



Guangdong Investment Limited
粵海投資有限公司

Stock Code : 0270

INTERIM REPORT 2013



Contents

2	Corporate Information
3	Report on Review of Interim Financial Information
	Unaudited Interim Financial Information
4	Condensed Consolidated Income Statement
5	Condensed Consolidated Statement of Comprehensive Income
6	Condensed Consolidated Statement of Financial Position
8	Condensed Consolidated Statement of Changes in Equity
10	Condensed Consolidated Statement of Cash Flows
11	Notes to Interim Financial Information
32	Business Review, Discussion and Analysis, and Prospects
39	Directors' Interests and Short Positions in Securities
44	Substantial Shareholders' Interests
45	Share Options of the Company
46	Corporate Governance and Other Information

Corporate Information

as at 28 August 2013

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,
CPPCC Standing Committee Member, 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
Nanyang Commercial Bank, Limited
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
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

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

Closure of Register of Members	26 September 2013
Interim Dividend Payable	7.0 HK cents per ordinary share 9 October 2013



**Building a better
working world**

Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Tel : (852) 2846 9888
Fax : (852) 2868 4432
www.ey.com

To the directors of Guangdong Investment Limited

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 31 which comprises the condensed consolidated statement of financial position of Guangdong Investment Limited (the “Company”) and its subsidiaries as at 30 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

28 August 2013

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	3	4,137,945	3,993,359
Cost of sales		(1,285,111)	(1,280,196)
Gross profit		2,852,834	2,713,163
Other income and gains		109,216	170,203
Gain on disposal of a subsidiary and a jointly-controlled entity	17	424,245	–
Changes in fair value of investment properties		317,725	553,196
Selling and distribution expenses		(72,085)	(83,432)
Administrative expenses		(482,407)	(506,019)
Other operating expenses, net		(9,106)	(6,252)
Finance costs	4	(29,995)	(87,148)
Share of profit of a jointly-controlled entity		51,238	44,176
Share of profits less losses of associates		113,263	32,902
PROFIT BEFORE TAX	5	3,274,928	2,830,789
Income tax expense	6	(629,091)	(543,020)
PROFIT FOR THE PERIOD		2,645,837	2,287,769
Attributable to:			
Owners of the Company		2,428,325	1,870,895
Non-controlling interests		217,512	416,874
		2,645,837	2,287,769
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		38.94 HK cents	30.02 HK cents
Diluted		38.81 HK cents	29.91 HK cents

Details of the dividends proposed for the period are disclosed in note 7 to the financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD		2,645,837	2,287,769
Exchange fluctuation reserve released upon disposal of a subsidiary and a jointly-controlled entity	17	(231,773)	–
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		237,566	(67,646)
Net gain on available-for-sale financial assets		64,711	–
Net movement on cash flow hedges	10	–	58,285
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		302,277	(9,361)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		70,504	(9,361)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,716,341	2,278,408
Attributable to:			
Owners of the Company		2,427,158	1,877,008
Non-controlling interests		289,183	401,400
		2,716,341	2,278,408

Condensed Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,112,185	3,100,116
Investment properties		9,927,448	9,459,530
Prepaid land lease payments		95,868	96,772
Goodwill		266,146	266,146
Investment in a jointly-controlled entity		–	720,386
Investments in associates		1,457,252	1,482,287
Intangible assets		13,722,370	14,124,484
Deferred tax assets		27,565	28,747
Total non-current assets		28,608,834	29,278,468
CURRENT ASSETS			
Available-for-sale financial assets		5,500,160	431,655
Tax recoverable		97	86
Inventories		58,537	56,717
Receivables, prepayments and deposits	9	998,002	3,122,795
Cash and cash equivalents		4,758,174	4,472,271
Total current assets		11,314,970	8,083,524
CURRENT LIABILITIES			
Payables and accruals	11	(2,329,473)	(2,639,494)
Tax payable		(333,136)	(365,617)
Due to non-controlling shareholders of subsidiaries		(382,353)	(315,991)
Interest-bearing bank borrowings	12	(238,000)	(238,000)
Dividend payable		(810,961)	–
Total current liabilities		(4,093,923)	(3,559,102)
NET CURRENT ASSETS		7,221,047	4,524,422
TOTAL ASSETS LESS CURRENT LIABILITIES — page 7		35,829,881	33,802,890

