a balance of skills and brought independent judgement on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and Committee meetings.

Chairman and Managing Director

The Chairman of the Board is Mr. Huang Xiaofeng and the Managing Director is Mr. Wen Yinheng. The roles of the Chairman and the Managing Director of the Company are clearly defined and segregated to ensure independence, proper checks and balances. The Chairman has executive responsibilities, provides leadership for the Board and ensures a proper and effective functioning of the Board in the discharge of its responsibilities. The Managing Director is accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of overall business operations.

Non-Executive Directors

All Directors, including Non-Executive Directors, appointed to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after his or her appointment and shall then be eligible for re-election.

Moreover, all Non-Executive Directors (including Independent Non-Executive Directors) of the Company are appointed for a term of three years expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director, or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the articles of association of the Company (the "Articles of Association") and/or any applicable laws and regulations.

Board of Directors (continued)

Independence of Independent Non-Executive Directors

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from the five Independent Non-Executive Directors, namely Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony in accordance with Rule 3.13 of the Listing Rules.

Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard and Dr. Cheng Mo Chi, Moses had served the Board of the Company for more than nine years. They have clearly demonstrated their willingness to exercise independent judgement and to provide objective challenges to the management. There is no evidence that length of tenure is having an adverse impact on their independence. The Board therefore considers that Dr. Chan, Dr. Li, Mr. Fung and Dr. Cheng remain independent, notwithstanding the length of their tenure.

The Board as well as the Nomination Committee have reviewed the independence of all Independent Non-Executive Directors and have concluded that all of them are independent within the definition of the Listing Rules. Further, up to the date of this Report, the Board is not aware of the occurrence of any events, which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired.

Board Meeting

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's annual and interim results. During the year, six Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this Report.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. At least fourteen days' notice of a Board meeting is given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The Articles of Association also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates has a material interest. Every Director is entitled to have access to the Board papers and related materials as well as to the advice and services of the Company Secretary.

Relationship amongst Directors

The Board members do not have any financial, business, family or other material/relevant relationships with each other. Such balanced board composition also ensures that strong independence exists across the Board. The biographies of the Directors as at the date of this report as set out in pages 20 to 24 to the annual report, demonstrate a diversity of skills, expertise, experience and qualifications.

Directors' Induction and Continuous Professional Development

Upon appointment to the Board, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. Some Directors attended seminars and conferences organized by government authorities, professional bodies and industrial organizations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skills. The Company has organized seminars in connection with internal control related practices in August and November 2013, respectively, and provided the Directors with reading materials in order to keep them updated of the changing rules and regulations.

According to the records kept by the Company, the Directors attended the following trainings during the year ended 31 December 2013:

Name of Director	Attending directors' training organised by the Company and/or other professional organisations	Reading relevant regulatory materials
Executive Directors		
Huang Xiaofeng	✓	✓
Wen Yinheng	✓	✓
Tsang Hon Nam	✓	✓
Non-Executive Directors		
Huang Zhenhai	✓	✓
Wu Jianguo	✓	✓
Xu Wenfang	✓	✓
Zhang Hui	✓	✓
Zhao Chunxiao	✓	✓
Li Wai Keung	✓	✓
Independent Non-Executive Directors		
Chan Cho Chak, John	✓	✓
Li Kwok Po, David	✓	✓
Fung Daniel Richard	✓	✓
Cheng Mo Chi, Moses	✓	✓
Wu Ting Yuk, Anthony	✓	✓

Board Diversity Policy

The Board has adopted a board diversity policy (the "Policy") on 28 August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognizes and embraces the benefits of having a diversed Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

Board Diversity Policy (continued)

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee has set the measurable objectives based on five focused areas: gender, age, length of service, professional experience and skills and knowledge for the implementation of Board diversity of the Company.

As at the date of this Report, the Board comprises 14 Directors, amongst them, five are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of gender, age, professional experience, skills and knowledge.

Having reviewed the Policy and the Board's composition, the Nomination Committee considered that the requirements of the Policy had been met.

Board Committees

The Board has established various committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. Terms of Reference of those committees detailing their respective authorities and responsibilities are available on the Company's website.

Remuneration Committee

The Remuneration Committee comprises all five Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony. Dr. Chan Cho Chak, John is Chairman of the Remuneration Committee. Emoluments of the Directors and senior management shall be determined by the Remuneration Committee with reference to their duties, responsibilities and performance, and the results of the Group. No Director shall be involved in deciding his/her own remuneration.

The meeting of the Remuneration Committee shall be held at least once a year or when necessary. During the financial year ended 31 December 2013, the Remuneration Committee held three meetings to approve the annual review of the remuneration packages and performance bonuses for the Executive Directors of the Company that came up for determination. Remuneration for the Non-Executive Directors (including Independent Non-Executive Directors) and members of the Nomination Committee that need to be determined by the Board were reviewed and commented by the Remuneration Committee before the matter were presented to the Board for decision. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this Report.

Details of the amount of Directors' emoluments for the year 2013 are set out in note 8 to the financial statements.

Board Committees (continued)

Nomination Committee

The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re-appointment of Directors and the succession planning for Directors, reviewing the Board's diversity policy and relevant implementation of the diversity policy, and making recommendations to the Board in respect of the aforesaid matters.

The Nomination Committee comprises Mr. Huang Xiaofeng, Chairman of the Board, and all five Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony. Mr. Huang Xiaofeng is Chairman of the Nomination Committee.

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the financial year ended 31 December 2013, the Nomination Committee held two meetings to assess the independence of Independent Non-Executive Directors, to review the structure, size and composition of the Board, to review the Term of Reference of Nomination Committee in order to incorporate the changes resulting from the adoption of the board diversity policy. The attendance of each member of the Nomination Committee is set out in the section headed "Board and Committees Meetings" of this Report.

Audit Committee

The Audit Committee comprises all five Independent Non-Executive Directors, being Dr. Li Kwok Po, David, Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony. Dr. Li Kwok Po, David is the Chairman of the Audit Committee.

The meetings of the Audit Committee shall be held at least twice a year and when necessary. During the financial year ended 31 December 2013, the Audit Committee held two meetings. It reviewed the 2012 annual results and the 2013 interim results of the Company before their submission to the Board and monitored the integrity of such financial statements. The Audit Committee oversees matters concerning the external auditors including making recommendations to the Board regarding the appointment of the external auditors, reviewing the scope of their audit and work and approving their fees. In addition to the two meetings as aforesaid, the Audit Committee also had a private meeting with the external auditors without the presence of the management to discuss any area of concern. The Audit Committee further ensures that the management has put in place an effective system of internal control and maintains an overview of the Group's risk assessment, control and management processes. It reviews the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget. In addition, it reviews the internal audit schedules of the Group, considers the Group's internal audit reports and monitors the effectiveness of the internal audit function. The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this Report.

Board and Committees Meetings

The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Nomination Committee, Audit Committee and general meeting during the year ended 31 December 2013 are set out below:

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting
Executive Directors					
Huang Xiaofeng	5/6	–	1/2	–	1/1
Wen Yinheng	6/6	–	–	–	1/1
Tsang Hon Nam	6/6	–	–	–	1/1
Non-Executive Directors					
Huang Zhenhai	6/6	–	–	–	0/1
Wu Jianguo	4/6	–	–	–	1/1
Xu Wenfang	5/6	–	–	–	0/1
Zhang Hui	4/6	–	–	–	0/1
Zhao Chunxiao	4/6	–	–	–	1/1
Li Wai Keung	6/6	–	–	–	1/1
Independent Non-Executive Directors					
Chan Cho Chak, John	6/6	3/3	2/2	2/2	1/1
Li Kwok Po, David	4/6	2/3	1/2	2/2	1/1
Fung Daniel Richard	3/6	3/3	1/2	1/2	0/1
Cheng Mo Chi, Moses	6/6	2/3	2/2	1/2	0/1
Wu Ting Yuk, Anthony	6/6	3/3	2/2	2/2	1/1

Accountability and Audit

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2013, which give a true and fair view of the state of affairs of the Group and of its results and cash flows for that financial year. In preparing the financial statements for the year ended 31 December 2013, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

The Group endeavors to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The annual and interim results of the Company are announced in a timely manner within the limit of three months and two months respectively after the end of the relevant periods in accordance with the Listing Rules.

The Directors have acknowledged their responsibility for preparing all information and representations contained in the financial statements of the Company for the year ended 31 December 2013.

Accountability and Audit (continued)

Auditors' Remuneration

During the year under review, the remuneration paid/payable to the Company's auditors, Ernst & Young is set out as follows:

Services rendered	**Fee paid/ payable** HK$'000
Audit of financial statements	7,160
Review of interim results	1,290
Total	8,450

Internal Control

The Board is responsible for the Group's system of internal controls and its effectiveness. Such a system is designed to prudently manage the Group's risks within an acceptable risk profile. The Board has delegated to management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

The management under the supervision of the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the systems of internal controls when there are changes to business environment or regulatory guidelines.

The management assists the Board with the implementation of all relevant policies and procedures on risk and control by identifying and assessing the risk faced and designing, operating and monitoring suitable internal controls to mitigate and control these risks. The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

A defined management structure is maintained with specified limits of authority and control responsibilities, which is designed to (a) safeguard assets from inappropriate use; (b) maintain proper accounts; (c) ensure compliance with regulations; and (d) identify, manage and mitigate key risks to the Group.

In addition to the duties of the Audit Committee as mentioned above, the Audit Committee, inter alia, reviews the financial controls, internal control and risk management systems of the Group and any significant internal control issues identified by the internal audit department, external auditors and management. It also conducts review of the internal audit functions with particular emphasis on the scope and quality of the internal audits and independence of the internal audit department. During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budgets.

The internal audit department monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. It plays an important role in the Group's internal control framework, and provides objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic checking. The internal audit department issues reports to the Board and relevant management covering various operational and financial processes of the Group and provides summary reports to the Audit Committee together with the status of implementation of their recommendation in each Audit Committee meeting.

The Board is satisfied that the internal control system in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of issuance of the annual report and accounts is reasonably effective and adequate.

Company Secretary

Mrs. Ho Lam Lai Ping, Theresa has been the Company Secretary of the Company since December 1992. She is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. Mrs. Ho reports to the Chairman and the Managing Director of the Company and is responsible for advising the Board on corporate governance matters. For the year under review, Mrs. Ho has confirmed that she has taken no less than 15 hours of relevant professional training.

Shareholders' Rights

Shareholders Convening an Extraordinary General Meeting

Pursuant to the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meeting may request the Directors to call a general meeting of the Company. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. Directors of the Company must call a meeting within 21 days after the date on which they become subject to the requirement. The meeting being called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the Directors fail to call the meeting, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting. The meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a meeting.

Shareholders' Enquires and Proposals

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Tengis Limited.

To foster regular and contribute two-way communications amongst the Company, the shareholders and the potential investors, the Chief Financial Officer or the Company Secretary of the Company are designated to respond to enquiries and proposals from the shareholders as well as the public. Enquires and proposals can be made by mail or by phone. The contact details of the Company are set out in the "Contact Us" section of the Company's website at www.gdi.com.hk. In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the public and the Shareholders. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

Details of the procedures for shareholders to propose a person for election as a Director of the Company are available on the Company's website.

Investor Relations

During the year under review, there are no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the Company's website.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 25 March 2014

INDEPENDENT AUDITORS' REPORT

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To the shareholders of Guangdong Investment Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Guangdong Investment Limited (the ''Company'') and its subsidiaries (together, the "Group") set out on pages 51 to 155, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**7,990,015**	7,736,095
Cost of sales		**(2,666,253)**	(2,649,416)
Gross profit		**5,323,762**	5,086,679
Other income and losses, net	5	**400,386**	335,733
Net gain on disposal of subsidiaries, associates and a joint venture	34	**441,518**	–
Changes in fair value of investment properties		**735,758**	794,601
Selling and distribution expenses		**(166,197)**	(170,057)
Administrative expenses		**(1,093,480)**	(1,060,757)
Other operating income/(expenses), net		**149,764**	(52,038)
Finance costs	7	**(60,020)**	(164,575)
Share of profit of a joint venture		**51,238**	81,527
Share of profits less losses of associates		**262,168**	70,573
PROFIT BEFORE TAX	6	**6,044,897**	4,921,686
Income tax expense	10	**(1,098,511)**	(953,672)
PROFIT FOR THE YEAR		**4,946,386**	3,968,014
Attributable to:			
Owners of the Company	11	**4,426,117**	3,413,824
Non-controlling interests		**520,269**	554,190
		4,946,386	3,968,014
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**70.96 HK cents**	54.77 HK cents
Diluted		**70.75 HK cents**	54.58 HK cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR		**4,946,386**	3,968,014
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange fluctuation reserve released upon disposal of subsidiaries, associates and a joint venture	*34*	**(276,184)**	–
Exchange differences on translation of foreign operations		**405,541**	(1,500)
Net gains on available-for-sale financial assets		**2,867**	–
Net movement on cash flow hedges		**–**	122,482
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**132,224**	120,982
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Fair value gains on property, plant and equipment		**–**	393
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**132,224**	121,375
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,078,610**	4,089,389
Attributable to:			
Owners of the Company		**4,490,134**	3,497,331
Non-controlling interests		**588,476**	592,058
		5,078,610	4,089,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**3,085,632**	3,100,116
Investment properties	*15*	**10,531,668**	9,459,530
Prepaid land lease payments	*16*	**94,558**	96,772
Goodwill	*17*	**266,146**	266,146
Investment in a joint venture	*19*	**–**	720,386
Investments in associates	*20*	**1,702,873**	1,482,287
Intangible assets	*21*	**13,320,172**	14,124,484
Deposits	*24*	**107,625**	–
Deferred tax assets	*30*	**29,698**	28,747
Total non-current assets		**29,138,372**	29,278,468
CURRENT ASSETS			
Available-for-sale financial assets	*22*	**5,037,387**	431,655
Tax recoverable		**4,032**	86
Inventories	*23*	**79,462**	56,717
Receivables, prepayments and deposits	*24*	**521,451**	3,122,795
Cash and cash equivalents	*25*	**6,531,736**	4,472,271
Total current assets		**12,174,068**	8,083,524
CURRENT LIABILITIES			
Payables and accruals	*26*	**(2,630,526)**	(2,639,494)
Tax payable		**(494,427)**	(365,617)
Due to non-controlling shareholders of subsidiaries	*27*	**(276,373)**	(315,991)
Interest-bearing bank borrowings	*28*	**(974,547)**	(238,000)
Total current liabilities		**(4,375,873)**	(3,559,102)
NET CURRENT ASSETS		**7,798,195**	4,524,422
TOTAL ASSETS LESS CURRENT LIABILITIES – page 54		**36,936,567**	33,802,890

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES – page 53		**36,936,567**	33,802,890
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*28*	**(1,580,635)**	(2,547,407)
Other liabilities	*29*	**(1,178,726)**	(1,198,821)
Deferred tax liabilities	*30*	**(1,995,688)**	(1,672,413)
Total non-current liabilities		**(4,755,049)**	(5,418,641)
Net assets		**32,181,518**	28,384,249
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*31*	**3,119,691**	3,117,103
Reserves	*33(a)*	**23,195,331**	20,110,448
Proposed final dividend	*12*	**998,300**	810,447
		27,313,322	24,037,998
Non-controlling interests		**4,868,196**	4,346,251
Total equity		**32,181,518**	28,384,249

Huang Xiaofeng
Director

Tsang Hon Nam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to owners of the Company															
	Notes	Issued capital HK$'000	Ordinary share premium account* HK$'000	Share option reserve* HK$'000 *(note 33(a)(ii))*	Asset revaluation reserve* HK$'000	Capital reserve* HK$'000	Hedging reserve* HK$'000 *(note 33(a)(iii))*	Available-for-sale financial assets revaluation reserve* HK$'000	Expansion fund reserve* HK$'000 *(note 33(a)(iv))*	Exchange fluctuation reserve* HK$'000	Other reserve* HK$'000	Special reserve* HK$'000 *(note 33(a)(i))*	Retained profits* HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		3,116,499	2,460,409	13,658	14,281	1,430,009	(88,007)	–	1,091,888	1,434,551	82,951	8,906	11,400,422	685,630	21,651,197	2,849,468	24,500,665
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	3,413,824	–	3,413,824	554,190	3,968,014
Other comprehensive income for the year:																	
Exchange differences on translation of foreign operations																	
– Subsidiaries		–	–	–	–	–	–	–	–	(3,888)	–	–	–	–	(3,888)	3,425	(463)
– A joint venture		–	–	–	–	–	–	–	–	(395)	–	–	–	–	(395)	–	(395)
– Associates		–	–	–	–	–	–	–	–	(516)	–	–	–	–	(516)	(126)	(642)
Net movement on cash flow hedges		–	–	–	–	–	88,007	–	–	–	–	–	–	–	88,007	34,475	122,482
Fair value gains on property, plant and equipment		–	–	–	299	–	–	–	–	–	–	–	–	–	299	94	393
Total comprehensive income for the year		–	–	–	299	–	88,007	–	–	(4,799)	–	–	3,413,824	–	3,497,331	592,058	4,089,389
Acquisition of a subsidiary	35	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,130,561	1,130,561
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	10,109	–	–	–	10,109	(177,665)	(167,556)
Share options exercised, net of share issue expenses	31	604	2,213	(548)	–	–	–	–	–	–	–	–	–	–	2,269	–	2,269
Equity-settled share option arrangements	32	–	–	(931)	–	–	–	–	–	–	–	–	–	–	(931)	–	(931)
Share options forfeited	32	–	–	(678)	–	–	–	–	–	–	–	–	678	–	–	–	–
Transfer from retained profits		–	–	–	–	–	–	–	195,572	–	–	–	(195,572)	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(48,171)	(48,171)
Final 2011 dividend paid		–	–	–	–	–	–	–	–	–	–	–	(23)	(685,630)	(685,653)	–	(685,653)
Interim 2012 dividend paid	12	–	–	–	–	–	–	–	–	–	–	–	(436,324)	–	(436,324)	–	(436,324)
Proposed final 2012 dividend	12	–	–	–	–	–	–	–	–	–	–	–	(810,447)	810,447	–	–	–
Transfer from retained profits in accordance with the Undertaking	*33(a)(i)*	–	–	–	–	–	–	–	–	–	–	94,918	(94,918)	–	–	–	–
Transfer to retained profits upon issue of new ordinary shares	*33(a)(i)*	–	–	–	–	–	–	–	–	–	–	(2,269)	2,269	–	–	–	–
At 31 December 2012		3,117,103	2,462,622	11,501	14,580	1,430,009	–	–	1,287,460	1,429,752	93,060	101,555	13,279,909	810,447	24,037,998	4,346,251	28,384,249