Condensed Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES — page 6		35,829,881	33,802,890
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	(2,551,273)	(2,547,407)
Other liabilities	11	(1,174,269)	(1,198,821)
Deferred tax liabilities		(1,824,929)	(1,672,413)
Total non-current liabilities		(5,550,471)	(5,418,641)
Net assets		30,279,410	28,384,249
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	3,119,082	3,117,103
Reserves	16	22,116,261	20,110,448
Proposed dividend		436,671	810,447
Non-controlling interests		25,672,014 4,607,396	24,037,998 4,346,251
Total equity		30,279,410	28,384,249

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Issued capital	Ordinary share premium account	Share option reserve	Asset revaluation reserve	Capital reserve	Hedging reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserve	Special reserve	Retained profits	Proposed dividend	Total			
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) 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 period	-	-	-	-	-	-	-	-	-	-	1,870,895	-	1,870,895	416,874	2,287,769	
Other comprehensive income for the period:																
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(49,823)	-	-	-	-	(49,823)	(17,823)	(67,646)	
Net movement on cash flow hedges	-	-	-	-	-	55,936	-	-	-	-	-	-	55,936	2,349	58,285	
Total comprehensive income	-	-	-	-	-	55,936	-	(49,823)	-	-	1,870,895	-	1,877,008	401,400	2,278,408	
Share options exercised, net of share issue expenses	104	379	(94)	-	-	-	-	-	-	-	-	-	389	-	389	
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	9,904	-	-	-	9,904	(175,477)	(165,573)	
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	1,123,474	1,123,474	
Equity-settled share option arrangements	-	-	754	-	-	-	-	-	-	-	-	-	754	-	754	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,685)	(24,685)	
Transfer from retained profits	-	-	-	-	-	-	4,273	-	-	-	(4,273)	-	-	-	-	
Final 2011 dividend	-	-	-	-	-	-	-	-	-	-	(23)	(685,630)	(685,653)	-	(685,653)	
Interim 2012 dividend declared (note 7)	-	-	-	-	-	-	-	-	-	-	(436,324)	436,324	-	-	-	
Transfer from retained profits in accordance with the Undertaking	-	-	-	-	-	-	-	-	-	12,985	(12,985)	-	-	-	-	
Transfer to retained profits upon issue of new ordinary shares	-	-	-	-	-	-	-	-	-	(389)	389	-	-	-	-	
At 30 June 2012	3,116,603	2,460,788	14,318	14,281	1,430,009	(32,071)	1,096,161	1,384,728	92,855	21,502	12,818,101	436,324	22,853,599	4,174,180	27,027,779	

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company															Non-controlling interests	Total equity												
	Issued capital	Ordinary share premium account	Share option reserve	Asset revaluation reserve	Capital reserve	Available-for-sale financial assets revaluation reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserve	Special reserve	Retained profits	Proposed dividend	Total	Total	Total														
																		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
																		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 period	-	-	-	-	-	-	-	-	-	-	2,428,325	-	2,428,325	217,512	2,645,837														
Other comprehensive income for the period:																													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	165,895	-	-	-	-	165,895	71,671	237,566														
Exchange reserves released upon disposal of a subsidiary and a jointly-controlled entity	-	-	-	-	-	-	-	(231,773)	-	-	-	-	(231,773)	-	(231,773)														
Net gain on available-for-sale financial assets	-	-	-	-	-	64,711	-	-	-	-	-	-	64,711	-	64,711														
Total comprehensive income	-	-	-	-	-	64,711	-	(65,878)	-	-	2,428,325	-	2,427,158	289,183	2,716,341														
Share options exercised, net of share issue expenses	1,979	7,258	(1,796)	-	-	-	-	-	-	-	-	-	7,441	-	7,441														
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	133	-	-	-	133	(985)	(852)														
Equity-settled share option arrangements	-	-	10,245	-	-	-	-	-	-	-	-	-	10,245	-	10,245														
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,053)	(27,053)														
Transfer from retained profits	-	-	-	-	-	-	987	-	-	-	(987)	-	-	-	-														
Final 2012 dividend	-	-	-	-	-	-	-	-	-	-	(514)	(810,447)	(810,961)	-	(810,961)														
Interim 2013 dividend declared (note 7)	-	-	-	-	-	-	-	-	-	-	(436,671)	436,671	-	-	-														
Released upon disposal of a subsidiary and a jointly-controlled entity	-	-	-	-	65,767	-	(9,167)	-	-	-	(56,600)	-	-	-	-														
Transfer to retained profits upon issue of new ordinary shares	-	-	-	-	-	-	-	-	-	(7,441)	7,441	-	-	-	-														
At 30 June 2013	3,119,082	2,469,880	19,950	14,580	1,495,776	64,711	1,279,280	1,363,874	93,193	94,114	15,220,903	436,671	25,672,014	4,607,396	30,279,410														