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2013

		Attributable to owners of the Company															
	Notes	Issued capital HK$'000	Ordinary share premium account* HK$'000	Share option reserve* HK$'000 (note 33(a)(ii))	Asset revaluation reserve* HK$'000	Capital reserve* HK$'000	Hedging reserve* HK$'000	Available-for-sale financial assets revaluation reserve* HK$'000	Expansion fund reserve* HK$'000 (note 33(a)(iv))	Exchange fluctuation reserve* HK$'000	Other reserve* HK$'000	Special reserve* HK$'000 (note 33(a)(i))	Retained profits* HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		3,117,103	2,462,622	11,501	14,580	1,430,009	–	–	1,287,460	1,429,752	93,060	101,555	13,279,909	810,447	24,037,998	4,346,251	28,384,249
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	4,426,117	–	4,426,117	520,269	4,946,386
Other comprehensive income for the year:																	
Exchange fluctuation reserve released upon disposal of subsidiaries, associates and a joint venture		–	–	–	–	–	–	–	–	(276,184)	–	–	–	–	(276,184)	–	(276,184)
Exchange differences on translation of foreign operations																	
– Subsidiaries		–	–	–	–	–	–	–	–	293,621	–	–	–	–	293,621	66,984	360,605
– Associates		–	–	–	–	–	–	–	–	43,713	–	–	–	–	43,713	1,223	44,936
Net gains on available-for-sale financial assets		–	–	–	–	–	–	2,867	–	–	–	–	–	–	2,867	–	2,867
Total comprehensive income for the year		–	–	–	–	–	–	2,867	–	61,150	–	–	4,426,117	–	4,490,134	588,476	5,078,610
Disposal of subsidiaries, associates and a joint venture		–	–	–	–	65,945	–	–	(14,835)	–	–	–	(51,110)	–	–	28,325	28,325
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	288	–	–	–	288	(2,125)	(1,837)
Share options exercised, net of share issue expenses	31	2,588	10,600	(2,597)	–	–	–	–	–	–	–	–	–	–	10,591	–	10,591
Equity-settled share option arrangements	32	–	–	21,944	–	–	–	–	–	–	–	–	–	–	21,944	–	21,944
Share options forfeited	32	–	–	(513)	–	–	–	–	–	–	–	–	513	–	–	–	–
Transfer from retained profits		–	–	–	–	–	–	–	260,967	–	–	–	(260,967)	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(92,731)	(92,731)
Final 2012 dividend paid	12	–	–	–	–	–	–	–	–	–	–	–	(515)	(810,447)	(810,962)	–	(810,962)
Interim 2013 dividend paid	12	–	–	–	–	–	–	–	–	–	–	–	(436,671)	–	(436,671)	–	(436,671)
Proposed final 2013 dividend	12	–	–	–	–	–	–	–	–	–	–	–	(998,300)	998,300	–	–	–
Transfer from retained profits in accordance with the Undertaking	33(a)(i)	–	–	–	–	–	–	–	–	–	–	34,514	(34,514)	–	–	–	–
Transfer to retained profits upon issue of new ordinary shares	33(a)(i)	–	–	–	–	–	–	–	–	–	–	(10,591)	10,591	–	–	–	–
At 31 December 2013		3,119,691	2,473,222	30,335	14,580	1,495,954	–	2,867	1,533,592	1,490,902	93,348	125,478	15,935,053	998,300	27,313,322	4,868,196	32,181,518

* *These reserve accounts comprise the consolidated reserves of HK$23,195,331,000 (2012: HK$20,110,448,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,044,897**	4,921,686
Adjustments for:			
Finance costs	*7*	**60,020**	164,575
Share of profit of a joint venture		**(51,238)**	(81,527)
Share of profits less losses of associates		**(262,168)**	(70,573)
Interest income	*5*	**(70,318)**	(218,358)
Interest income from available-for-sale financial assets	*5*	**(205,056)**	–
Investment income from available-for-sale financial assets	*5*	**(53,032)**	(53,849)
Fair value losses, net:			
Derivative instruments – transactions not qualified as hedges	*5*	**–**	103
Derivative instruments – reclassification from hedging reserve to the statement of profit of loss	*5*	**–**	14,251
Depreciation	*6*	**255,861**	245,589
Recognition of prepaid land lease payments	*6*	**4,763**	4,705
Amortisation of intangible assets	*6*	**806,400**	809,094
Changes in fair value of investment properties		**(735,758)**	(794,601)
Impairment of items of property, plant and equipment	*6*	**–**	3,651
Impairment of prepayments and other receivables	*6*	**–**	18,873
Equity-settled share option expense	*32*	**21,944**	(931)
Loss on disposal of items of property, plant and equipment, net	*6*	**149**	2,389
Net gain on disposal of subsidiaries, associates and a joint venture		**(441,518)**	–
Gain on disposal of items of intangible assets, net	*6*	**(70,101)**	–
Reversal of impairment on an investment in an associate	*6*	**(107,898)**	–
Operating profit before working capital changes		**5,196,947**	4,965,077
Decrease/(increase) in inventories		**(20,749)**	4,576
Increase in receivables, prepayments and deposits		**(143,880)**	(95,412)
Increase in payables and accruals		**13,245**	138,446
Increase/(decrease) in amounts due to non-controlling shareholders of subsidiaries		**285**	(3,110)
Cash generated from operations		**5,045,848**	5,009,577
Interest received		**275,374**	218,358
Dividends from a joint venture		**18,631**	167,366
Dividends from associates		**105,249**	82,481
Hong Kong profits tax paid		**(22,760)**	(27,814)
Mainland China tax paid		**(706,202)**	(668,092)
Dividend withholding tax paid		**–**	(231,971)
Net cash flows from operating activities – page 58		**4,716,140**	4,549,905

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Net cash flows from operating activities – page 57		**4,716,140**	4,549,905
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in available-for-sale financial assets		**(4,482,273)**	(376,416)
Purchases of items of property, plant and equipment		**(138,932)**	(125,957)
Purchases of items of intangible assets		**(2,295)**	(182)
Additions to investment properties		**(116,580)**	(248,661)
Acquisitions of non-controlling interests		**(1,837)**	(52,206)
Acquisition of assets through acquisition of a subsidiary	*35*	**–**	(196,461)
Acquisition of an associate		**–**	(148,594)
Advance of a loan to an associate		**(88,468)**	–
Deposits for an investment and purchase of items of property, plant and equipment		**(107,625)**	–
Refund of deposits for an investment and loan receivables	*24*	**2,648,603**	–
Proceeds from disposal of subsidiaries, associates and a joint venture	*34*	**1,096,634**	–
Proceeds from disposal of items of property, plant and equipment		**630**	283
Proceeds from disposal of items of intangible assets		**70,386**	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(266,580)**	476,070
Net cash flows used in investing activities		**(1,388,337)**	(672,124)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new ordinary shares	*31*	**10,591**	2,269
New bank loans		**–**	1,448,785
Repayments of bank loans		**(238,000)**	(2,500,000)
Interest paid		**(54,846)**	(47,170)
Finance charges paid on cash flow hedges, net	*7*	**–**	(111,389)
Finance charges paid on derivative financial instruments not qualified as hedges		**–**	(92,892)
Dividends paid to non-controlling shareholders		**(92,731)**	(48,171)
Dividends paid to shareholders		**(1,247,633)**	(1,121,977)
Net cash flows used in financing activities		**(1,622,619)**	(2,470,545)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,705,184**	1,407,236
Cash and cash equivalents at beginning of year		**4,471,752**	3,064,831
Effect of foreign exchange rate changes, net		**87,701**	(315)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,264,637**	4,471,752
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	*36(b)*		
Cash and bank balances		**3,789,101**	2,319,784
Non-pledged time deposits with original maturity of less than three months when acquired		**2,475,536**	2,151,968
Cash and cash equivalents as stated in the consolidated statement of cash flows		**6,264,637**	4,471,752

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,621**	2,150
Investments in subsidiaries	18	**7,507,670**	8,388,273
Investments in associates	20	**–**	–
Total non-current assets		**7,509,291**	8,390,423
CURRENT ASSETS			
Available-for-sale financial assets	22	**1,172,028**	–
Receivables, prepayments and deposits	24	**4,568**	2,017
Cash and cash equivalents	25	**1,163,203**	713,578
Total current assets		**2,339,799**	715,595
CURRENT LIABILITIES			
Payables and accruals	26	**(23,311)**	(16,084)
Interest-bearing bank borrowings	28	**(619,547)**	(78,000)
Total current liabilities		**(642,858)**	(94,084)
NET CURRENT ASSETS		**1,696,941**	621,511
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,206,232**	9,011,934
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**–**	(614,373)
Net assets		**9,206,232**	8,397,561
EQUITY			
Issued capital	31	**3,119,691**	3,117,103
Reserves	33(b)	**5,088,241**	4,470,011
Proposed final dividend	12	**998,300**	810,447
Total equity		**9,206,232**	8,397,561

Huang Xiaofeng
Director

Tsang Hon Nam
Director

1. Corporate Information

Guangdong Investment Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 28/F. and 29/F., Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

During the year, the Group was principally engaged in investment holding, property holding and investment, department store operations, water supply projects in Mainland China, hotel ownership and operations, hotel management and investment in infrastructure and energy projects.

GDH Limited is the immediate holding company of the Company. In the opinion of the directors, the ultimate holding company of the Group is 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings"), a company established in the mainland of the People's Republic of China (the "PRC" or "Mainland China").

2.1 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 ("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 and available-for-sale financial assets 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.

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 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009–2011 Cycle*, the adoption of the 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) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the application of HKFRS 11 does not change the classification of the Group's investment in a joint venture.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, a joint venture and associates are included in notes 18, 19 and 20 to the financial statements, respectively.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 15 and 44 to the financial statements, respectively.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been represented to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

2.2 Changes in Accounting Policies and Disclosures (continued)

(g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 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 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting* and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 and 2011–2013 Cycles	Amendments to a number of HKFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and a joint venture (continued)

The Group's investments in associates and joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or a joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or a joint venture are eliminated to the extent of the Group's investments in the associates or a joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's investments in associates or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and a joint venture are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and a joint venture are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other terms is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and available-for-sale financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less cost of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	2.30%–5%
Land and buildings	2%–5%
Plant and machinery	4%–25%
Furniture, fixtures and equipment	4%–32%
Leasehold improvements	Over the shorter of three to five years or the lease terms
Motor vehicles	6%–30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The Group applies the intangible asset model to account for the service concession arrangements. Service concession arrangements represent the rights to charge users of the public service, that the Group obtained under the service concession arrangements. Service concession arrangements are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Subsequent expenditures such as repairs and maintenance are charged to the statement of profit or loss in the period in which they are incurred. In situations where the recognition criteria are satisfied, the expenditures are capitalised as an additional cost of service concession arrangements.

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill) (continued)

Amortisation of service concession arrangements is provided on the straight-line basis to write off their costs over the concession periods of the respective service concession arrangements other than the toll road. Amortisation of the toll road is provided to write off their costs on a unit-of-usage basis whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements.

It is the Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective service concession arrangements of toll road. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transactions costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as movements in the asset revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Properties under development for future use as investment property have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under development are capitalised as part of the carrying amounts of the investment properties under development. Investment properties under development are measured at fair value as at the end of the reporting period. Any difference between the fair values of the investment properties under development and their carrying amounts is recognised in the statement of profit or loss in the period in which they arise.

If the fair value of an investment property under development is at present not reliably determinable but is expected to be reliably determinable when construction is complete, such investment property under development is stated at cost until either its fair value becomes reliably determinable or development is completed, whichever is earlier.

2.4 Summary of Significant Accounting Policies (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment or intangible assets.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets in unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are financial assets with fixed and determinable payments that are designated as available for sale.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial assets revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets (continued)
When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets
For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increase in the fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as other income in the statement of profit or loss. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include payables, other liabilities, amounts due to non-controlling shareholders of subsidiaries and interest-bearing bank borrowings.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as interest rate swap agreements, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of derivative financial instruments is estimated at the amount that the Group would receive or pay to terminate the agreements at the reporting date, taking into account the current market conditions and the current creditworthiness of the counterparties.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, the Group's hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)
Hedges which meet the strict criteria for hedge accounting are accounted for as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour, and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Deferred revenue

Coupon liabilities are recognised based on the fair value of credit awards granted to customers in accordance with the credit award programme and the Group's past experience on the level of redemption of credit awards and are recorded in payables and accruals. The revenue of the Group is deducted when the credit awards are recognised.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

The functional currencies of certain subsidiaries, a joint venture and associates operating in Mainland China are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rate for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, cash flows of subsidiaries operating in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefit schemes
The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries/relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer mandatory contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are proportionately refunded to the Group upon the employee's termination of services in accordance with the vesting scales of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes (the "CP Schemes") operated by the respective local municipal governments. These subsidiaries are required to contribute certain percentages of their payroll costs to the CP Schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the CP Schemes.

Termination benefits
Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) commissions from concessionaire sales, upon the sale of goods by the department stores;

(c) from the sale of electricity, based on the consumption recorded by meter readings;

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

(d) from the sale of water:

  (i) with respect to the sale of water to Dongguan and Shenzhen, based on the actual volume of water supplied; and

  (ii) with respect to the sale of water to the Hong Kong Special Administrative Region (''HKSAR''), based on a fixed amount for a target volume of water supplied;

(e) from hotel services income, based on the period in which such services have been rendered;

(f) rental income, on a time proportion basis over the lease terms;

(g) toll revenue, net of business tax, when received;

(h) interest income and investment income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets; and

(i) dividend income, when the shareholders' right to receive payments has been established.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) *Operating lease commitments – Group as lessor*
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) *Classification between investment properties and owner-occupied properties*
The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(iii) *Impairment of assets*
The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(iv) *Classification between intangible assets and property, plant and equipment*
The Group determines whether an asset is classified as an intangible asset under HK(IFRIC)-Int 12, and has developed criteria in making that judgement. The operator shall recognise an intangible asset to the extent that it receives a right to charge users of the public service. Therefore, the Group has to exercise judgement in determining whether an asset (1) is used to provide the public service and classified as an intangible asset under HK(IFRIC)-Int 12; or (2) is held for use in the production or supply of goods or services, or for administrative purposes and classified as property, plant and equipment.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) *Estimation of fair values of investment properties and recoverable amounts of construction in progress*
The best evidence of fair value is current prices in an active market for similar lease terms and other contracts. In the absence of such information, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and

(c) discounted cash flow projections, based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

(ii) *Useful lives and residual values of items of property, plant and equipment*
In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that is used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(iii) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of impairment test of goodwill is set out in note 17 to the financial statements.

(iv) *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. The non-financial assets are tested for impairment annually and at other times when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(vi) *Deferred tax liabilities of withholding taxes*

Deferred tax liabilities are recognised in respect of the unremitted earnings of the PRC subsidiaries, associates and a joint venture generated subsequent to 1 January 2008, except to the extent that the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, which is based upon the estimated timing of dividend distribution.

(vii) *Fair value of available-for-sale financial assets*

The available-for-sale financial assets have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. Further details are included in note 22 to the financial statements.

4. 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 to certain commercial properties;

(ii) The department stores segment operates department stores in Mainland China;

(iii) The water distribution segment operates water supply projects in Mainland China;

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

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

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

(vii) The "others" segment provides treasury services in Hong Kong and Mainland China and engages in the provision of corporate services to other segments.

Management monitors the results of the Group's 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), 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, interest income and investment income from available-for-sale financial assets, finance costs, other unallocated gains/(losses), net, share of profits less losses of a joint venture and associates and net gain on disposal of subsidiaries, associates and a joint venture are excluded from such measurement.

Segment assets exclude investments in associates, an investment in a joint venture, deferred tax assets, tax recoverable, cash and cash equivalents, available-for-sale financial assets and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated liabilities 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.