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,657,208	1,731,103
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,623,759)	(986,595)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(45,741)	(3,701)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(12,292)	740,807
Cash and cash equivalents at beginning of period	4,471,752	3,064,831
Effect of foreign exchange rate changes, net	22,874	(13,520)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,482,334	3,792,118
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,339,050	1,909,172
Non-pledged time deposits with original maturity of less than three months when acquired	3,143,284	1,882,946
Cash and cash equivalents as stated in the statement of cash flows	4,482,334	3,792,118
Non-pledged time deposits with original maturity of more than three months when acquired	275,840	45,982
Cash and cash equivalents as stated in the statement of financial position	4,758,174	3,838,100

1. GENERAL INFORMATION, KEY EVENTS AND ACCOUNTING POLICIES

Guangdong Investment Limited (the “Company”) is a limited company incorporated and domiciled in Hong Kong whose shares are publicly traded. The principal activities of the Company and its subsidiaries (collectively known as the “Group”) are described in note 3.

The operational highlight for the period was the disposal of a wholly-owned subsidiary, Guangdong Assets Management (BVI) No. 3 Limited (“GAM3”), which held a 20% interest in an associate, 廣東番禺大橋有限公司, and the disposal of a 51% owned jointly-controlled entity, Guangdong Transport Investment (BVI) Company Limited (“GTI”) on 28 June 2013 for a cash consideration of Renminbi (“RMB”) 821,660,000 (equivalent to approximately HK\$1,031,430,000). GAM3 and GTI are principally engaged in the investments in bridges in the People’s Republic of China (the “PRC” or “Mainland China”). Further details are given in note 17.

The unaudited interim financial information of the Group for the six months ended 30 June 2013 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2012.

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) as disclosed in note 2 to the interim financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
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 13 *Fair Value Measurement*, amendments to HKAS 1 *Presentation of Financial Statements* and amendments to HKAS 34 included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on this interim financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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 provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. Some of the disclosures are specifically required for financial instruments in the interim financial information. The Group has provided those disclosures in note 10.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains or losses on defined benefit plans and revaluation of land and buildings). The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

The amendment to HKAS 34 included in *Annual Improvements 2009-2011 Cycle* clarifies the requirements in HKAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. Total segment assets and total segment liabilities were reported to the chief operating decision maker. As a result of this amendment, the Group now also includes disclosure of total segment assets and total segment liabilities.

3. OPERATING SEGMENT INFORMATION

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

- (i) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development of properties in Mainland China. This segment also provides property management services 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 manage 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, finance costs, other unallocated losses, net and share of profits less losses of a jointly-controlled entity and associates are excluded from such measurement.

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. Intersegment sales are eliminated on consolidation.

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents the information regarding the Group's operating segments for the six months ended 30 June 2013 together with the comparative figures for corresponding period in 2012.

	Property investment and development		Department stores		Water distribution	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	527,530	498,475	424,029	391,247	2,611,852	2,539,274
Intersegment sales	51,863	51,235	-	-	-	-
Other revenue from external sources (note)	1,238	5,841	20,845	25,641	547	1,086
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange gains/(losses), net	714	(224)	-	-	26,770	(8,729)
Total	581,345	555,327	444,874	416,888	2,639,169	2,531,631
Segment results	725,460	945,945	169,018	144,886	1,642,746	1,544,792
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	-	-	-	-	-	-
Associates	-	-	(2,078)	15,353	(9,807)	(13,000)
Profit before tax						
Income tax expense						
Profit for the period						
Note: Excluding exchange gains/(losses), net						

Notes to Interim Financial Information

30 June 2013

3. OPERATING SEGMENT INFORMATION (Continued)

	Electric power generation		Hotel operations and management		Toll roads and bridges	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	256,790	242,601	308,313	308,024	9,431	13,738
Intersegment sales	-	-	-	-	-	-
Other revenue from external sources (note)	6,136	6,179	229	649	20	3
Other revenue from intersegment (note)	-	-	-	-	-	-
Exchange gain/(losses), net	(207)	64	3,157	(629)	106	(241)
Total	262,719	248,844	311,699	308,044	9,557	13,500
Segment results	65,998	40,006	59,176	62,309	427,499	2,963
Interest income						
Other unallocated losses, net						
Finance costs						
Share of profits less losses of:						
A jointly-controlled entity	-	-	-	-	51,238	44,176
Associates	122,272	28,278	-	-	2,876	2,271
Profit before tax						
Income tax expense						
Profit for the period						
Note: Excluding exchange gains/(losses), net						