4. Operating Segment Information (continued)

(a) Operating segments

Group

	Property investment and development 2013 HK$'000	Property investment and development 2012 HK$'000	Department stores 2013 HK$'000	Department stores 2012 HK$'000	Water distribution 2013 HK$'000	Water distribution 2012 HK$'000
Segment revenue:						
Sales to external customers	**1,092,673**	1,039,671	**771,857**	711,418	**4,934,479**	4,775,060
Intersegment sales	**105,917**	102,415	**–**	–	**–**	–
Other revenue from external sources *(note)*	**8,569**	16,070	**44,333**	39,212	**1,241**	1,287
Other revenue from intersegment transactions *(note)*	**–**	–	**–**	–	**–**	–
Exchange differences, net	**2,612**	653	**–**	–	**45,857**	(6,508)
Total	**1,209,771**	1,158,809	**816,190**	750,630	**4,981,577**	4,769,839
Segment results	**1,540,326**	1,590,586	**252,088**	224,061	**2,860,524**	2,686,575
Interest income						
Interest income from available-for-sale financial assets						
Investment income from available-for-sale financial assets						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A joint venture	**–**	–	**–**	–	**–**	–
Associates	**–**	–	**(26,588)**	13,141	**(29,843)**	(40,296)
Net gain on disposal of subsidiaries, associates and a joint venture						
Profit before tax						
Income tax expense						
Profit for the year						

Note: Excluding exchange differences, net

4. Operating Segment Information (continued)

(a) Operating segments (continued)

Group

	Electric power generation		Hotel operation and management		Toll roads and bridges	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**497,891**	520,014	**678,753**	665,181	**14,362**	24,751
Intersegment sales	**–**	–	**–**	–	**–**	–
Other revenue from external sources *(note)*	**11,288**	12,215	**1,311**	3,749	**3,755**	31
Other revenue from intersegment transactions *(note)*	**–**	–	**–**	–	**–**	–
Exchange differences, net	**5,131**	2	**10,453**	284	**127**	(1,752)
Total	**514,310**	532,231	**690,517**	669,214	**18,244**	23,030
Segment results	**302,147**	101,154	**134,185**	129,731	**(4,200)**	5,697
Interest income						
Interest income from available-for-sale financial assets						
Investment income from available-for-sale financial assets						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A joint venture	**–**	–	**–**	–	**51,238**	81,527
Associates	**315,723**	93,214	**–**	–	**2,876**	4,514
Net gain on disposal of subsidiaries, associates and a joint venture						
Profit before tax						
Income tax expense						
Profit for the year						

Note: Excluding exchange differences, net

4. Operating Segment Information (continued)

(a) Operating segments (continued)

Group

	Others		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**–**	–	**–**	–	**7,990,015**	7,736,095
Intersegment sales	**–**	–	**(105,917)**	(102,415)	**–**	–
Other revenue from external sources *(note)*	**1,483**	5,316	**–**	–	**71,980**	77,880
Other revenue from intersegment transactions *(note)*	**5,829**	3,903	**(5,829)**	(3,903)	**–**	–
Exchange differences, net	**31,589**	936	**–**	–	**95,769**	(6,385)
Total	**38,901**	10,155	**(111,746)**	(106,318)	**8,157,764**	7,807,590
Segment results	**(63,483)**	(61,496)	**–**	–	**5,021,587**	4,676,308
Interest income					**70,318**	218,358
Interest income from available-for-sale financial assets					**205,056**	–
Investment income from available-for-sale financial assets					**53,032**	53,849
Other unallocated losses, net					**–**	(14,354)
Finance costs					**(60,020)**	(164,575)
Share of profits less losses of:						
A joint venture	**–**	–	**–**	–	**51,238**	81,527
Associates	**–**	–	**–**	–	**262,168**	70,573
Net gain on disposal of subsidiaries, associates and a joint venture					**441,518**	–
Profit before tax					**6,044,897**	4,921,686
Income tax expense					**(1,098,511)**	(953,672)
Profit for the year					**4,946,386**	3,968,014

Note: Excluding exchange differences, net

4. Operating Segment Information (continued)

(a) Operating segments (continued)

Group

	Property investment and development		Department stores		Water distribution	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**11,103,897**	12,598,938	**126,692**	124,527	**14,148,083**	14,977,274
Investments in associates	**–**	–	**153,187**	179,780	**168,617**	108,233
Investment in a joint venture	**–**	–	**–**	–	**–**	–
Unallocated assets						
Total assets						
Segment liabilities	**663,323**	567,025	**1,303,830**	1,296,939	**1,422,707**	1,502,456
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	**45,306**	37,394	**18,196**	16,862	**868,431**	866,870
Changes in fair value of derivative financial instruments not qualified as hedges, net	**–**	–	**–**	–	**–**	103
Losses arising from the reclassification from hedging reserve to the statement of profit or loss	**–**	–	**–**	–	**–**	14,251
Impairment losses recognised in the statement of profit or loss	**–**	–	**–**	–	**–**	–
Impairment losses reversed in the statement of profit or loss	**–**	–	**(214)**	–	**(488)**	(959)
Changes in fair value of investment properties	**(735,758)**	(794,601)	**–**	–	**–**	–
Other non-cash expenses/ (income), net	**–**	–	**–**	–	**(44)**	(230)
Capital expenditure*	**137,935**	1,558,139	**8,435**	17,593	**13,294**	16,375

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

4. Operating Segment Information (continued)

(a) Operating segments (continued)

Group

	Electric power generation		Hotel operations and management		Toll roads and bridges	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**308,008**	167,378	**2,304,669**	2,347,454	**–**	827
Investments in associates	**1,381,069**	1,124,927	**–**	–	**–**	69,347
Investment in a joint venture	**–**	–	**–**	–	**–**	720,386
Unallocated assets						
Total assets						
Segment liabilities	**531,074**	542,153	**114,678**	106,195	**–**	119,611
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	**8,504**	8,498	**125,653**	128,670	**–**	341
Changes in fair value of derivative financial instruments not qualified as hedges, net	**–**	–	**–**	–	**–**	–
Losses arising from the reclassification from hedging reserve to the statement of profit or loss	**–**	–	**–**	–	**–**	–
Impairment losses recognised in the statement of profit or loss	**–**	18,453	**–**	–	**–**	3,651
Impairment losses reversed in the statement of profit or loss	**(107,898)**	–	**(6)**	(12)	**–**	–
Changes in fair value of investment properties	**–**	–	**–**	–	**–**	–
Other non-cash expenses/(income), net	**500**	–	**(8)**	(97)	**–**	–
Capital expenditure*	**43,631**	10,232	**43,932**	12,591	**4**	9

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

4. Operating Segment Information (continued)

(a) Operating segments (continued)

Group

	Others		Eliminations		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment assets	**8,774**	9,144	**–**	–	**28,000,123**	30,225,542
Investments in associates	**–**	–	**–**	–	**1,702,873**	1,482,287
Investment in a joint venture	**–**	–	**–**	–	**–**	720,386
Unallocated assets					**11,609,444**	4,933,777
Total assets					**41,312,440**	37,361,992
Segment liabilities	**49,270**	18,764	**–**	–	**4,084,882**	4,153,143
Unallocated liabilities					**5,046,040**	4,824,600
Total liabilities					**9,130,922**	8,977,743
Other segment information:						
Depreciation and amortisation	**934**	753	**–**	–	**1,067,024**	1,059,388
Changes in fair value of derivative financial instruments not qualified as hedges, net	**–**	–	**–**	–	**–**	103
Losses arising from the reclassification from hedging reserve to the statement of profit or loss	**–**	–	**–**	–	**–**	14,251
Impairment losses recognised in the statement of profit or loss	**–**	420	**–**	–	**–**	22,524
Impairment losses reversed in the statement of profit or loss	**–**	–	**–**	–	**(108,606)**	(971)
Changes in fair value of investment properties	**–**	–	**–**	–	**(735,758)**	(794,601)
Other non-cash expenses/(income), net	**–**	–	**–**	–	**448**	(327)
Capital expenditure*	**419**	1,853	**–**	–	**247,650**	1,616,792

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

4. Operating Segment Information (continued)

(b) Geographical information

The following table presents the Group's geographical information regarding revenue and certain assets for the years ended 31 December 2013 and 2012.

Group

	2013 HK$'000	2012 HK$'000
Revenue from external customers		
Hong Kong	**289,853**	289,624
Mainland China	**7,700,162**	7,446,471
	7,990,015	7,736,095

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

	2013 HK$'000	2012 HK$'000
Non-current assets		
Hong Kong	**1,910,375**	1,593,312
Mainland China	**27,198,299**	27,656,409
	29,108,674	29,249,721

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

(c) Information about a major customer

Revenue of approximately HK$3,743,300,000 (2012: HK$3,538,700,000) was derived from sales by the water distribution segment to a single customer.

5. Revenue and Other Income and Losses, Net

Revenue, which is also the Group's turnover, represents the invoiced value of water and electricity sold; the net 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 during the year.

An analysis of net revenue, other income and losses is as follows:

	2013 HK$'000	2012 HK$'000
Revenue		
Sale of water and electricity	**5,432,370**	5,295,074
Sale of goods	**66,111**	62,264
Commissions from concessionaire sales	**705,746**	649,154
Hotel and rental income	**1,771,426**	1,704,852
Toll revenue	**14,362**	24,751
	7,990,015	7,736,095
Other income		
Interest income	**70,318**	218,358
Interest income from available-for-sale financial assets	**205,056**	–
Investment income from available-for-sale financial assets	**53,032**	53,849
Others	**71,980**	77,880
	400,386	350,087
Other losses		
Changes in fair value of derivative financial instruments not qualified as hedges, net	**–**	(103)
Losses arising from the reclassification from hedging reserve to the statement of profit or loss	**–**	(14,251)
	–	(14,354)
	400,386	335,733

6. Profit Before Tax

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

	Notes	**2013 HK$'000**	2012 HK$'000
Cost of inventories sold*		**379,663**	420,892
Depreciation	*14*	**255,861**	245,589
Recognition of prepaid land lease payments	*16*	**4,763**	4,705
Amortisation of intangible assets*	*21*	**806,400**	809,094
Minimum lease payments under operating leases in respect of land and buildings		**131,109**	116,108
Auditors' remuneration		**8,530**	8,145
Employee benefit expense (excluding directors' remuneration – *note 8*):			
Wages and salaries		**664,672**	610,650
Equity-settled share option expense		**21,944**	(931)
Pension scheme contributions		**78,051**	62,928
Less: Forfeited contributions		**(4)**	(27)
Net pension scheme contributions#		**78,047**	62,901
		764,663	672,620
Gross rental income from investment properties		**(941,287)**	(873,399)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**113,122**	100,212
Net rental income from investment properties		**(828,165)**	(773,187)
Exchange differences, net		**(95,769)**	6,385
Impairment of items of property, plant and equipment^	*14*	**–**	3,651
Impairment of prepayments and other receivables^		**–**	18,873
Reversal of impairment on an investment in an associate^	*20*	**(107,898)**	–
Loss on disposal of items of property, plant and equipment, net^		**149**	2,389
Gain on disposal of items of intangible assets, net^		**(70,101)**	–

* *These costs and expenses are included in "Cost of sales" on the face of the consolidated statement of profit or loss.*

\# *As at 31 December 2013 and 2012, 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 statement of profit or loss.*

7. Finance Costs

An analysis of finance costs is as follows:

	Group 2013 HK$'000	2012 HK$'000
Interest on bank borrowings wholly repayable within five years and total interest expense on financial liabilities not at fair value through profit or loss	**60,020**	53,186
Finance charges on cash flow hedges, net	**–**	111,389
Total finance costs for the year	**60,020**	164,575

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Group 2013 HK$'000	2012 HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**3,178**	2,157
Non-executive directors	**–**	509
	3,178	2,666
Other emoluments:		
Salaries, allowances and benefits in kind	**2,293**	2,737
Performance-related bonuses	**2,982**	2,663
Equity-settled share option expense	**11,236**	770
Pension scheme contributions	**380**	569
Less: Forfeited contributions	**–**	–
Net pension scheme contributions	**380**	569
Total directors' remuneration	**20,069**	9,405

8. Directors' Remuneration (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 HK$'000	2012 HK$'000
CHAN Cho Chak, John	**658**	630
LI Kwok Po, David	**672**	644
FUNG Daniel Richard	**616**	588
CHENG Mo Chi, Moses	**616**	79
WU Ting Yuk, Anthony	**616**	216
	3,178	2,157

During the year, reversal of equity-settled share option expense of approximately HK$132,000 (2012: equity-settled share option expense of approximately HK$10,000) was recognised to an independent non-executive director, Dr. CHENG Mo Chi, Moses.

(b) Executive directors and other non-executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Performance-related bonuses HK$'000	Equity-settled share option expense HK$'000	Net pension scheme contributions HK$'000	Total remuneration HK$'000
2013						
Executive directors:						
HUANG Xiaofeng	–	–	–	1,685	–	1,685
WEN Yinheng	–	673	1,651	816	320	3,460
TSANG Hon Nam	–	1,620	670	769	60	3,119
	–	2,293	2,321	3,270	380	8,264
Non-executive directors:						
HUANG Zhenhai	–	–	–	1,354	–	1,354
WU Jianguo	–	–	–	1,326	–	1,326
XU Wenfang	–	–	–	1,364	–	1,364
ZHANG Hui#	–	–	661	1,377	–	2,038
ZHAO Chunxiao	–	–	–	1,326	–	1,326
LI Wai Keung	–	–	–	1,351	–	1,351
	–	2,293	2,982	11,368	380	17,023

8. Directors' Remuneration (continued)

(b) Executive directors and other non-executive directors (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Performance-related bonuses HK$'000	Equity-settled share option expense HK$'000	Net pension scheme contributions HK$'000	Total remuneration HK$'000
2012						
Executive directors:						
HUANG Xiaofeng	–	–	–	171	–	171
ZHANG Hui#	–	1,113	1,825	115	487	3,540
WEN Yinheng	–	80	–	–	22	102
TSANG Hon Nam	–	1,544	838	88	60	2,530
	–	2,737	2,663	374	569	6,343
Non-executive directors:						
CHENG Mo Chi, Moses*	509	–	–	65	–	574
HUANG Zhenhai	–	–	–	–	–	–
WU Jianguo	–	–	–	–	–	–
XU Wenfang	–	–	–	99	–	99
ZHANG Hui#	–	–	–	17	–	17
ZHAO Chunxiao	–	–	–	–	–	–
LI Wai Keung	–	–	–	100	–	100
LI Wenyue	–	–	–	–	–	–
SUN Yingming	–	–	–	105	–	105
	509	2,737	2,663	760	569	7,238

Mr. ZHANG Hui was re-designated as a non-executive director on 15 November 2012. Of his total remuneration in 2013, approximately HK$661,000 represented performance-related bonus for his service before appointment as a non-executive director. Of his total remuneration in 2012, approximately HK$3,540,000 represented remuneration of his service before appointment as a non-executive director.

* *Dr. CHENG Mo Chi, Moses was re-designated as an independent non-executive director on 15 November 2012. Of his total remuneration in 2012, approximately HK$509,000 represented remuneration for his service before appointment as an independent non-executive director.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the year included two (2012: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the other three (2012: three) highest paid employees who are not directors of the Company are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,160**	4,660
Performance-related bonuses	**3,909**	2,990
Equity-settled share option expense	**2,060**	166
Pension scheme contributions	**209**	180
	10,338	7,996

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
HK$2,500,001 – HK$3,000,000	**–**	3
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**2**	–
	3	3

10. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the 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 at a rate of 25%.

	2013	2012
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**21,202**	23,227
Overprovision in prior years	**(138)**	(31)
Current – Mainland China		
Charge for the year	**814,468**	642,802
Underprovision/(overprovision) in prior years	**5,090**	(4,010)
Deferred tax *(note 30)*	**257,889**	291,684
Total tax charge for the year	**1,098,511**	953,672

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2013					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**382,564**		**5,662,333**		**6,044,897**	
Tax at the statutory tax rates	**63,123**	**16.5**	**1,415,583**	**25.0**	**1,478,706**	**24.5**
Lower tax rates for specific provinces or enacted by local authority	**–**	**–**	**(61,505)**	**(1.1)**	**(61,505)**	**(1.0)**
Adjustments in respect of current tax of previous periods	**(138)**	**–**	**5,090**	**0.1**	**4,952**	**0.1**
Profits attributable to a joint venture and associates	**–**	**–**	**(78,351)**	**(1.4)**	**(78,351)**	**(1.3)**
Income not subject to tax	**(52,500)**	**(13.7)**	**(355,546)**	**(6.3)**	**(408,046)**	**(6.8)**
Expenses not deductible for tax	**12,836**	**3.4**	**20,580**	**0.4**	**33,416**	**0.6**
Effect of withholding tax at 5% on the distributable profits on the Group's PRC subsidiaries	**–**	**–**	**144,037**	**2.5**	**144,037**	**2.4**
Tax losses utilised from previous periods	**–**	**–**	**(18,385)**	**(0.3)**	**(18,385)**	**(0.3)**
Tax losses not recognised	**170**	**–**	**1,200**	**–**	**1,370**	**–**
Others	**4,075**	**1.0**	**(1,758)**	**–**	**2,317**	**–**
Tax charge at the Group's effective rates	**27,566**	**7.2**	**1,070,945**	**18.9**	**1,098,511**	**18.2**

10. Income Tax Expense (continued)

	2012					
	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	158,221		4,763,465		4,921,686	
Tax at the statutory tax rates	26,107	16.5	1,190,866	25.0	1,216,973	24.7
Lower tax rates for specific provinces or enacted by local authority	–	–	(1,182)	–	(1,182)	–
Adjustments in respect of current tax of previous periods	(31)	–	(4,010)	(0.1)	(4,041)	(0.1)
Profits attributable to a joint venture and associates	–	–	(38,025)	(0.8)	(38,025)	(0.8)
Income not subject to tax	(11,862)	(7.5)	(257,487)	(5.4)	(269,349)	(5.5)
Expenses not deductible for tax	11,881	7.5	11,008	0.2	22,889	0.5
Effect of withholding tax at 5% on the distributable profits on the Group's PRC subsidiaries	–	–	88,570	1.9	88,570	1.8
Tax losses utilised from previous periods	(50)	–	(273)	–	(323)	–
Tax losses not recognised	3,215	2.0	5,546	0.1	8,761	0.2
Others	(42)	–	(70,559)	(1.5)	(70,601)	(1.4)
Tax charge at the Group's effective rates	29,218	18.5	924,454	19.4	953,672	19.4

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a profit of HK$2,023,769,000 (2012: HK$1,422,668,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. Dividends

	2013 HK$'000	2012 HK$'000
Interim – 7.0 HK cents (2012: 7.0 HK cents) per ordinary share	**436,671**	436,324
Proposed final – 16.0 HK cents (2012: 13.0 HK cents) per ordinary share	**998,300**	810,447
	1,434,971	1,246,771

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 end of the reporting period.

13. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount 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 the diluted earnings per share amount 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:

	2013	2012
	HK$'000	HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**4,426,117**	3,413,824

	Number of shares	
	2013	2012
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,237,296,890**	6,233,257,978
Effect of dilution – weighted average number of ordinary shares that assumed to have been issued:		
Share options	**18,471,522**	21,911,174
For the purpose of the diluted earnings per share calculation	**6,255,768,412**	6,255,169,152

14. Property, Plant and Equipment

Group – 2013

	Hotel properties HK$'000	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2013:								
Cost	2,828,076	1,184,842	1,727,441	409,903	205,713	30,316	95,635	6,481,926
Accumulated depreciation and impairment	(751,108)	(805,015)	(1,357,176)	(278,551)	(169,486)	(20,474)	–	(3,381,810)
Net carrying amount	2,076,968	379,827	370,265	131,352	36,227	9,842	95,635	3,100,116
At 1 January 2013, net of accumulated depreciation and impairment	2,076,968	379,827	370,265	131,352	36,227	9,842	95,635	3,100,116
Additions	791	–	4,856	10,374	38,985	492	69,345	124,843
Disposals and write-offs	(131)	(270)	(76)	(221)	(2)	(17)	(62)	(779)
Depreciation provided during the year *(note 6)*	(77,387)	(41,844)	(69,919)	(42,184)	(21,333)	(3,194)	–	(255,861)
Transfer	–	–	19,823	456	663	–	(20,942)	–
Transfer from investment properties *(note 15)*	–	66,911	–	–	–	–	–	66,911
Exchange realignment	30,267	11,058	218	3,961	1,010	232	3,656	50,402
At 31 December 2013, net of accumulated depreciation and impairment	2,030,508	415,682	325,167	103,738	55,550	7,355	147,632	3,085,632
At 31 December 2013:								
Cost	2,868,656	1,290,514	1,765,098	417,759	248,890	30,486	147,632	6,769,035
Accumulated depreciation and impairment	(838,148)	(874,832)	(1,439,931)	(314,021)	(193,340)	(23,131)	–	(3,683,403)
Net carrying amount	2,030,508	415,682	325,167	103,738	55,550	7,355	147,632	3,085,632

14. Property, Plant and Equipment (continued)

Group – 2012

	Hotel properties HK$'000	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2012:								
Cost	2,832,688	1,191,352	1,716,828	411,092	194,881	28,716	97,222	6,472,779
Accumulated depreciation and impairment	(675,833)	(774,986)	(1,296,193)	(245,388)	(166,887)	(19,209)	–	(3,178,496)
Net carrying amount	2,156,855	416,366	420,635	165,704	27,994	9,507	97,222	3,294,283
At 1 January 2012, net of accumulated depreciation and impairment	2,156,855	416,366	420,635	165,704	27,994	9,507	97,222	3,294,283
Additions	3,359	–	3,546	11,211	15,085	3,803	26,435	63,439
Disposals and write-offs	(273)	(1,486)	(211)	(463)	(48)	(191)	–	(2,672)
Depreciation provided during the year *(note 6)*	(77,806)	(34,611)	(65,624)	(41,642)	(22,872)	(3,034)	–	(245,589)
Transfer	–	–	11,948	–	16,052	–	(28,000)	–
Surplus on revaluation on transfer to investment properties	–	393	–	–	–	–	–	393
Transfer to investment properties *(note 15)*	–	(672)	–	–	–	–	–	(672)
Impairment *(note 6)*	–	–	–	(3,410)	–	(241)	–	(3,651)
Exchange realignment	(5,167)	(163)	(29)	(48)	16	(2)	(22)	(5,415)
At 31 December 2012, net of accumulated depreciation and impairment	2,076,968	379,827	370,265	131,352	36,227	9,842	95,635	3,100,116
At 31 December 2012:								
Cost	2,828,076	1,184,842	1,727,441	409,903	205,713	30,316	95,635	6,481,926
Accumulated depreciation and impairment	(751,108)	(805,015)	(1,357,176)	(278,551)	(169,486)	(20,474)	–	(3,381,810)
Net carrying amount	2,076,968	379,827	370,265	131,352	36,227	9,842	95,635	3,100,116

14. Property, Plant and Equipment (continued)

Group

The net carrying amount of the Group's hotel properties and land and buildings at the end of the reporting period are analysed as follows:

	Hotel properties	
	2013	2012
	HK$'000	HK$'000
Long term leases in Hong Kong	**570,047**	578,519
Medium term leases in Hong Kong	**262,314**	275,039
Medium term leases in Mainland China	**1,198,147**	1,223,410
	2,030,508	2,076,968

	Land and buildings	
	2013	2012
	HK$'000	HK$'000
Long term leases in Hong Kong	**19,344**	18,400
Medium term leases in Hong Kong	**9,381**	9,196
Medium term leases in Mainland China	**386,957**	352,231
	415,682	379,827

Company – 2013

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2013, net of accumulated depreciation	**481**	**140**	**1,529**	**2,150**
Additions	**378**	**17**	**–**	**395**
Depreciation provided during the year	**(292)**	**(66)**	**(566)**	**(924)**
At 31 December 2013, net of accumulated depreciation	**567**	**91**	**963**	**1,621**
At 31 December 2013:				
Cost	**4,437**	**8,674**	**2,620**	**15,731**
Accumulated depreciation	**(3,870)**	**(8,583)**	**(1,657)**	**(14,110)**
Net carrying amount	**567**	**91**	**963**	**1,621**

14. Property, Plant and Equipment (continued)

Company – 2012

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2012, net of accumulated depreciation	484	197	396	1,077
Additions	223	13	1,595	1,831
Disposal	(9)	–	–	(9)
Depreciation provided during the year	(217)	(70)	(462)	(749)
At 31 December 2012, net of accumulated depreciation	481	140	1,529	2,150
At 31 December 2012:				
Cost	4,795	8,657	2,620	16,072
Accumulated depreciation	(4,314)	(8,517)	(1,091)	(13,922)
Net carrying amount	481	140	1,529	2,150

15. Investment Properties

Group

	Completed HK$'000	Under development HK$'000	Total HK$'000
Carrying amount at 1 January 2012	5,882,618	1,224,021	7,106,639
Additions	–	183,437	183,437
Acquisition of a subsidiary *(note 35)*	–	1,369,734	1,369,734
Net gain from fair value adjustments	292,418	502,183	794,601
Transfer from property, plant and equipment, net *(note 14)*	672	–	672
Exchange realignment	(89)	4,536	4,447
Carrying amount at 31 December 2012 and 1 January 2013	**6,175,619**	**3,283,911**	**9,459,530**
Additions	**–**	**120,512**	**120,512**
Net gain from fair value adjustments	**723,129**	**12,629**	**735,758**
Transfer to property, plant and equipment, net *(note 14)*	**(66,911)**	**–**	**(66,911)**
Exchange realignment	**177,861**	**104,918**	**282,779**
Carrying amount at 31 December 2013	**7,009,698**	**3,521,970**	**10,531,668**

15. Investment Properties (continued)

	2013 HK$'000	2012 HK$'000
Analysis of cost or valuation:		
At cost	**1,456,404**	1,331,597
At valuation	**9,075,264**	8,127,933
	10,531,668	9,459,530

The Group's investment properties are held under the following lease terms:

	2013 HK$'000	2012 HK$'000
Long term leases in Hong Kong	**1,022,680**	698,310
Medium term leases in Mainland China	**9,508,988**	8,761,220
	10,531,668	9,459,530

On an annual basis, the Group engages external, independent and professionally qualified valuers to determine the fair value of the Group's investment properties. As at 31 December 2013, the fair values have been determined by Vigers Appraisal & Consulting Limited, at an aggregate amount of HK$9,075,264,000 on an open market, existing use basis.

The Group's property manager and the chief financial officer have discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed.

Certain investment properties are leased to third parties, Guangdong Holdings, GDH Limited and certain fellow subsidiaries under operating leases, further summary details of which are included in notes 38(a) and 41(b) to the financial statements.

Included in the above investment properties was a land parcel located in Tianjin under development into a shopping mall with land and development costs of HK$1,456,404,000 (2012: HK$1,331,597,000). This investment property was carried at cost less any accumulated impairment losses as the directors are of the opinion that its fair value cannot be reliably determined due to the fact that the development project was still at its initial stage as at the end of the reporting period.

Further particulars of the Group's investment properties are included on page 157.

15. Investment Properties (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	7,009,698	7,009,698
Investment property under development	–	–	2,065,566	2,065,566
	–	–	9,075,264	9,075,264

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurement categorised within Level 3 of the fair value hierarchy:

	Commercial Properties HK$'000	Investment property under development HK$'000
Carrying amount at 1 January 2013	6,175,619	1,952,314
Additions	–	38,695
Net gain from fair value adjustments	723,129	12,629
Transfer to property, plant and equipment, net	(66,911)	–
Exchange realignment	177,861	61,928
Carrying amount at 31 December 2013	7,009,698	2,065,566

15. Investment Properties (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range
Commercial properties located in Hong Kong:			
Office	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.ft. and per month)	HK$19 to HK$32
		Market rent (per sq.ft. and per month)	HK$26 to HK$28
		Term yield	4.5%
		Market yield	5.0%
Retail	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.ft. and per month)	HK$97
		Market rent (per sq.ft. and per month)	HK$100
		Term yield	6.0%
		Market yield	6.75%
Commercial properties located in Mainland China:			
Office	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month)	HK$64 to HK$123
		Market rent (per sq.m. and per month)	HK$64 to HK$121
		Term yield	7%
		Market yield	8%
Retail	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month)	HK$66 to HK$434
		Market rent (per sq.m. and per month)	HK$70 to HK$445
		Term yield	5.5%
		Market yield	6.0%
Office	Market approach	Market price (per sq.m.)	HK$26,000 to HK$30,000
Retail	Market approach	Market price (per sq.m.)	HK$46,000 to HK$108,000

15. Investment Properties (continued)

Fair value hierarchy (continued)

	Valuation techniques	Significant unobservable inputs	Range
Investment property under development:			
Office	Income approach, more specifically, a residual approach	Gross development value (per sq.m.)	HK$21,000
		Estimated construction cost (per sq.m.)	HK$6,400
		Developer's profit	25%
Retail	Income approach, more specifically, a residual approach	Gross development value (per sq.m.)	HK$31,000 to HK$33,000
		Estimated construction cost (per sq.m.)	HK$8,300 to HK$8,900
		Developer's profit	25%

The term and reversion approach

Under the term and reversion approach, fair value is estimated on the basis of capitalisation of existing rental income and reversionary market rental income.

The market rentals of the investment properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rents are assessed by reference to the rentals achieved in the investment properties as well as other lettings of similar properties in the neighbourhood. The market yield, which is the capitalisation rate adopted, is made by reference to the yields derived from analysing the leasing and sales transactions of similar properties and adjusted to take account of the valuers' knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties.

The key inputs were the market rent and the market yield, which a significant increase/decrease in the market rent in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the market yield in isolation would result in a significant decrease/increase in the fair value of the investment properties.

The market approach

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and others factors collectively, to arrive at the market price per square metre.

The key input was the market price per square metre, which a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment properties.

15. Investment Properties (continued)

The residual approach

Under the residual approach, fair value is estimated on the basis of the gross development value of the investment property by reference to its development potential deducting various costs, such as construction cost, contingency cost, finance cost and professional fees that will be expended to complete the development as well as the developer's profit to reflect the risks associated with the development of the investment property and the quality of the completed development.

The gross development value is arrived at by making reference to the sales transactions or asking price evidences of comparable properties as available in the market with adjustments made to account for any differences and where appropriate.

The key inputs were the gross development value, estimated construction cost and developer's profit, which a significant increase/decrease in the development value in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the estimated construction cost and the developer's profit in isolation would result in a significant decrease/increase in the fair value of the investment properties.

16. Prepaid Land Lease Payments

The Group's interests in leasehold land are analysed as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**96,772**	101,501
Recognised during the year *(note 6)*	**(4,763)**	(4,705)
Exchange realignment	**2,549**	(24)
Carrying amount at 31 December	**94,558**	96,772

The leasehold land is situated in Mainland China and is held under medium term leases.

17. Goodwill

	Group	
	2013	2012
	HK$'000	HK$'000
Cost and net carrying amount at 1 January and 31 December	**266,146**	266,146

17. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations, as further detailed in note 2.4 to the financial statements, is principally allocated to the water supply cash-generating unit for impairment testing.

The recoverable amount of the water supply cash-generating unit has been determined based on a value in use calculation using cash flow projections approved by the Company's directors covering the concession period of 30 years commencing from 18 August 2000. The discount rate applied to cash flow projections is 7% (2012: 7%). The cash flows of the water supply cash-generating unit depend principally on the pricing and volume of the water supply to the HKSAR, Shenzhen and Dongguan. Revenue from the water supply to the HKSAR during the cash flow projection period is based on the latest 2011 Hong Kong Water Supply Agreement where the annual water revenue receivable from the HKSAR for year 2014 is HK$3,959.34 million. No growth in the revenue from the water supply to the HKSAR is extrapolated beyond 2014 (no growth in the revenue was considered solely for the purposes of the impairment test to arrive at a conservative projection of cash flows and does not reflect the forecast long-term industry growth or our expectation of the business performance). Operating expenses are expected to increase by 3% to 10% per annum during the cash flow projection period. The cash flow projections have been prepared based on the actual results of the water supply cash-generating unit for the year ended 31 December 2013. Based on the approved cash flow projections, the directors believe that any reasonable change in the key assumptions on which the recoverable amount of the water supply cash-generating unit would not cause the aggregate carrying amount of goodwill to exceed its recoverable amount.

The carrying amount of goodwill allocated to the water supply cash-generating unit was HK$265,788,000 (2012: HK$265,788,000) as at 31 December 2013.

18. Investments in Subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted investments, at cost	**5,704,947**	5,703,115
Due from subsidiaries	**3,721,403**	4,256,514
Due to subsidiaries	**(478,255)**	(29,596)
	8,948,095	9,930,033
Less: Impairments#	**(1,440,425)**	(1,541,760)
	7,507,670	8,388,273

Impairments as at 31 December 2013 included impairment provisions of HK$674,663,000 (2012: HK$674,483,000) and HK$765,762,000 (2012: HK$867,277,000) for investments in subsidiaries and amounts due from subsidiaries, respectively.

At the end of each reporting period, the Company assesses the prospects and financial position of its subsidiaries, on an individual basis, as to whether there is any indication of impairment of its investments in subsidiaries or any impairment loss recognised for subsidiaries in prior years that may no longer exist or may need to be adjusted accordingly.

18. Investments in Subsidiaries (continued)

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	**867,277**	945,834
Impairment loss recognised	**44,709**	17,299
Impairment loss reversed	**(146,224)**	(95,856)
At 31 December	**765,762**	867,277

Other than the balances mentioned below, the amounts due from/(to) subsidiaries are unsecured, non-interest-bearing and have no specific terms of repayment.

Included in the amounts due from subsidiaries as at 31 December 2012 was an unsecured loan of HK$81,479,000 which bore interest at a fixed rate of 9% per annum and had no specific terms of repayment.