3. OPERATING SEGMENT INFORMATION (Continued)

	Others		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	-	-	-	-	4,137,945	3,993,359
Intersegment sales	-	-	(51,863)	(51,235)	-	-
Other revenue from external sources (note)	59,893	21,209	-	-	88,908	60,608
Other revenue from intersegment (note)	1,970	1,790	(1,970)	(1,790)	-	-
Exchange gain/(losses), net	12,174	(2,404)	-	-	42,714	(12,163)
Total	74,037	20,595	(53,833)	(53,025)	4,269,567	4,041,804
Segment results	30,217	(9,637)	-	-	3,120,114	2,731,264
Interest income					20,308	109,599
Other unallocated losses, net					-	(4)
Finance costs					(29,995)	(87,148)
Share of profits less losses of:						
A jointly-controlled entity	-	-	-	-	51,238	44,176
Associates	-	-	-	-	113,263	32,902
Profit before tax					3,274,928	2,830,789
Income tax expense					(629,091)	(543,020)
Profit for the period					2,645,837	2,287,769

Note: Excluding exchange gains/(losses), net

Notes to Interim Financial Information

30 June 2013

3. OPERATING SEGMENT INFORMATION (Continued)

At 30 June 2013

	Property investment and development (Unaudited) HK\$'000	Department stores (Unaudited) HK\$'000	Water distribution (Unaudited) HK\$'000	Electric power generation (Unaudited) HK\$'000	Hotel operations and management (Unaudited) HK\$'000	Toll roads and bridges (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment assets	10,450,934	107,860	14,979,850	292,101	2,339,071	182	8,142	-	28,178,140
Investments in associates	-	180,898	99,606	1,176,748	-	-	-	-	1,457,252
Investment in a jointly-controlled entity	-	-	-	-	-	-	-	-	-
Unallocated assets									10,288,412
Total assets									39,923,804
Segment liabilities	595,365	994,267	1,506,186	550,681	91,609	121,648	25,419	-	3,885,175
Unallocated liabilities									5,759,219
Total liabilities									9,644,394

At 31 December 2012

	Property investment and development (Audited) HK\$'000	Department stores (Audited) HK\$'000	Water distribution (Audited) HK\$'000	Electric power generation (Audited) HK\$'000	Hotel operations and management (Audited) HK\$'000	Toll roads and bridges (Audited) HK\$'000	Others (Audited) HK\$'000	Eliminations (Audited) HK\$'000	Consolidated (Audited) HK\$'000
Segment assets	12,598,938	124,527	14,977,274	167,378	2,347,454	827	9,144	-	30,225,542
Investments in associates	-	179,780	108,233	1,124,927	-	69,347	-	-	1,482,287
Investment in a jointly-controlled entity	-	-	-	-	-	720,386	-	-	720,386
Unallocated assets									4,933,777
Total assets									37,361,992
Segment liabilities	567,025	1,296,939	1,502,456	542,153	106,195	119,611	18,764	-	4,153,143
Unallocated liabilities									4,824,600
Total liabilities									8,977,743

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable:		
Within five years	29,995	25,292
Over five years	-	547
Total interest expense on financial liabilities not at fair value through profit or loss	29,995	25,839
Finance charges on cash flow hedges, net (note 10)	-	61,309
Total finance costs for the period	29,995	87,148

5. PROFIT BEFORE TAX

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

	Note	For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest income**		(20,308)	(109,599)
Changes in fair value of derivative financial instruments not qualified as hedges, net**	10	–	4
Cost of inventories sold*		208,649	209,372
Depreciation		126,367	123,450
Recognition of prepaid land lease payments		2,370	2,354
Amortisation of intangible assets*		401,969	402,006
Impairment of items of property, plant and equipment^		–	3,664

* Included in "Cost of sales" on the face of the condensed consolidated income statement.

** Included in "Other income and gains" on the face of the condensed consolidated income statement.

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

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current — Hong Kong	10,660	10,955
Current — Mainland China		
Charge for the period	485,190	362,850
Under/(over) provision in prior years	4,623	(4,130)
Deferred	128,618	173,345
Total tax charge for the period	629,091	543,020

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Notes to Interim Financial Information

30 June 2013

7. DIVIDENDS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim — 7.0 HK cents (2012: 7.0 HK cents) per ordinary share	436,671	436,324

At a meeting of the board of directors held on 28 August 2013, the directors resolved to pay to shareholders an interim dividend of 7.0 HK cents (2012: 7.0 HK cents) per ordinary share for the six months ended 30 June 2013.