Particulars of the principal subsidiaries are as follows:

Company	**Place of incorporation/ registration and business**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company Direct**	**Indirect**	**Principal activities**
Global Head Developments Limited ("Global Head")	British Virgin Islands/ Hong Kong	US$1	100%	–	Property investment
Fill Success Investments Limited	Hong Kong	HK$2 ordinary HK$2 non-voting deferred	–	100%	Hotel ownership
GH Water Supply (Holdings) Limited ("GH Water Holdings")[(7)*]	Cayman Islands/ Hong Kong	HK$1,000,000 ordinary HK$100 Class A special shares	96%	–	Investment holding
廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited) ("GD Teem")[(1)]*	Mainland China	RMB840,000,000	11.51%	64.58%	Property investment and investment holding
Guangdong Hotel Limited	Hong Kong	HK$2 ordinary HK$5,000,000 non-voting deferred	–	100%	Hotel ownership and operations
Guangdong (International) Hotel Management Holdings Limited	Hong Kong	HK$10,000,000	100%	–	Hotel management
Guangdong Nan Fang (Holdings) Co. Ltd. ("Nan Fang Holdings")*	British Virgin Islands/ Mainland China	US$10,000	100%	–	Property investment
Guangdong Power (International) Limited ("GPIL")	British Virgin Islands/ Hong Kong	US$31,286,250	51%	–	Investment holding

18. Investments in Subsidiaries (continued)

Company	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Guangdong Properties Holdings Limited	Hong Kong	HK$2	100%	–	Investment holding
廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.)(4)*	Mainland China	RMB50,000,000	–	85.18%	Department stores operations
Guangdong Yue Gang Water Supply Company Limited ("WaterCo")(2)(6)*	Mainland China	HK$6,116,000,000	–	95.04%	Water supply business
Sen International Ventures Corporation (Hong Kong) Limited	Hong Kong	HK$2	–	100%	Hotel operations
深圳粵海酒店企業有限公司 (Shenzhen Guangdong Hotel Enterprise Ltd.)(2)*	Mainland China	HK$40,000,000	99%	–	Hotel ownership and operations
珠海粵海酒店 (Guangdong Hotel (Zhu Hai))(3)*	Mainland China	US$10,000,000	–	100%	Hotel ownership and operations
Yue Sheng Finance Limited	Hong Kong	HK$2	100%	–	Finance
中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.)(2)*	Mainland China	US$35,000,000	–	59.85%	Power plant operations
廣州市天河城萬博百貨有限公司(4)*	Mainland China	RMB1,000,000	–	85.18%	Department store operations
廣東粵海投資財務管理有限公司(3)*	Mainland China	RMB10,000,000	100%	–	Finance
廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Co. Ltd.) ("Wanye")(4)(5)*	Mainland China	RMB230,000,000	–	31.04%	Property investment and development

18. Investments in Subsidiaries (continued)

Notes:

(1) *Sino-foreign equity joint venture.*

(2) *Sino-foreign co-operative joint ventures.*

(3) *Wholly-foreign-owned enterprises.*

(4) *Limited companies established in Mainland China.*

(5) *As at 31 December 2013, the Group contributed RMB156,400,000 and RMB202,000,000 to Wanye as paid-up capital and capital reserve, respectively. RMB1,433,600,000 will be contributed to Wanye as capital reserve within 4 years by instalments.*

(6) *Pursuant to WaterCo's articles of association, Guangdong Holdings, which directly holds a 1% equity interest in WaterCo, is not entitled to receive any distributed profits of WaterCo for the first fifteen years of operation (the "Period"). 100% of the distributed profits of WaterCo for the Period shall be made to GH Water Holdings, its holding company holding a 99% equity interest. Starting from the sixteenth year of WaterCo's operation, 1.01% of the distributed profits of WaterCo for the Period plus simple interest at a rate of 8% per annum on the unpaid amount of the distributed profits shall be made to Guangdong Holdings (collectively referred to as the "Deferred Dividend"). Once Guangdong Holdings has received the Deferred Dividend in full, all of WaterCo's distributable profits will be distributed to GH Water Holdings and Guangdong Holdings according to their respective equity interests in WaterCo for the remaining operating period.*

(7) *During the years ended 31 December 2013 and 2012, the Group acquired additional interests in GH Water Holdings from non-controlling interests. During the year ended 31 December 2012, the Group redeemed the Class B special share at the redemption price of HK$10 pursuant to the article 7(G) of GH Water Holdings' articles of association.*

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

GD Teem is considered a subsidiary that has material non-controlling interests. The percentage of equity interest held by GD Teem's non-controlling interests as at 31 December 2013 is 23.91% (2012: 23.91%). The details of non-controlling interests of GD Teem are set out below:

	2013 HK$'000	2012 HK$'000
Profit for the year allocated to GD Teem's non-controlling interests	**242,366**	447,702
Accumulated balances of GD Teem's non-controlling interests at the reporting dates	**3,994,994**	3,662,801

18. Investments in Subsidiaries (continued)

The following tables illustrate the summarised financial information of GD Teem. The amounts disclosed are before any intercompany eliminations:

	2013 HK$'000	2012 HK$'000
Revenue	2,019,076	1,871,255
Changes in fair value of investment properties	398,820	739,861
Total expenses	(1,280,207)	(1,201,484)
Profit for the year	1,137,689	1,409,632
Total comprehensive income for the year	1,492,603	1,414,444
Current assets	5,077,129	4,085,168
Non-current assets	10,697,045	9,996,487
Current liabilities	(1,798,501)	(1,828,003)
Non-current liabilities	(1,628,167)	(1,373,816)
Net cash flows from operating activities	967,937	1,059,689
Net cash flows used in investing activities	(1,029,195)	(1,613,262)
Net cash flows from/(used in) financing activities	34,528	(44,125)
Effect of foreign exchange rate changes, net	16,143	(1,566)
Net decrease in cash and cash equivalents	(10,587)	(599,264)

19. Investment in a Joint Venture

	Group	
	2013 HK$'000	2012 HK$'000
Share of net assets	–	720,386

Guangdong Transport Investment (BVI) Company Limited ("GTI"), a joint venture of the Group, was engaged in the investments in bridge projects and was accounted for using the equity method. On 28 June 2013, GTI was disposed of by the Group (note 34).

19. Investment in a Joint Venture (continued)

The following table illustrates the summarised financial information of GTI for the period from 1 January 2013 to 28 June 2013 (date of the disposal) and for the year ended 31 December 2012 adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements.

	2013 HK$'000	2012 HK$'000
Cash and cash equivalents	**3,519**	4,879
Other current assets	**171,329**	168,645
Current assets	**174,848**	173,524
Non-current assets	**1,391,412**	1,301,860
Current liabilities	**(62,921)**	(62,862)
Net assets	**1,503,339**	1,412,522
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**51%**	51%
The Group's share of net assets of the joint venture	**766,703**	720,386
Dividend received	**18,631**	167,366
Other income	**468**	68
Share of profits of joint ventures	**101,486**	162,110
Administrative expenses	**(1,488)**	(2,321)
Profit for the year	**100,466**	159,857
Other comprehensive income	**26,883**	(775)
Total comprehensive income for the year	**127,349**	159,082

20. Investments in Associates

	Group		**Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Unlisted investments, at cost	**–**	–	**115,062**	115,062
Share of net assets	**1,706,821**	1,743,534	**–**	–
Goodwill on acquisition	**54,330**	54,330	**–**	–
Due from an associate *(note 40(d))*	**–**	6,502	**–**	–
Loan to an associate *(note 40(d))*	**88,468**	–	**–**	–
	1,849,619	1,804,366	**115,062**	115,062
Less: Impairment	**(146,746)**	(322,079)	**(115,062)**	(115,062)
	1,702,873	1,482,287	**–**	–

20. Investments in Associates (continued)

The movements in the provision for impairment of investments in associates are as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
At 1 January	**322,079**	322,079
Impairment loss reversed *(note 6)*	**(107,898)**	–
Impairment loss written off	**(67,435)**	–
At 31 December	**146,746**	322,079

As at 31 December 2013 and 2012, a full impairment of HK$146,746,000 was made as the carrying amount of the investment in an associate which was engaged in the power supply operation exceeded its recoverable amount and management considered the whole amount was not recoverable.

廣東省韶關粵江發電有限責任公司 ("Yue Jiang"), an 11.48% associate of the Group, was disposed of during the current year (note 34). During the year, a portion of impairment of HK$107,898,000, which was made in prior years, was reversed and such amount had been recovered through the disposal. The remaining impairment amount of HK$67,435,000 was written off.

Particulars of the associates are as follows:

Company	Nominal value of issued ordinary/ registered share capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to Company	Percentage of ownership interest attributable to Group	Principal activities
廣東永旺天河城商業有限公司 (Guangdong Aeon Teem Co., Ltd.)*	RMB136,400,000	Mainland China	–	26.63%	Department stores operation
Guangdong Power Investment Limited*	US$30,068,220	British Virgin Islands/ Hong Kong	49%	49%	Investment holding
廣東粵電靖海發電有限公司 (Guangdong Yudean Jinghai Power Generation Co., Ltd. ("Yudean Jinghai"))*	RMB2,919,272,000	Mainland China	–	25%	Power plant operations
廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.) (formerly known as Nansha GDH Water Co., Ltd.)*	RMB246,027,377	Mainland China	–	49%	Water supply business

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

20. Investments in Associates (continued)

Yudean Jinghai, which is considered a material associate of the Group, engages in the power supply operation and is accounted for using the equity method.

The following table illustrates the summarised financial information of Yudean Jinghai, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Current assets	2,663,465	1,764,513
Non-current assets	14,734,124	14,526,115
Current liabilities	(6,138,537)	(6,509,328)
Non-current liabilities	(5,805,056)	(5,377,875)
Net assets	5,453,996	4,403,425
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	25%	25%
Group's share of net assets of the associate, excluding goodwill	1,363,499	1,100,856
Goodwill on acquisition	17,570	17,570
Carrying amount of the investment	1,381,069	1,118,426
Dividend received	91,141	55,414
Revenues	8,280,555	3,708,181
Profit for the year	1,262,892	372,857
Other comprehensive income for the year	152,243	(210)
Total comprehensive income for the year	1,415,135	372,647

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 HK$'000	2012 HK$'000
Share of the associates' loss for the year	(53,555)	(22,641)
Share of the associates' other comprehensive income/(loss)	6,875	(590)
Share of the associates' total comprehensive loss	(46,680)	(23,231)
Aggregate carrying amount of the Group's investments in the associates	321,804	363,861

21. Intangible Assets

Group – 2013

	Water distribution operation HK$'000	Power supply operation HK$'000	Toll road operation HK$'000	Total HK$'000
At 1 January 2013:				
Cost	23,556,135	239,053	347,537	24,142,725
Accumulated amortisation and impairment	(9,436,853)	(233,851)	(347,537)	(10,018,241)
Net carrying amount	14,119,282	5,202	–	14,124,484
At 1 January 2013, net of accumulated amortisation and impairment	14,119,282	5,202	–	14,124,484
Additions	2,295	–	–	2,295
Disposals and write-offs	(260)	(25)	–	(285)
Amortisation during the year *(note 6)*	(801,145)	(5,255)	–	(806,400)
Exchange realignment	–	78	–	78
At 31 December 2013, net of accumulated amortisation and impairment	13,320,172	–	–	13,320,172
At 31 December 2013:				
Cost	23,557,692	246,181	–	23,803,873
Accumulated amortisation and impairment	(10,237,520)	(246,181)	–	(10,483,701)
Net carrying amount	13,320,172	–	–	13,320,172

21. Intangible Assets (continued)

Group – 2012

	Water distribution operation HK$'000	Power supply operation HK$'000	Toll road operation HK$'000	Total HK$'000
At 1 January 2012:				
Cost	23,555,954	239,092	347,593	24,142,639
Accumulated amortisation and impairment	(8,635,608)	(226,015)	(347,593)	(9,209,216)
Net carrying amount	14,920,346	13,077	–	14,933,423
At 1 January 2012, net of accumulated amortisation and impairment	14,920,346	13,077	–	14,933,423
Additions	182	–	–	182
Amortisation during the year *(note 6)*	(801,246)	(7,848)	–	(809,094)
Exchange realignment	–	(27)	–	(27)
At 31 December 2012, net of accumulated amortisation and impairment	14,119,282	5,202	–	14,124,484
At 31 December 2012:				
Cost	23,556,135	239,053	347,537	24,142,725
Accumulated amortisation and impairment	(9,436,853)	(233,851)	(347,537)	(10,018,241)
Net carrying amount	14,119,282	5,202	–	14,124,484

Water distribution operation

Prior to the acquisition by the Group of an 81% interest in GH Water Holdings in 2000, WaterCo acquired the operating right from Guangdong Holdings to operate the water supply business, which supplies natural water to the HKSAR, Shenzhen and Dongguan, for a period of 30 years commencing from 18 August 2000. The operating right also grants WaterCo a right and licence to take up to 2.423 billion cubic metres of natural water annually from the Dongjiang River at Qiaotou Township in Dongguan, the exclusive right to supply natural water to the HKSAR and the non-exclusive right to supply natural water to Shenzhen and Dongguan for a period of 30 years commencing from 18 August 2000 or such longer period as extended in accordance with the terms stipulated in a concession agreement dated 18 August 2000 entered into between the Guangdong Provincial Government (the "GPG") and WaterCo (the "Concession Agreement"). Upon dissolution of WaterCo after the expiration of the operating period, WaterCo is required, at its cost and expense and without compensation, to return all of the assets related to the operating right to the GPG.

At 31 December 2013, the Group held certain temporary land use right certificates for the existing water supply operation issued by the Shenzhen and Dongguan Land Authorities in 2000. The procedures for the conversion from the temporary land use right certificates to the formal land use right certificates were in progress as at 31 December 2013. For the land related to the Phase IV Renovation Project on the water distribution operation facilities, the application for land use right certificates has been submitted and these land use right certificates were not yet issued by the relevant offices of the Land Authorities in the PRC as at 31 December 2013. Notwithstanding the above, the directors are of the opinion that the Group has obtained the beneficial title to these land parcels as at 31 December 2013 and the land use right certificates can be received.

22. Available-for-sale Financial Assets

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investment, at cost	**72,134**	72,134	**–**	–
Less: Impairment#	**(72,134)**	(72,134)	**–**	–
Net carrying value	**–**	–	**–**	–
Unlisted wealth management products, at fair value	**5,037,387**	431,655	**1,172,028**	–
Total available-for-sale financial assets	**5,037,387**	431,655	**1,172,028**	–

\# *There was no change in the impairment account during the current and prior years.*

The above investments were designated as available-for-sale financial assets.

23. Inventories

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**61,197**	41,002
Finished goods	**18,265**	15,715
	79,462	56,717

24. Receivables, Prepayments and Deposits

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables, net of impairment	*(i)*	**348,703**	337,726	**–**	–
Other receivables, prepayments and deposits	*(ii)*	**275,935**	2,779,202	**4,568**	2,017
Due from a non-controlling shareholder of a non-wholly-owned subsidiary	*40(d)*	**–**	996	**–**	–
Due from the immediate holding company	*40(d)*	**–**	683	**–**	–
Due from the ultimate holding company	*40(d)*	**1,024**	1,233	**–**	–
Due from fellow subsidiaries	*40(d)*	**3,414**	2,955	**–**	–
		629,076	3,122,795	**4,568**	2,017
Less: Portion classified as non-current assets		**(107,625)**	–	**–**	–
Current portion		**521,451**	3,122,795	**4,568**	2,017

24. Receivables, Prepayments and Deposits (continued)

Except for trade receivables as detailed below, none of the above assets is neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Note (i)

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 due within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water distribution and electricity supply business and the Group has a certain concentration of credit risk whereby 16% (2012: 15%) of the total trade receivables was due from one customer. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within 3 months	**273,339**	251,165
3 months to 6 months	**172**	6,180
6 months to 1 year	**172**	50,443
More than 1 year	**85,394**	40,473
	359,077	348,261
Less: Impairment	**(10,374)**	(10,535)
	348,703	337,726

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**10,535**	10,794
Impairment losses reversed	**(161)**	(259)
At 31 December	**10,374**	10,535

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$10,374,000 (2012: HK$10,535,000) with the same carrying amount before provision as at the end of the reporting period. The individually impaired trade receivables relate to customers that were in default payments and the full amount of the receivables is not expected to be recoverable.

24. Receivables, Prepayments and Deposits (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**231,086**	221,238
Less than 3 months past due	**42,235**	29,897
3 months to 6 months past due	**172**	5,973
6 months to 1 year past due	**164**	50,443
More than 1 year past due	**75,046**	30,175
	348,703	337,726

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Note (ii)

Included in the balance at 31 December 2012 was the consideration of approximately RMB135 million (equivalent to approximately HK$166 million) made to Guangdong Holdings for the acquisition of a 40% equity interest in three companies engaged in property investments (the "Target Companies"), and an amount of RMB2,013 million (equivalent to approximately HK$2,483 million) paid to Guangdong Holdings, as a consideration for the transfer of 40% share of the interest-bearing shareholders' loans made by Guangdong Holdings to the Target Companies. The interest income recognised during the year ended 31 December 2013 was RMB839,000 (equivalent to approximately HK$1,050,000) (2012: RMB146,993,000 (equivalent to approximately HK$180,713,000)).

The consideration and the proportional shareholders' loans were refunded in full in January 2013 upon the termination of the transaction.

25. Cash and Cash Equivalents

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances *(notes (a) and (b))*	**3,789,101**	2,319,784	**51,660**	48,046
Time deposits *(note (b))*	**2,742,635**	2,152,487	**1,111,543**	665,532
Cash and cash equivalents *(notes (c) and 36(b))*	**6,531,736**	4,472,271	**1,163,203**	713,578

Notes:

(a) Pursuant to an agreement entered into between a subsidiary of the Company and other parties, the subsidiary is required to retain certain cash and bank balances for the payment of interest, repayment of debts and distribution to shareholders of that subsidiary. As at 31 December 2013, cash and bank balances retained for such purposes amounted to HK$906,000 (2012: HK$21,612,000).

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(c) At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$5,056,804,000 (2012: HK$3,785,903,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. Payables and Accruals

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables		**575,336**	551,703	**–**	–
Accruals, other payables and other liabilities	*29*	**3,144,661**	3,198,649	**20,182**	15,790
Deferred income		**18,407**	22,617	**–**	–
Due to the immediate holding company	*40(d)*	**2,870**	3,085	**78**	294
Due to fellow subsidiaries	*40(d)*	**1,264**	1,930	**–**	–
Due to a joint venture	*40(d)*	**–**	57,798	**–**	–
Due to the ultimate holding company	*40(d)*	**66,714**	2,533	**3,051**	–
		3,809,252	3,838,315	**23,311**	16,084
Less: Portion classified as non-current liabilities	*29*	**(1,178,726)**	(1,198,821)	**–**	–
Current portion		**2,630,526**	2,639,494	**23,311**	16,084

26. Payables and Accruals (continued)

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Within 3 months	**574,751**	550,213
3 months to 6 months	**168**	162
6 months to 1 year	**417**	1,328
	575,336	551,703

The Group's and the Company's payables and accruals are non-interest-bearing and are normally settled on 60-day terms.

27. Due to Non-Controlling Shareholders of Subsidiaries

The amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and have no specific terms of repayment.