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

The calculations of the basic and diluted earnings per share for the six months ended 30 June 2013 and 2012 are based on:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	2,428,325	1,870,895

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	Number of shares	
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,236,043,176	6,233,036,741
Effect of dilution — weighted average number of ordinary shares assumed to have been issued:		
Share options	20,271,659	22,416,392
For the purpose of diluted earnings per share calculation	6,256,314,835	6,255,453,133

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Trade receivables, net of impairment	(i)	744,154	337,726
Other receivables, prepayments and deposits	(ii)	155,728	2,779,202
Due from the ultimate holding company	20(d)	1,255	1,233
Due from the immediate holding company	20(d)	406	683
Due from fellow subsidiaries	20(d)	4,129	2,955
Due from an associate	20(d)	91,396	–
Due from a non-controlling shareholder of a non-wholly-owned subsidiary		934	996
		998,002	3,122,795

Except for trade receivables as detailed below, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes:

- (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 payable within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables related principally to the water distribution and electricity supply businesses, giving rise to a certain concentration of credit risk whereby 46% (31 December 2012: 15%) of the total trade receivables was due from one of the Group's major customers. 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:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 3 months	643,763	251,165
3 months to 6 months	18,194	6,180
6 months to 1 year	6,718	50,443
More than 1 year	85,831	40,473
	754,506	348,261
Less: Impairments	(10,352)	(10,535)
	744,154	337,726

- (ii) Included in the balances at 31 December 2012 was the consideration of approximately RMB135 million (equivalent to approximately HK\$166 million) made to 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("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% of the interest-bearing shareholders' loans made by Guangdong Holdings to the Target Companies. The interest income recognised during the six months ended 30 June 2013 was RMB839,000 (equivalent to approximately HK\$1,043,000) (six months ended 30 June 2012: RMB73,433,000 (equivalent to approximately HK\$90,396,000)). The consideration and the proportional shareholders' loans were refunded in full in January 2013 as the transaction was terminated.

Notes to Interim Financial Information

30 June 2013

10. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at 30 June 2013, other than cash and cash equivalents, are as follows:

Financial assets

	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	5,500,160	5,500,160
Financial assets included in receivables, prepayments and deposits	865,077	–	865,077
Due from associates	98,014	–	98,014
	963,091	5,500,160	6,463,251

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Financial liabilities included in payables and accruals	2,223,307
Due to non-controlling shareholders of subsidiaries	382,353
Interest-bearing bank borrowings	2,789,273
	5,394,933

Fair values

The carrying amounts and fair values of the Group's financial instruments as at 30 June 2013, other than cash and cash equivalents, are as follows:

	Carrying amount HK\$'000	Fair values HK\$'000
Financial assets		
Available-for-sale financial assets	5,500,160	5,500,160
Financial assets included in receivables, prepayments and deposits	865,077	865,077
Due from associates	98,014	98,014
	6,463,251	6,463,251
Financial liabilities		
Financial liabilities included in payables and accruals	2,223,307	2,223,307
Due to non-controlling shareholders of subsidiaries	382,353	382,353
Interest-bearing bank borrowings	2,789,273	2,705,270
	5,394,933	5,310,930

10. FINANCIAL INSTRUMENTS (Continued)**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value as at 30 June 2013:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	5,500,160	–	5,500,160

During the six months ended 30 June 2013, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Valuation techniques

The fair value of the unquoted available-for-sale financial assets has been determined using a discounted cash flow model. The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below.

	30 June 2013
Discount rate	3.6% to 5.1%

Risk management activities

In the prior period, the Group entered into certain interest rate swap agreements to hedge against the interest rate risk arising from two credit facilities of HK\$12,800 million and HK\$2,000 million (collectively, the “Refinancing Facilities”).

The carrying amount of interest rate swap agreements was the same as its fair value. The fair value of interest rate swap agreements was the estimated amount that the Group would receive or pay to terminate the swap agreements at the end of the reporting period, taking into account current market conditions and the current creditworthiness of the swap counterparties. The above transactions involving derivative financial instruments were with creditworthy banks with no recent history of default.