The carrying amounts of the amounts due to non-controlling shareholders of subsidiaries approximate to their fair values.

28. Interest-Bearing Bank Borrowings

Group

	2013			2012		
	Effective interest rate	**Maturity**	**HK$'000**	Effective interest rate	Maturity	HK$'000
Current						
Bank loans – unsecured	**2.26% – 2.88%**	**2014**	**814,547**	2.96%	2013	78,000
Bank loans – secured	**0.98%**	**2014**	**160,000**	1.00%	2013	160,000
Non-current						
Bank loans – unsecured	**2.26%**	**2015**	**1,100,635**	2.46% – 2.96%	2014-2015	1,907,407
Bank loans – secured	**0.98%**	**2015–2017**	**480,000**	1.00%	2014-2017	640,000
			2,555,182			2,785,407

28. Interest-Bearing Bank Borrowings (continued)

Company

	2013			2012		
	Effective interest rate	**Maturity**	**HK$'000**	Effective interest rate	Maturity	HK$'000
Current						
Bank loans – unsecured	**2.88%**	**2014**	**619,547**	2.96%	2013	78,000
Non-current						
Bank loan – unsecured	**–**	**–**	**–**	2.96%	2014	614,373
			619,547			692,373

The Group's and the Company's interest-bearing bank borrowings are charged at floating rates and their carrying amounts approximate to their fair values.

The fair values of interest-bearing bank borrowings are estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The bank borrowings are analysed into:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Within one year	**974,547**	238,000	**619,547**	78,000
In the second year	**1,260,635**	969,373	**–**	614,373
In the third to fifth years, inclusive	**320,000**	1,578,034	**–**	–
	2,555,182	2,785,407	**619,547**	692,373
Less: Portion classified as current liabilities	**(974,547)**	(238,000)	**(619,547)**	(78,000)
Non-current portion	**1,580,635**	2,547,407	**–**	614,373

Pursuant to a facility agreement entered into by the Group and certain banks in prior years (the "Refinancing Agreement"), the Group obtained credit facility of HK$2,000 million (the "Refinancing Facility"). The Refinancing Facility was guaranteed by WaterCo on a subordinated basis and was secured by the pledge of the water revenue of WaterCo.

The outstanding balance under the Refinancing Facility at 31 December 2013 was HK$640 million (2012: HK$800 million) which bears interest at 3-month or 6-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% (2012: 3-month or 6-month HIBOR plus 0.6%) per annum.

Included in the Group's unsecured bank loans at 31 December 2013 was an outstanding bank loan of HK$1,296 million (2012: HK$1,293 million) which bears interest at HIBOR plus 2% (2012: HIBOR plus 2%) per annum.

Included in the Group's and the Company's unsecured bank loans at 31 December 2013 was an outstanding bank loan of HK$620 million (2012: HK$692 million) denominated in USD. The loan bears interest at the London Interbank Offered Rate ("LIBOR ") plus 2% (2012: LIBOR plus 2%) per annum.

29. Other Liabilities

At 31 December 2013, included in the other liabilities was a non-interest-bearing receipt in advance of HK$1,063,800,000 (2012: HK$1,182,000,000). In prior years, the Government of the HKSAR granted a loan facility with a principal amount of HK$2,364 million (the "Loan Facility") to the GPG for the purpose of the Phase IV Renovation Project. Pursuant to the Concession Agreement, the Loan Facility was utilised for the construction of the Phase IV Renovation Project. Upon the completion of the Phase IV Renovation Project during the year ended 31 December 2003, the Group acquired and recorded the assets of the Phase IV Renovation Project and assumed the repayment obligations of the Loan Facility from the GPG as a non-interest-bearing receipt in advance. The outstanding Loan Facility is settled through the deduction of future water revenue to be received by the Group from the Government of the HKSAR, by an annual amount of HK$118,200,000 for 20 years commencing from December 2003.

30. Deferred Tax

The movements in deferred tax liabilities and assets during the year were as follows:

Deferred tax liabilities

Group

	2013				
	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of investment properties HK$'000	Withholding tax levied on dividend HK$'000	Others HK$'000	Total HK$'000
At 1 January 2013	463,833	864,007	320,567	24,006	1,672,413
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	14,514	100,178	144,037	(618)	258,111
Exchange differences	13,972	28,637	21,814	741	65,164
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2013	492,319	992,822	486,418	24,129	1,995,688

30. Deferred Tax (continued)

Deferred tax assets

Group

	2013					
	Depreciation expense in excess of related depreciation allowance HK$'000	Losses available for offsetting against future taxable profits HK$'000	Customer loyalty programme HK$'000	Provisions and accruals HK$'000	Others HK$'000	Total HK$'000
At 1 January 2013	(1,096)	(7,904)	(5,654)	(12,720)	(1,373)	(28,747)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	–	4,555	1,286	(7,095)	1,032	(222)
Exchange differences	(34)	–	(234)	(512)	51	(729)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2013	(1,130)	(3,349)	(4,602)	(20,327)	(290)	(29,698)
Net deferred tax liabilities at 31 December 2013						1,965,990

Deferred tax liabilities

Group

	2012				
	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of investment properties HK$'000	Withholding tax levied on dividend HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	446,860	678,447	459,188	17,813	1,602,308
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	16,990	185,083	88,570	6,177	296,820
Transfer to tax payable	–	–	(231,971)	–	(231,971)
Exchange differences	(17)	477	4,780	16	5,256
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2012	463,833	864,007	320,567	24,006	1,672,413

30. Deferred Tax (continued)

Deferred tax assets

Group

	2012					
	Depreciation expense in excess of related depreciation allowance HK$'000	Losses available for offsetting against future taxable profits HK$'000	Customer loyalty programme HK$'000	Provisions and accruals HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	(1,096)	(15,649)	(5,959)	–	(876)	(23,580)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	–	7,736	303	(12,679)	(496)	(5,136)
Exchange differences	–	9	2	(41)	(1)	(31)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2012	(1,096)	(7,904)	(5,654)	(12,720)	(1,373)	(28,747)
Net deferred tax liabilities at 31 December 2012						1,643,666

The Group has unrecognised tax losses arising in Hong Kong of approximately HK$60,598,000 (2012: HK$59,569,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has unrecognised tax losses arising in Mainland China of HK$126,810,000 (2012: HK$309,720,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered that it is not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2013, except for withholding tax provided for under deferred tax liabilities, the aggregate amount of temporary differences associated with unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$87,733,000 (2012: HK$364,677,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. Share Capital

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
8,000,000,000 (2012: 8,000,000,000) ordinary shares of HK$0.50 each	**4,000,000**	4,000,000
Issued and fully paid:		
6,239,382,571 (2012: 6,234,205,071) ordinary shares of HK$0.50 each	**3,119,691**	3,117,103

A summary of movements of the Company's issued and fully paid ordinary shares and ordinary share premium account is as follows:

	Number of ordinary shares in issue	Issued capital HK$'000	Ordinary share premium account HK$'000	Total HK$'000
At 1 January 2012	6,232,998,071	3,116,499	2,460,409	5,576,908
Share options exercised *(note)*	1,207,000	604	1,665	2,269
Release of share option reserve *(note)*	–	–	548	548
At 31 December 2012 and 1 January 2013	**6,234,205,071**	**3,117,103**	**2,462,622**	**5,579,725**
Share options exercised *(note)*	**5,177,500**	**2,588**	**8,003**	**10,591**
Release of share option reserve *(note)*	**–**	**–**	**2,597**	**2,597**
At 31 December 2013	**6,239,382,571**	**3,119,691**	**2,473,222**	**5,592,913**

Note:

During the year, 4,979,000 (2012: 1,207,000) share options were exercised at a subscription price of HK$1.88 (2012: HK$1.88) per ordinary share and 198,500 (2012: Nil) share options were exercised at a subscription price of HK$6.20 per ordinary share, resulting in the issue of 5,177,500 (2012: 1,207,000) ordinary shares for a total consideration before expenses of HK$10,591,000 (2012: HK$2,269,000), and net of expenses of HK$10,591,000 (2012: HK$2,269,000), and a release of share option reserve of HK$2,597,000 (2012: HK$548,000) to the ordinary share premium amount.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. Share Option Scheme

On 24 October 2008, the Company terminated its then share option scheme that was adopted on 31 May 2002 and adopted a new share option scheme (the "2008 Scheme").

2008 Scheme

The purpose of the 2008 Scheme is to provide incentives to selected employees, officers and directors to contribute to the Group and to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to such employees, officers and directors or to serve such other purposes as the board of directors of the Company may approve from time to time. Eligible participants of the 2008 Scheme include the employees, officers or directors of a member of the Group ("Eligible Person"). The 2008 Scheme unless otherwise terminated or amended, will remain in force for 10 years from 24 October 2008.

The total number of ordinary shares which may be issued upon exercise of all share options to be granted under the 2008 Scheme (excluding any which have lapsed) and any other schemes of the Company must not, in aggregate, exceed 10% of the ordinary shares of the Company in issue as at the date of the adoption of the 2008 Scheme.

The total number of ordinary shares issued and to be issued upon exercise of the share options granted and to be granted under the 2008 Scheme to each eligible participant (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant of share options must not exceed 1% of the ordinary shares in issue at such date. Any further grant of share options under the 2008 Scheme in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a director or chief executive of the Company, or any of their respective associates, under the 2008 Scheme must be approved by the independent non-executive directors of the Company. In addition, any share options granted to an independent non-executive director of the Company, or any of their respective associates, which would result in the ordinary shares issued and to be issued upon exercise of all share options already granted or to be granted under the 2008 Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the ordinary shares in issue; and (ii) having an aggregate value (based on the closing price of the ordinary shares at the date of grant) in excess of HK$5,000,000, such grant of options by the board of directors must be approved by shareholders in a general meeting.

An offer of grant of a share option under the 2008 Scheme may be accepted by the grantee within the period of the time stipulated by the board of directors of the Company, but not exceeding 14 days inclusive of, and from the date of such offer. All share options under the 2008 Scheme will be unvested share options upon grant which will, subject to a grantee continuing to be an Eligible Person, vest with the grantee in accordance with the vesting schedules specified in their respective offer of grant. Subject to the rules of the 2008 Scheme and the relevant offer of the grant of a share option, a vested share option may be exercised in accordance with the terms of the rules of the 2008 Scheme at any time during the period to be determined and notified by the directors of the Company to each grantee, which period may commence on the date which is 2 years from the date of grant of the share option but shall end in any event not later than 10 years from the aforesaid date of grant. The exercise of any share option under the 2008 Scheme may be subject to the achievement of performance targets which may be determined by the board of directors of the Company at its absolute discretion on a case by case basis upon the grant of the relevant share option and stated in the offer of grant of such share option.

The exercise price of the share options under the 2008 Scheme is determinable by the board of directors of the Company and shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the Company's ordinary shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the nominal value of the ordinary shares.

32. Share Option Scheme (continued)

2008 Scheme (continued)

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to any share option that has not been exercised.

5,177,500 share options granted under the 2008 Scheme were exercised during the year (2012: 1,207,000) which resulted in the issue of 5,177,500 (2012: 1,207,000) ordinary shares, issued capital of approximately HK$2,588,000 (2012: HK$604,000) and ordinary share premium amount of HK$10,600,000 (2012: HK$2,213,000) after the release of share option reserve net of issue expenses, as detailed in note 31 to the financial statements.

During the year ended 31 December 2013, 39,432,000 (2012: Nil) share options were granted with an exercise price of HK$6.20 per share and 5,090,000 (2012: 7,193,000) share options were forfeited.

At 31 December 2013, the Company had 56,014,500 (2012: 26,850,000) share options outstanding under the 2008 Scheme, which represented approximately 0.9% (2012: 0.43%) of the ordinary shares in issue at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 56,014,500 (2012: 26,850,000) additional ordinary shares and the increase in issued capital of HK$28,007,250 (2012: HK$13,425,000) and share premium of HK$246,789,000 (2012: HK$37,053,000) (before issue expenses).

The total number of ordinary shares which may be issued upon exercise of share options yet to be granted under the 2008 Scheme (and thus not including those ordinary shares for share options already granted but yet to be exercised under the 2008 Scheme) was 462,356,807, which represented approximately 7.41% of the issued share capital of the Company as at the date of approval of these financial statements.

At the date of approval of these financial statements, the Company had 52,696,000 share options outstanding under the 2008 Scheme, which represented approximately 0.84% of the Company's shares in issue as at that date.

Movements in share options under the Company's 2008 Scheme during the year are as follows:

	2013		2012	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**1.88**	**26,850,000**	1.88	35,250,000
Granted during the year	**6.20**	**39,432,000**	–	–
Exercised during the year	**2.05**	**(5,177,500)**	1.88	(1,207,000)
Forfeited during the year#	**1.88**	**(5,090,000)**	1.88	(7,193,000)
At 31 December	**4.91**	**56,014,500**	1.88	26,850,000

During the year ended 31 December 2013, share options held by Mr. SUN Yingming, a former director of the Company, Dr. CHENG Mo Chi, Moses, an independent non-executive director of the Company, and certain employees (2012: share options held by Mr. LI Wenyue, a former director of the Company, and an employee), were forfeited in accordance with the rules of the 2008 Scheme after they ceased to be eligible persons. Out of the 5,090,000 (2012: 7,193,000) share options, 1,130,000 (2012: 1,493,000) share options were vested and accordingly, HK$513,000 (2012:HK$678,000) was transferred from the share option reserve to retained profits.

32. Share Option Scheme (continued)

2008 Scheme (continued)

The weighted average share price at the date of exercise of the share options exercised during the year was HK$6.74 per share (2012: HK$6.01 per share).

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options	Exercise price* HK$ per share	Exercise period (dd.mm.yyyy)
2,280,000	1.88	24-10-2010 to 23-04-2014
5,516,000	1.88	24-10-2011 to 23-04-2014
2,995,000	1.88	24-10-2012 to 23-04-2014
5,990,000	1.88	24-10-2013 to 23-04-2014
15,574,300	6.20	22-01-2015 to 21-07-2018
11,829,600	6.20	22-01-2016 to 21-07-2018
3,943,200	6.20	22-01-2017 to 21-07-2018
7,886,400	6.20	22-01-2018 to 21-07-2018
56,014,500		

2012

Number of options	Exercise price* HK$ per share	Exercise period (dd.mm.yyyy)
2,280,000	1.88	24-10-2010 to 23-04-2014
12,285,000	1.88	24-10-2011 to 23-04-2014
4,095,000	1.88	24-10-2012 to 23-04-2014
8,190,000	1.88	24-10-2013 to 23-04-2014
26,850,000		

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

The fair value of the share options granted during the year ended 31 December 2013 was HK$67,034,400. The Group recognised a share option expense of HK$21,944,000 during the year ended 31 December 2013 (2012: reversal of a share option expense of HK$931,000).

32. Share Option Scheme (continued)

2008 Scheme (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2013
Exercise price (HK$)	6.20
Dividend yield (%)	2.9
Expected volatility (%)	40
Historical volatility (%)	40
Risk-free interest rate (%)	0.494
Expected life of options (years)	5.5

33. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) The special reserve (the "Special Reserve") was set up as one of the undertakings (the "Undertaking") given to the High Court of the HKSAR by the Company in its capital reduction application in 2003, on terms that for so long as there shall remain outstanding any debt of, or claim against the Company, which would be admissible to proof in a notional winding-up of the Company when the Undertaking became effective on 24 December 2003 (the "Effective Date") and the person entitled to the benefit thereof shall not have consented to the said reduction of capital or agreed otherwise, the Company shall credit to the Special Reserve: (a) any amount arising by reason of a release of any provision taken into account in establishing the accumulated losses of the Company as at 30 June 2003; or (b) any amount received by the Company as profit by way of distribution from a corporation which was a subsidiary of the Company at the Effective Date which is made by such subsidiary out of the profit available for distribution prior to the Effective Date or any dividend paid to the Company in respect of any liquidation of a subsidiary commencing prior to that date.

During the year ended 31 December 2013, the release of provision as determined above amounted to HK$34,513,682 (2012: HK$81,933,517); no profit (2012: profit of HK$12,984,957) was distributed from the Company's subsidiary as determined above, which resulted in an aggregate transfer from retained profits to the Special Reserve of the Group and the Company of HK$34,513,682 (2012: HK$94,918,474).

The Special Reserve shall not be treated as realised profits of the Company and shall, for so long as the Company shall remain a limited company, be treated as an undistributable reserve of the Company for the purpose of the Hong Kong Companies Ordinance. Further, the Special Reserve may be applied for the same purposes as an ordinary share premium account may lawfully be applied and the amount standing to the credit of the Special Reserve may be reduced by an amount equal to any increase, after the Effective Date, in the paid-up share capital or ordinary share premium account of the Company which results from an issue of shares (other than for the purposes of any redemption or purchase by the Company of its own shares) for cash or other consideration or by way of the capitalisation of distributable profits or reserves. The Company shall be at liberty to transfer the amount so reduced to the general reserves of the Company and the same shall become available for distribution.

33. Reserves (continued)

(a) Group (continued)

(i) (continued)

During the year, the reduction of the Special Reserve and the capitalisation of the same amount to retained profits, resulting from the aggregate increase in paid-up share capital and ordinary share premium account due to the issue of the Company's ordinary shares (before any share issue expenses), amounted to HK$10,591,220 (2012: HK$2,269,160). In effecting the reduction and capitalisation as aforesaid, the amount transferred from the Special Reserve is kept to be an amount not exceeding the balance of the Special Reserve before such transfer.