Cash flow hedges

At 30 June 2012, the Group had certain interest rate swap agreements with a total notional amount of HK\$2,950 million designated and qualified as hedging instruments in respect of the Group’s Refinancing Facilities, whereby the Group received interest at Hong Kong Interbank Offered Rates (“HIBOR”) per annum and paid interest at a range of fixed rates per annum on the notional amounts. The swap agreements converted the interest obligation arising from the Refinancing Facilities from the floating rate of HIBOR to a range of fixed interest rates per annum. All interest rate swap agreements expired as at 31 December 2012.

Notes to Interim Financial Information

30 June 2013

10. FINANCIAL INSTRUMENTS (Continued)

Risk management activities (Continued)

Cash flow hedges (Continued)

The terms of these swap agreements were negotiated to match the respective terms of the Refinancing Facilities. The cash flow hedges of the Refinancing Facilities were assessed to be highly effective and the net fair value gain on cash flow hedges of HK\$55,936,000 included in the hedging reserve for the six months ended 30 June 2012 was as follows:

	HK\$'000
Total fair value losses included in the hedging reserve	(3,024)
Interest expense on cash flow hedges charged to finance costs upon realisation of certain interest rate swap agreements (note 4)	61,309
Net movement on cash flow hedges	58,285
Portion shared by non-controlling interests	(2,349)
Net movement attributable to the owners of the Company	55,936

Derivatives not qualified for hedge accounting

At 30 June 2012, the Group had various other interest rate swap agreements which did not meet the criteria for hedge accounting. The net loss in the fair value of these derivatives not qualified for hedge accounting which amounted to HK\$4,000 (note 5) was charged to the income statement during the six months ended 30 June 2012.

Amounts payable under the interest rate swap agreements were senior in right of payment to the Refinancing Facilities.

11. PAYABLES AND ACCRUALS

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Trade payables		384,964	551,703
Accruals and other liabilities	13	3,089,830	3,198,649
Deferred income		23,021	22,617
Due to the ultimate holding company	20(d)	2,649	2,533
Due to the immediate holding company	20(d)	2,864	3,085
Due to fellow subsidiaries	20(d)	414	1,930
Due to a jointly-controlled entity	20(d)	-	57,798
Less: Portion classified as non-current liabilities	13	3,503,742 (1,174,269)	3,838,315 (1,198,821)
Current portion		2,329,473	2,639,494

11. 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:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 3 months	383,530	550,213
3 months to 6 months	94	162
6 months to 1 year	1,340	1,328
	384,964	551,703

12. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Current				
Bank loans — secured	0.98%	2013	160,000	160,000
— unsecured	2.39% to 3.02%	2013	78,000	78,000
			238,000	238,000
Non-current				
Bank loans — secured	0.98%	2014 — 2017	640,000	640,000
— unsecured	2.39% to 3.02%	2014 — 2015	1,911,273	1,907,407
			2,551,273	2,547,407
			2,789,273	2,785,407

13. OTHER LIABILITIES

At 30 June 2013, included in other liabilities was a non-interest-bearing receipt in advance amounting to HK\$1,182,000,000 (31 December 2012: HK\$1,182,000,000). In prior years, the Government of the Hong Kong Special Administrative Region ("HKSAR") granted a loan facility with a principal amount of HK\$2,364 million (the "Loan Facility") to the Guangdong Provincial Government (the "GPG") for the purpose of the Dongshen Water Supply Phase IV Renovation Project (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.

Notes to Interim Financial Information

30 June 2013

14. SHARE CAPITAL

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised: 8,000,000,000 (31 December 2012: 8,000,000,000) ordinary shares of HK\$0.50 each	4,000,000	4,000,000
Issued and fully paid: 6,238,163,071 (31 December 2012: 6,234,205,071) ordinary shares of HK\$0.50 each	3,119,082	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:

	Notes	Number of ordinary shares in issue (Unaudited)	Issued and fully paid ordinary shares (Unaudited) HK\$'000	Ordinary share premium account (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2013		6,234,205,071	3,117,103	2,462,622	5,579,725
Share option exercised	(i)	3,958,000	1,979	5,462	7,441
Release of share option reserve	(ii)	–	–	1,796	1,796
At 30 June 2013		6,238,163,071	3,119,082	2,469,880	5,588,962

Notes:

- (i) During the six months ended 30 June 2013, the subscription rights attaching 3,958,000 share options were exercised at subscription price of HK\$1.88 per ordinary share, resulting in the issue of 3,958,000 ordinary shares for a total consideration of HK\$7,441,000.
- (ii) During the six months ended 30 June 2013, 3,958,000 share options were exercised, resulting in the release of share option reserve of HK\$1,796,000 to the ordinary share premium account.

15. SHARE OPTION SCHEME

The Company operates share option schemes (the “GDI Schemes”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Eligible participants of the GDI Schemes include, but not limited to, directors, officers and employees of the Group.

On 24 October 2008, the Company adopted a new share option scheme (the “2008 Scheme”). The 2008 Scheme became effective on 24 October 2008 and, unless otherwise terminated or amended, will remain in force for 10 years from that date. The vesting period of the share options granted under the 2008 Scheme is from the date of grant until the commencement of the exercise period.

The following share options were outstanding under the GDI Schemes during the period:

	2013		2012	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.88	26,850	1.88	35,250
Granted during the period	6.20	39,432	–	–
Lapsed during the period	1.88	(2,040)	–	–
Exercised during the period	1.88	(3,958)	1.88	(207)
At 30 June	4.71	60,284	1.88	35,043

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2013 was HK\$7.01 (six months ended 30 June 2012: HK\$5.20) per share.

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

2013			
Number of options '000	Exercise price* HK\$ per share		Exercise period** (dd.mm.yyyy)
2,280	1.88		24-10-2010 to 23-04-2014
7,787***	1.88		24-10-2011 to 23-04-2014
3,595	1.88		24-10-2012 to 23-04-2014
7,190	1.88		24-10-2013 to 23-04-2014
15,773	6.20		22-01-2015 to 21-07-2018
11,830	6.20		22-01-2016 to 21-07-2018
3,943	6.20		22-01-2017 to 21-07-2018
7,886	6.20		22-01-2018 to 21-07-2018
60,284			

Notes to Interim Financial Information

30 June 2013

15. SHARE OPTION SCHEME (Continued)

2012			
Number of options '000	Exercise price* HK\$ per share	Exercise period** (dd.mm.yyyy)	
4,773	1.88	24-10-2010 to 23-04-2014	
15,135	1.88	24-10-2011 to 23-04-2014	
5,045	1.88	24-10-2012 to 23-04-2014	
10,090	1.88	24-10-2013 to 23-04-2014	
<hr/>			
35,043			

* 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.

** Further details regarding the share options granted under the 2008 Scheme are set out in (i) the "Share Option Scheme adopted on 24 October 2008" in the "Directors' Interests and Short Positions in Securities" section of the interim report on pages 40 to 41; and (ii) the "Share Options of the Company" section of the interim report on page 45.

*** Included in the share options were 720,000 share options contingently lapsed as at the end of the reporting period. These share options were lapsed on 18 July 2013.

16. RESERVES

One of the undertakings given to the High Court of the HKSAR by the Company in its capital reduction application (the "Undertaking") relates to the setting up of a special reserve on the 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 on 24 December 2003 ("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 a special reserve in the books of the Company (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 (a "Subsidiary") which is made by such a Subsidiary out of 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 six months ended 30 June 2013, there was no release of provision as determined above (six months ended 30 June 2012: Nil); and no profit was distributed from the Company's Subsidiary during the current period (six months ended 30 June 2012: profit of HK\$12,984,957) as determined above, which resulted in no transfer from retained profits to the Special Reserve of the Group and the Company (six months ended 30 June 2012: HK\$12,984,957).

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 Companies Ordinance. Further, the Special Reserve may be applied for the same purposes as a 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 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.

16. RESERVES (Continued)

During the six months ended 30 June 2013, the reduction of the Special Reserve and the capitalisation of the same 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\$7,441,040 (six months ended 30 June 2012: HK\$389,160). In effecting the reduction and capitalisation as aforesaid, the amount transferred from the Special Reserve is kept to 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 share premium account of the Company which results from the 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 six months ended 30 June 2013, there was no non-permanent loss which has turned into a permanent loss of the Group and the Company (six months ended 30 June 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.

The Limit, as adjusted, was HK\$608,188,486 (31 December 2012: HK\$615,629,526) and the amount standing to the credit of the Special Reserve was HK\$94,114,457 (31 December 2012: HK\$101,555,497) as at 30 June 2013.

17. DISPOSAL OF A SUBSIDIARY AND A JOINTLY-CONTROLLED ENTITY

As detailed in note 1, GAM3 and GTI were disposed of for a consideration of RMB821,660,000 (equivalent to approximately HK\$1,031,430,000) on 28 June 2013.