The amount credited to the Special Reserve shall not at any time exceed HK$2,984,676,517 (the "Limit"). The Limit may be reduced by the amount of any increase, after the Effective Date, in the paid-up share capital or ordinary share premium account of the Company which results from an issue of shares as referred to above. The Limit may also be reduced by the amount of any non-permanent loss of the Company as at 30 June 2003 which subsequently turns into a permanent loss. During the year, no non-permanent loss was turned into a permanent loss of the Group and the Company (2012: Nil).

In the event that the amount standing to the credit of the Special Reserve at any time exceeds the Limit, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution. All profits and write-backs of provisions made by the Company between 1 July 2003 and the Effective Date are subject to an undertaking in similar terms.

As at 31 December 2013, the Limit of the Group's and the Company's Special Reserve was reduced by (i) an increase in paid-up share capital due to the issue of the Company's ordinary shares of HK$10,591,220 (2012: HK$2,269,160); and (ii) the amount of non-permanent loss of Nil (2012: Nil) which has turned into a permanent loss for the year ended 31 December 2013.

The Limit, as adjusted, was HK$605,038,306 (2012: HK$615,629,526) and the amount standing to the credit of the Group's and the Company's Special Reserve was HK$125,477,959 (2012: HK$101,555,497) as at 31 December 2013.

(ii) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the ordinary share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(iii) The hedging reserve of the prior year comprised the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

(iv) Pursuant to the relevant laws and regulations for sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established/registered in Mainland China has been transferred to the expansion fund reserve which is restricted as to use.

33. Reserves (continued)

(b) Company

	Notes	Ordinary share premium account HK$'000	Capital reserve HK$'000	Share option reserve HK$'000 *(note 33 (a)(ii))*	Exchange fluctuation reserve HK$'000	Special reserve HK$'000 *(note 33 (a)(i))*	Retained profits HK$'000	Total HK$'000
At 1 January 2012		2,460,409	1,733,711	13,658	(14,813)	8,906	91,532	4,293,403
Share options exercised, net of issue expenses	*31*	2,213	–	(548)	–	–	–	1,665
Equity-settled share option arrangements	*32*	–	–	(931)	–	–	–	(931)
Share options forfeited	*32*	–	–	(678)	–	–	678	–
Total comprehensive income for the year	*11*	–	–	–	–	–	1,422,668	1,422,668
Final 2011 dividend paid		–	–	–	–	–	(23)	(23)
Interim 2012 dividend paid	*12*	–	–	–	–	–	(436,324)	(436,324)
Proposed final 2012 dividend	*12*	–	–	–	–	–	(810,447)	(810,447)
Transfer from retained profits in accordance with the Undertaking	*33(a)(i)*	–	–	–	–	94,918	(94,918)	–
Transfer to retained profits upon issue of new ordinary shares during the year	*33(a)(i)*	–	–	–	–	(2,269)	2,269	–
At 31 December 2012		2,462,622	1,733,711	11,501	(14,813)	101,555	175,435	4,470,011

	Notes	**Ordinary share premium account HK$'000**	**Capital reserve HK$'000**	**Share option reserve HK$'000** *(note 33 (a)(ii))*	**Exchange fluctuation reserve HK$'000**	**Special reserve HK$'000** *(note 33 (a)(i))*	**Retained profits HK$'000**	**Total HK$'000**
At 1 January 2013		**2,462,622**	**1,733,711**	**11,501**	**(14,813)**	**101,555**	**175,435**	**4,470,011**
Share options exercised, net of issue expenses	*31*	**10,600**	**–**	**(2,597)**	**–**	**–**	**–**	**8,003**
Equity-settled share option arrangements	*32*	**–**	**–**	**21,944**	**–**	**–**	**–**	**21,944**
Share options forfeited	*32*	**–**	**–**	**(513)**	**–**	**–**	**513**	**–**
Total comprehensive income for the year	*11*	**–**	**–**	**–**	**–**	**–**	**2,023,769**	**2,023,769**
Final 2012 dividend paid		**–**	**–**	**–**	**–**	**–**	**(515)**	**(515)**
Interim 2013 dividend paid	*12*	**–**	**–**	**–**	**–**	**–**	**(436,671)**	**(436,671)**
Proposed final 2013 dividend	*12*	**–**	**–**	**–**	**–**	**–**	**(998,300)**	**(998,300)**
Transfer from retained profits in accordance with the Undertaking	*33(a)(i)*	**–**	**–**	**–**	**–**	**34,514**	**(34,514)**	**–**
Transfer to retained profits upon issue of new ordinary shares during the year	*33(a)(i)*	**–**	**–**	**–**	**–**	**(10,591)**	**10,591**	**–**
At 31 December 2013		**2,473,222**	**1,733,711**	**30,335**	**(14,813)**	**125,478**	**740,308**	**5,088,241**

34. Disposal of Subsidiaries, Associates and a Joint Venture

In June 2013, the Group disposed of its entire equity interest in Guangdong Assets Management (BVI) No.3 Limited, which held a 20% interest in an associate, 廣東番禺大橋有限公司, and disposed of a 51% owned joint venture, GTI, at an aggregate cash consideration of RMB821,660,000 (equivalent to HK$1,031,430,000).

In October 2013, the Group disposed of its 25% equity interest in Yue Jiang, an associate of the Group, at the consideration of RMB86,195,000 (equivalent to HK$107,898,000).

In December 2013, the Group disposed of its 70% equity interest in Guangdong Yingde Highway Ltd., a subsidiary of the Group, at a consideration of one Renminbi.

The net assets of the disposed subsidiaries, associates and a joint venture disposed of at the respective disposal dates were as follows:

	HK$'000
Net assets disposed of:	
Cash and bank balances	42,694
Share of net assets of associates	171,133
Share of net assets of a joint venture	766,703
Accruals and other payables	(17,743)
Due to a non-controlling shareholder of a subsidiary	(39,903)
Non-controlling interests	28,325
	951,209
Release of exchange fluctuation reserve upon disposal	(276,184)
Net gain on disposal of subsidiaries, associates and a joint venture	441,518
	1,116,543
Satisfied by:	
Cash	1,139,328
Liabilities taken up by the Group	(22,785)
	1,116,543

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries, associates and a joint venture is as follows:

	HK$'000
Cash consideration	1,139,328
Cash and bank balances disposed of	(42,694)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries, associates and a joint venture	1,096,634

35. Acquisition of Assets through Acquisition of a Subsidiary

On 12 March 2012, the Group acquired a 68% of the equity interest in Wanye. The Group paid RMB159,619,000 (equivalent to approximately HK$196,491,000) during the year ended 31 December 2012. This transaction had been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination. Wanye is engaged in property development and investment.

The net assets acquired in the transaction were as follows:

	HK$'000
Net assets acquired:	
Investment property	1,369,734
Cash and bank balances	30
Other payables	(41,481)
Due to a non-controlling shareholder of a subsidiary	(1,231)
Non-controlling interests	(1,130,561)
	196,491
Total consideration satisfied by:	
Cash paid during the year ended 31 December 2012	196,491
Net cash outflow arising on acquisition during the year ended 31 December 2012	
Cash paid during the year ended 31 December 2012	196,491
Cash and bank balances acquired	(30)
	196,461

36. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

(i) During the year, the Group settled an amount of HK$118,200,000 (2012: HK$118,200,000) in relation to the Loan Facility by deducting it against the water revenue receivable from the government of the Hong Kong Special Administration Region. Details of the Loan Facility are set out in note 29 to the financial statements.

(ii) As at 31 December 2013, the Group had payables for property, plant and equipment and investment properties of HK$109,146,000 (2012: HK$115,841,000) which were included in payables and accruals.

(b) Cash and cash equivalents

	2013 HK$'000	2012 HK$'000
Cash and cash equivalents as stated in the consolidated statement of financial position as at 31 December *(note 25)*	**6,531,736**	4,472,271
Non-pledged time deposits with original maturity of more than three months when acquired	**(267,099)**	(519)
Cash and cash equivalents as stated in the consolidated statement of cash flows as at 31 December	**6,264,637**	4,471,752

37. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to an associate	**349,009**	–	**–**	–

As at 31 December 2013, the banking facilities granted to an associate subject to guarantees given to a bank by the Group and the shareholders of the associate were in accordance with the shareholding ratio of each party. The banking facilities guaranteed to the associate were utilised to the extent of approximately HK$705,905,000 (2012: Nil).

38. Operating Lease Arrangements

Group

(a) *As lessor*

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years (2012: one to fifteen years). The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**818,487**	745,314
In the second to fifth years, inclusive	**956,944**	917,014
After five years	**128,637**	189,095
	1,904,068	1,851,423

38. Operating Lease Arrangements (continued)

Group

(b) *As lessee*

The Group leases certain leasehold properties under operating lease arrangements. Leases for properties are negotiated for terms of one to twenty years (2012: one to twenty years).

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**95,683**	87,058
In the second to fifth years, inclusive	**120,096**	129,036
After five years	**31,358**	38,682
	247,137	254,776

In addition to the operating lease arrangements disclosed above, the Group leases certain leasehold properties for the department store operations of subsidiaries of the Group. The rental charge of HK$114,800,000 (2012: HK$96,659,000) is calculated with reference to the revenue generated by the subsidiaries of the Group.

The Company did not have significant operating lease arrangements as at the end of the reporting period (2012: Nil).

39. Commitments

In addition to the operating lease commitments detailed in note 38(b) above and elsewhere in these financial statements, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
Capital commitments in respect of property, plant and equipment, investment properties and intangible assets:		
Contracted for	**1,161,648**	612,292
Authorised, but not contracted for	**6,247,851**	6,662,115
	7,409,499	7,274,407
Capital commitments in respect of capital contribution payable to an associate:		
Authorised, but not contracted for	**31,162**	120,863
	7,440,661	7,395,270

At the end of the reporting period, the Company did not have any significant commitments.

40. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

(a) Transactions with related parties

	Notes	**2013 HK$'000**	2012 HK$'000
Hotel management fees received from fellow subsidiaries	*(i)*	**(4,859)**	(5,228)
Rents received from Guangdong Holdings, GDH Limited and certain fellow subsidiaries	*(ii)*	**(23,368)**	(21,225)
Water distribution income received from a fellow subsidiary	*(iii)*	**(31,907)**	(31,317)
Land management fee paid and payable to a non-controlling shareholder of a subsidiary	*(iv)*	**11,419**	26,162
Dividends paid to GDH Limited and certain of its subsidiaries by GH Water Holdings	*(v)*	**77,976**	46,023
Dividends paid to GDH Limited and certain of its subsidiaries by the Company	*(v)*	**753,996**	678,596

Notes:

(i) Service fees were charged in accordance with the terms of agreements entered into between the Group's subsidiary and the respective fellow subsidiaries.

(ii) Rents were charged in accordance with the respective tenancy agreements.

(iii) Income on the supply of untreated water was charged in accordance with the terms of an agreement entered into between the Group's subsidiary and the fellow subsidiary.

(iv) Land management fee was charged in accordance with the co-operation agreement.

(v) Dividends paid were made pursuant to the dividend rates proposed and declared at the respective boards of directors and shareholders' meetings.

(b) Other transactions with related parties

The Group's fellow subsidiary, a shareholder of a non-wholly-owned subsidiary of the Group, has provided a guarantee for the obligation of the Group's non-wholly-owned subsidiary in proportion to its interest in that subsidiary on a several basis up to RMB573,440,000.

40. Related Party Transactions (continued)

(c) Commitments with related parties

The Group entered into several tenancy agreements, as lessor, with Guangdong Holdings, GDH Limited and certain fellow subsidiaries of the Company (collectively, the "GDH Group") for leasing out several units in Hong Kong and Mainland China as office premises. The total rents received from the GDH Group for the year were included in note 40(a) to the financial statements. Details of the Group's commitments with related parties are as follows:

(i) On 31 January 2011, Global Head entered into a preliminary agreement with Guangdong Tannery Limited ("GD Tannery"), a 71.34% owned subsidiary of GDH Limited and a fellow subsidiary of the Company, and, on 1 April 2011, entered into a tenancy agreement in relation to the leasing out of Office A2 on 19th Floor of GDI Tower as office premises for a term of three years commencing from 6 February 2011 at a monthly rent of HK$28,800. On 29 November 2013, Global Head and GD Tannery renewed the tenancy agreement for a term of three years commencing from 6 February 2014 at a monthly rent of HK$40,960. The Group expects total rents receivable from GD Tannery for each of the years ending 31 December 2014, 2015, 2016 and 2017 to be approximately HK$477,000, HK$492,000, HK$492,000 and HK$48,000, respectively.

(ii) On 2 June 2011, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of 27th Floor of GDI Tower as office premises for a term of three years commencing from 2 June 2011 at a monthly rent of HK$201,058. The Group expects total rents receivable from GDH Limited for the year ending 31 December 2014 to be approximately HK$1,012,000.

(iii) On 30 September 2011, GD Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on 42nd and 45th Floors of Teem Tower as office premises for the period from 1 October 2011 to 30 September 2014, at a monthly rent of RMB86,246.66 for the period from 1 October 2011 to 31 December 2011, at RMB603,726.57 for the month of 1 to 31 January 2012, and at a monthly rent of RMB862,466.55 for the period from 1 February 2012 to 30 September 2014. The Group expects total rents receivable from Guangdong Holdings for the year ending 31 December 2014 to be approximately HK$9,573,000.

(iv) On 17 August 2012, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of 26th Floor, Office B1 on 29th Floor and the whole of 30th Floor of GDI Tower as office premises for a term from 20 August 2012 to 31 July 2015 at a monthly rent of HK$621,450. The Group expects total rents receivable from GDH Limited for each of the years ending 31 December 2014 and 2015 to be approximately HK$6,836,000 and HK$4,350,000, respectively.

(v) On 30 August 2013, Global Head and Guangdong Land Holdings Limited (previously known as Kingway Brewery Holdings Limited) ("GD Land Holdings"), a 73.82% owned subsidiary of GDH Limited and a fellow subsidiary of the Company, entered into a tenancy agreement in relation to the leasing out of Office A1 on 19th Floor of the GDI Tower as office premises for a term of three years commencing from 1 September 2013 at a monthly rent of HK$82,784. On 29 November 2013, a notice of termination was served by GD Land Holdings to Global Head for the termination of a tenancy agreement on 28 February 2014. The Group expects total rents receivable from GD Land Holdings for the year ending 31 December 2014 to be approximately HK$166,000.

(vi) On 29 November 2013, GPIL, a non-wholly owned subsidiary of the Company, and GD Land Holdings entered into a tenancy agreement in relation to the leasing out of 18th Floor of GDI Tower as office premises for a term of three years commencing from 1 December 2013 at a monthly rent of HK$247,456. The Group expects total rents receivable from GD Land Holdings for each of the years ending 31 December 2014, 2015 and 2016 to be approximately HK$2,722,000, HK$2,722,000 and HK$2,722,000, respectively.

40. Related Party Transactions (continued)

(d) Outstanding balances with related parties

		Group		Company	
	Notes	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Balances due from:					
Immediate holding company	*(i)*	**–**	683	**–**	–
Ultimate holding company	*(i)*	**1,024**	1,233	**–**	–
Fellow subsidiaries	*(i)*	**605**	484	**–**	–
A fellow subsidiary	*(ii)*	**2,809**	2,471	**–**	–
An associate	*(i)*	**–**	6,502	**–**	–
A non-controlling shareholder of a non-wholly-owned subsidiary	*(i)*	**–**	996	**–**	–
Loan to an associate	*(iii)*	**88,468**	–	**–**	–
Balances due to:					
Immediate holding company	*(i)*	**(2,870)**	(3,085)	**(78)**	(294)
Fellow subsidiaries	*(i)*	**(1,264)**	(1,930)	**–**	–
A joint venture	*(i)*	**–**	(57,798)	**–**	–
Ultimate holding company	*(iv)*	**(66,714)**	(2,533)	**(3,051)**	–

Notes:

(i) The balances due are unsecured, non-interest-bearing and have no specific terms of repayment.

(ii) The balance due is unsecured, non-interest-bearing and repayable within 30 days.

(iii) The balance is a loan to an associate, which is unsecured, interest-bearing at 5% per annum and repayable in 2015.

(iv) Included in the balance is an amount due to the ultimate holding company of HK$61,051,000, which is unsecured, interest-bearing at 81.3% of the RMB benchmark 3-year lending rate per annum announced by the People's Bank of China, and repayable in 2016. The remaining balance is unsecured, non-interest-bearing and has no specific terms of repayment.

(e) Compensation of key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short term employee benefits	**8,453**	8,066
Post-employment benefits	**380**	569
Equity-settled share option expense	**11,236**	770
Total compensation paid to key management personnel	**20,069**	9,405

Further details of directors' emoluments are included in note 8 to the financial statements.

41. Continuing Connected Transactions

The Group's continuing connected transactions conducted during the year disclosed in accordance with Chapter 14A of the Listing Rules are as follows:

(a) Hotel Management Agreements

(i) On 16 December 2010, 粵海國際酒店管理（中國）有限公司 (Guangdong International Hotel Management (China) Limited) ("GIHM (China)"), an indirect wholly-owned subsidiary of the Company, and Take Win Investment Limited, an indirect wholly-owned subsidiary of GDH Limited, entered into a management service agreement in relation to the management of 上海粵海酒店 (Guangdong Hotel (Shanghai)) ("GD Hotel Shanghai") by GIHM (China) for the period from 1 January 2011 to 31 December 2013 for a consideration of 2% of total operating income plus 6% of gross operating profits ("GOP") generated by GD Hotel Shanghai;

(ii) On 16 December 2010, GIHM (China) and 深圳市東深投資控股有限公司 (Shenzhen Dongshen Investment Holding Company Limited) ("Shenzhen Dongshen"), a wholly-owned subsidiary of Guangdong Holdings, entered into a management service agreement in relation to the management of 東莞金湖粵海酒店 (Golden Lake Guangdong Hotel) ("GD Hotel Golden Lake") by GIHM (China) for the period from 1 January 2011 to 31 December 2013 for a consideration of 2% of total operating income plus 2% of GOP generated by GD Hotel Golden Lake, subject to fulfilment of performance targets;

(iii) On 16 December 2010, GIHM (China) and Shenzhen Dongshen entered into a management service agreement in relation to the management of 深圳市東深投資控股有限公司粵海之星酒店 (GDH Inn Hotel (Donghu) ("GDH Inn Hotel")) by GIHM (China) for the period from 1 January 2011 to 31 December 2013 for a consideration of 2% of total operating income plus 2% of GOP generated by GDH Inn Hotel, subject to fulfilment of performance targets; and

(iv) On 16 December 2010, GIHM (China) and Kwong Leung Hing (H.K.) Properties Company Limited, an indirect wholly-owned subsidiary of GDH Limited, entered into a management service agreement in relation to the management of 河南省粵海酒店 (Guangdong Hotel (Henan) ("GD Hotel Henan")) by GIHM (China) for the period from 1 January 2011 to 31 December 2013 for a consideration of 2% of total operating income plus 6% of GOP generated by GD Hotel Henan.

All the above hotel management agreements are collectively referred to as the ''Hotel Management Agreements''.

During the year ended 31 December 2013, total income generated from hotel management and other services rendered to the above fellow subsidiaries by the Group in accordance with the terms of the Hotel Management Agreements amounted to RMB3,882,000 (equivalent to HK$4,859,000) (2012: RMB4,253,000 (equivalent to HK$5,228,000)).

(b) Tenancy agreements

(i) On 2 September 2010, Global Head and Guangdong Kingway Sales Limited, a wholly-owned subsidiary of GD Land Holdings, entered into a preliminary agreement, and on 25 November 2010, entered into a tenancy agreement in relation to the leasing out of Office A1 on 19th Floor of the GDI Tower as office premises for a term of three years commencing from 1 September 2010 at a monthly rent of HK$60,794.50;

(ii) On 31 January 2011, Global Head and GD Tannery entered into a preliminary agreement, and, on 1 April 2011, entered into a tenancy agreement in relation to the leasing out of Office A2 on 19th Floor of the GDI Tower as office premises for a term of three years commencing from 6 February 2011 at a monthly rent of HK$28,800;

41. Continuing Connected Transactions (continued)

(b) Tenancy agreements (continued)

(iii) On 2 June 2011, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of 27th Floor of the GDI Tower as office premises for a term of three years commencing from 2 June 2011 at a monthly rent of HK$201,058;

(iv) On 17 August 2012, Global Head entered into a tenancy agreement with GDH Limited in relation to the leasing out of 26th Floor, Office B1 on 29th Floor and the whole of 30th Floor of the GDI Tower for a term from 20 August 2012 to 31 July 2015 at a monthly rent of HK$621,450;

(v) On 30 August 2013, Global Head and GD Land Holdings entered into a tenancy agreement in relation to the leasing out of Office A1 on 19th Floor of the GDI Tower as office premises for a term of three years commencing from 1 September 2013 at a monthly rent of HK$82,784; and

(vi) On 29 November 2013, GPIL and GD Land Holdings entered into a tenancy agreement in relation to the leasing out of 18th Floor of the GDI Tower as office premises for a term of three years commencing from 1 December 2013 at a monthly rent of HK$247,456.

The above tenancy agreements were collectively known as the "GDI Tower Agreements".

(vii) On 30 September 2011, GD Teem and Guangdong Holdings entered into a tenancy agreement (the "East Tower Agreement") in relation to the leasing out of the premises on 42nd and 45th Floors of Teem Tower as office premises for the period from 1 October 2011 to 30 September 2014 at a monthly rent of RMB86,246.66 for the period from 1 October 2011 to 31 December 2011, at RMB603,726.57 for the month of 1 to 31 January 2012 and at a monthly rent of RMB862,466.55 for the period from 1 February 2012 to 30 September 2014.

During the year ended 31 December 2013, total rents received on the GDI Tower Agreements and the East Tower Agreement from (i) GDH Limited and certain fellow subsidiaries and (ii) Guangdong Holdings in accordance with the terms of the tenancy agreements amounted to HK$10,411,738 (2012: HK$8,819,000) and RMB10,349,599 (equivalent to HK$12,956,000) (2012: RMB10,090,859 (equivalent to HK$12,406,000)), respectively.

(c) Changping Agreement

On 28 December 2012, WaterCo, a subsidiary of the Company, renewed the agreement (the "Changping Agreement") with 東莞常平粵海水務有限公司 (Dongguan Changping Guangdong Water Company Limited) (formerly known as 東莞市常平鎮自來水公司 (Dongguan City Changping Town Water Company)) ("Changping Water"), an indirect wholly-owned subsidiary of Guangdong Holdings, pursuant to which WaterCo agreed to supply untreated water to Changping Water for a period commencing on 1 January 2013 and expiring on 31 December 2014, subject to renewal by agreement of both parties prior to the expiration of the term.

During the year ended 31 December 2013, total income generated by WaterCo from the provision of water in accordance with the terms of the Changping Agreement amounted to RMB25,489,000 (equivalent to HK$31,907,000) (2012: RMB25,474,000 (equivalent to HK$31,317,000)).

The board of directors of the Company including all the independent non-executive directors have reviewed the continuing connected transactions set out above and have unanimously confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

41. Continuing Connected Transactions (continued)

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note *740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA. The Company's auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

In addition to the above information, the Group entered into the following agreements during the year:

(a) Hotel Management Agreements

(i) On 18 December 2013, GIHM (China) and Take Win Investment Limited entered into a management service agreement in relation to the management of GD Hotel Shanghai by GIHM (China) for the period from 1 January 2014 to 31 December 2016 for a consideration of 2% of total operating income plus 6% of GOP generated by GD Hotel Shanghai;

(ii) On 18 December 2013, GIHM (China) and Shenzhen Dongshen entered into a management service agreement in relation to the management of GD Hotel Golden Lake by GIHM (China) for the period from 1 January 2014 to 31 December 2016 for a consideration of 2% of total operating income plus 2% of GOP generated by GD Hotel Golden Lake, subject to fulfilment of performance targets;

(iii) On 18 December 2013, GIHM (China) and Shenzhen Dongshen entered into a management service agreement in relation to the management of GDH Inn Hotel by GIHM (China) for the period from 1 January 2014 to 31 December 2016 for a consideration of 2% of total operating income plus 2% of GOP generated by GDH Inn Hotel, subject to fulfilment of performance targets; and

(iv) On 18 December 2013, GIHM (China) and Kwong Leung Hing (H.K.) Properties Company Limited entered into a management service agreement in relation to the management of GD Hotel Henan by GIHM (China) for the period from 1 January 2014 to 31 December 2016 for a consideration of 2% of total operating income plus 6% of GOP generated by GD Hotel Henan.

(b) Tenancy agreements

(i) On 29 November 2013, a notice of termination was served by GD Land Holdings to Global Head for the termination of a tenancy agreement on 28 February 2014; and

(ii) On 29 November 2013, Global Head and GD Tannery renewed the tenancy agreement for a fixed term of three years from 6 February 2014 to 5 February 2017 at a monthly rent of HK$40,960.

42. Pledge of Assets

At 31 December 2013, none of the Group's property, plant and equipment, investment properties, intangible assets, and bank deposits was pledged to secure the interest-bearing bank borrowings or the general banking facilities granted to the Group (2012: Nil).

43. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2013 **Group**

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	–	5,037,387	5,037,387
Financial assets included in receivables, prepayments and deposits	513,407	–	513,407
Loan to an associate	88,468	–	88,468
Cash and cash equivalents	6,531,736	–	6,531,736
	7,133,611	5,037,387	12,170,998

2012 Group

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	–	431,655	431,655
Financial assets included in receivables, prepayments and deposits	3,110,002	–	3,110,002
Due from an associate	6,502	–	6,502
Cash and cash equivalents	4,472,271	–	4,472,271
	7,588,775	431,655	8,020,430

Financial liabilities

	Group	
	Financial liabilities at amortised cost	
	2013 HK$'000	2012 HK$'000
Financial liabilities included in payables and accruals	(2,536,571)	(2,492,868)
Due to non-controlling shareholders of subsidiaries	(276,373)	(315,991)
Interest-bearing bank borrowings	(2,555,182)	(2,785,407)
	(5,368,126)	(5,594,266)

43. Financial Instruments by Category (continued)

2013 — **Company**

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	**–**	**1,172,028**	**1,172,028**
Financial assets included in receivables, prepayments and deposits	**3,670**	**–**	**3,670**
Due from subsidiaries	**3,721,403**	**–**	**3,721,403**
Cash and cash equivalents	**1,163,203**	**–**	**1,163,203**
	4,888,276	**1,172,028**	**6,060,304**

2012 — Company

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Financial assets included in receivables, prepayments and deposits	1,119	–	1,119
Due from subsidiaries	4,256,514	–	4,256,514
Cash and cash equivalents	713,578	–	713,578
	4,971,211	–	4,971,211

Company

Financial liabilities

	Financial liabilities at amortised cost **2013** HK$'000	2012 HK$'000
Financial liabilities included in payables and accruals	**(18,814)**	(11,587)
Due to subsidiaries	**(478,255)**	(29,596)
Interest-bearing bank borrowings	**(619,547)**	(692,373)
	(1,116,616)	(733,556)

44. Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Group			
	Carrying amounts		**Fair values**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**5,037,387**	431,655	**5,037,387**	431,655

	Company			
	Carrying amounts		**Fair values**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**1,172,028**	–	**1,172,028**	–

Management has assessed that the fair values of cash and cash equivalents, financial assets included in receivables, prepayments and deposits, a loan to an associate, an amount due from an associate, financial liabilities included in payables and accruals, amounts due to non-controlling shareholders of subsidiaries and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturity of these instruments. In addition, the fair values of interest-bearing bank borrowings with floating interest rates approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the available-for-sale financial assets has been calculated by discounting the expected future cash flows using interest rates currently available for instruments with similar terms, credit risk and remaining terms.

Below is a summary of significant observable inputs to the valuation of financial instruments:

	Valuation techniques	Significant observable inputs	Range
Available-for-sale financial assets	Discounted cash flow method	Interest rates	4.2% to 6.2%

44. Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
As at 31 December 2013				
Available-for-sale financial assets	**–**	**5,037,387**	**–**	**5,037,387**
As at 31 December 2012				
Available-for-sale financial assets	–	431,655	–	431,655

Company

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
As at 31 December 2013				
Available-for-sale financial assets	**–**	**1,172,028**	**–**	**1,172,028**

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2012: Nil).

45. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, comprise interest-bearing bank borrowings, available-for-sale financial assets, cash and bank balances, and short term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

The Group's exposure to the risk for changes in market interest rate relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on interest-bearing bank borrowings) and the Group's equity.

Interest-bearing bank borrowings

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
United States dollar bank loans			
2013			
Increase in LIBOR	**100**	**(6,240)**	**–**
Decrease in LIBOR	**(10)**	**624**	**–**
2012			
Increase in LIBOR	100	(7,020)	–
Decrease in LIBOR	(10)	702	–
Hong Kong dollar bank loans			
2013			
Increase in HIBOR	**100**	**(17,800)**	**–**
Decrease in HIBOR	**(10)**	**1,780**	**–**
2012			
Increase in HIBOR	100	(21,000)	–
Decrease in HIBOR	(10)	2,100	–

* *Excluding retained profits*

45. Financial Risk Management Objectives And Policies (continued)

(ii) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from revenue or expenses of operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions were principally denominated in RMB and HK$. The Group is exposed to foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2013			
If the Hong Kong dollar weakens against RMB	**3**	**105,093**	**–**
If the Hong Kong dollar strengthens against RMB	**(1)**	**(35,031)**	**–**
2012			
If the Hong Kong dollar weakens against RMB	3	48,753	–
If the Hong Kong dollar strengthens against RMB	(1)	(16,251)	–

* *Excluding retained profits*

(iii) Credit risk

The Group trades only with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and deposits and available-for-sale financial assets arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with creditworthy third parties, there is no requirement for collateral.

45. Financial Risk Management Objectives And Policies (continued)

(iv) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Year ended 31 December 2013	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Financial liabilities included in payables and accruals	616,440	1,430,321	256,684	233,126	2,536,571
Due to non-controlling shareholders of subsidiaries	–	–	276,373	–	276,373
Interest-bearing bank borrowings	–	–	1,027,687	1,613,837	2,641,524
	616,440	1,430,321	1,560,744	1,846,963	5,454,468

Year ended 31 December 2012					
Financial liabilities included in payables and accruals	715,553	1,427,429	214,865	135,021	2,492,868
Due to non-controlling shareholders of subsidiaries	–	–	315,991	–	315,991
Interest-bearing bank borrowings	–	–	291,326	2,643,321	2,934,647
	715,553	1,427,429	822,182	2,778,342	5,743,506

45. Financial Risk Management Objectives And Policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a net debt to adjusted capital ratio which is net debt divided by total adjusted capital. The Group's policy is to keep the ratio lower than 100%. Net debt includes amounts due to non-controlling shareholders of subsidiaries, interest-bearing bank borrowings, less cash and cash equivalents.

	2013 **HK$'000**	2012 HK$'000
Due to non-controlling shareholders of subsidiaries	**276,373**	315,991
Interest-bearing bank borrowings	**2,555,182**	2,785,407
Less: Cash and cash equivalents	**(6,531,736)**	(4,472,271)
Net debt/(cash)	**(3,700,181)**	(1,370,873)
Equity attributable to owners of the Company	**27,313,322**	24,037,998
Net debt to adjusted capital ratio	**N/A**	N/A

46. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

MAJOR PROPERTIES HELD BY THE GROUP

31 December 2013

Details of Property, Plant and Equipment

Property	Lot No.	Category of lease	Use
The Wharney Guang Dong Hotel Hong Kong 57–73 Lockhart Road and 84–88 Jaffe Road Wan Chai Hong Kong	Subsection 1 of Section E and Subsection 2 of Section D of Inland Lot No. 2819, Section F of Inland Lot No. 2818, the remaining portion of Inland Lot No. 2817, Section G of Inland Lot No. 2818 and the remaining portion of Section D of Inland Lot No. 2817	Long term	Hotel
Guangdong Hotel (Hong Kong) 18 Prat Avenue Tsimshatsui Kowloon Hong Kong	Kowloon Inland Lot Nos. 8340, 8342, 8550, 8748 and 8915	Medium term	Hotel
Sheraton Guangzhou Hotel No. 208 Tianhe Road Tianhe District Guangzhou Guangdong Province Mainland China	N/A	Medium term	Hotel
Guangdong Hotel (Shen Zhen) Shennan East Road Luohu District Shenzhen Guangdong Province Mainland China	N/A	Medium term	Hotel
Guangdong Hotel (Zhu Hai) No. 1145 Yuehai Road East Gongbei, Zhuhai Guangdong Province Mainland China	N/A	Medium term	Hotel, offices and serviced apartments
Shaoguan Power Plant D Wushi Town, Qujiang County Shaoguan City Guangdong Province Mainland China	N/A	Short term	Factory
Flat Roof of 2nd Floor, 28th Floor, Units A and B2 on 29th Floor Guangdong Investment Tower 148 Connaught Road Central Hong Kong	Part of Marine Lot No. 332, Marine Lot No. 333, Section A and the remaining portion of Marine Lot No. 334, Marine Lot No. 335, Section A and the remaining portion of Marine Lot No. 336, Inland Lot No. 2142 and Inland Lot No. 2143	Long term	Office

Details of Investment Properties

Property	Interest in property attributable to the Group	Category of lease	Existing use
Units 901, 905–08, 1101, 1108, 10th Floor, 17th Floor, 19th–22nd Floors Guangdong Group Building 555 Dongfeng Dong Road Guangzhou Guangdong Province Mainland China	100%	Medium term	Commercial
Teem Tower and Teemall No. 208 Tianhe Road Tianhe District Guangzhou Guangdong Province Mainland China	76.09%	Medium term	Commercial and shopping mall
Ground Floor, 1st Floor, 5th–10th Floors, Unit A and B2 of 11th Floor, 12th Floor, 16th Floor, 19th Floor, Unit B on 20th Floor, 22nd–23rd Floors, 25th–27th Floor, Unit B1 on 29th Floor and 30th Floor Guangdong Investment Tower 148 Connaught Road Central Hong Kong	100%	Long term	Commercial
18th Floor, Guangdong Investment Tower 148 Connaught Road Central Hong Kong	51%	Long term	Commercial
1st–4th Floor Guangzhou Exchange Plaza Guangzhou Guangdong Province Mainland China	100%	Medium term	Shopping mall
At the junction of Heping Road and Chifeng Dao Heping District Tianjin Mainland China	76.09%	Medium term	Property under development
East of Yingbin Road Lirendong Village Nancun Town, Panyu District Guangzhou Guangdong Province Mainland China	31.04%	Medium term	Property under development

Details of Intangible Assets

Property	Interest in property attributable to the Group	Category of lease	Existing use
Water Supply Project's (from Dongguan to Shenzhen) land use rights, reservoirs and related buildings	N/A	Medium term	Water Supply
Zhongshan Power Plant Lands and various buildings and structures of Huang Pu Town Zhongshan City Guangdong Province Mainland China	N/A	Short term	Factory

Guangdong Investment Limited
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