	HK\$'000
Net assets of GAM3 disposal of:	
Investment in an associate	63,233
Cash and bank balances	9,022
Share of net assets of GTI disposal of	766,703
	<hr/>
	838,958
Exchange fluctuation reserve released upon disposal	(231,773)
Gain on disposal of a subsidiary and a jointly-controlled entity	424,245
	<hr/>
	1,031,430
	<hr/>
Satisfied by:	
Cash	1,031,430

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary and a jointly-controlled entity is as follows:

	HK\$'000
Cash consideration	1,031,430
Cash and bank balances disposed of	(9,022)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary and a jointly-controlled entity	1,022,408

Notes to Interim Financial Information

30 June 2013

18. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold properties under operating lease arrangements. Leases for properties are negotiated for terms of one to twenty years (31 December 2012: one to twenty years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	98,888	87,058
In the second to fifth years, inclusive	122,231	129,036
After five years	35,710	38,682
	256,829	254,776

In addition to the operating lease arrangements disclosed above, the Group leases certain leasehold properties for its subsidiaries for the department store operations. The related rental charge for the six months ended 30 June 2013 of HK\$55,379,000 (six months ended 30 June 2012: HK\$49,795,000) was calculated with reference to the revenue generated by the subsidiaries of the Group.

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had the following commitments at the end of the reporting period:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Capital commitments in respect of property, plant and equipment, investment properties and intangible assets:		
Contracted for	917,120	612,292
Authorised, but not contracted for	6,430,296	6,662,115
	7,347,416	7,274,407
Capital commitments in respect of contribution payable to an associate:		
Authorised, but not contracted for	123,019	120,863
	7,470,435	7,395,270

20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in these interim financial information, the Group had the following significant related party transactions during the period:

(a) Transactions with related parties

	Notes	For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Hotel management and other service fees received from fellow subsidiaries	(i)	(2,004)	(2,690)
Rents received from Guangdong Holdings, GDH Limited and certain fellow subsidiaries	(ii)	(11,906)	(10,363)
Water distribution income received from a fellow subsidiary	(iii)	(14,778)	(15,722)
Dividends paid to GDH Limited and certain of its subsidiaries by GH Water Supply (Holdings) Limited	(iv)	26,018	23,589

Notes:

- (i) Income received was charged in accordance with the terms of agreements entered into between the Group's subsidiary and the respective fellow subsidiaries.
- (ii) Rents received was charged in accordance with the respective tenancy agreements.
- (iii) Income received on the supply of untreated water was charged in accordance with the terms of an agreement entered between the Group's subsidiary and the fellow subsidiary.
- (iv) Dividends paid and payable were made pursuant to the dividend rates proposed and declared at the respective board of directors and shareholders' meetings.

(b) Other transactions with related parties

The Group's fellow subsidiary which is also a shareholder of a non-wholly-owned subsidiary of the Group, has provided 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 (31 December 2012: RMB654,240,000).

Notes to Interim Financial Information

30 June 2013

20. 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 Group (collectively, the "GDH Group") for leasing out of several units in Hong Kong and Mainland China as office premises. The total rents received from the GDH Group for the period were included in note 20(a) to the interim financial statements. Details of the Group's commitments with related parties at the end of the reporting period are as follows:

	Within one year (Unaudited) HK\$'000	In the second year (Unaudited) HK\$'000	In the third year (Unaudited) HK\$'000
Guangdong Holdings	12,992	3,275	–
GDH Limited	9,057	6,836	633
Guangdong Kingway Sales Limited	124	–	–
Guangdong Tannery Limited	208	–	–

(d) Outstanding balances with related parties at the end of the reporting period

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Balances due from:			
The ultimate holding company	(i)	1,255	1,233
The immediate holding company	(i)	406	683
Fellow subsidiaries	(i)	1,420	484
A fellow subsidiary	(ii)	2,709	2,471
An associate	(i)	6,618	6,502
An associate	(iv)	91,396	–
Balances due to:			
The ultimate holding company	(iii)	(2,649)	(2,533)
The immediate holding company	(i)	(2,864)	(3,085)
Fellow subsidiaries	(i)	(414)	(1,930)
A fellow subsidiary	(v)	(60,254)	–
A jointly-controlled entity	(i)	–	(57,798)

Notes:

- (i) The balances are unsecured, non-interest-bearing and have no specific terms of repayment.
- (ii) The balance is unsecured, non-interest-bearing and repayable within 30 days.
- (iii) The balance represented rental deposit received and is due upon the expiry of the related lease.
- (iv) The balance represented dividend receivable from an associate which was subsequently received in July 2013.
- (v) Included in the balances due to non-controlling shareholders of subsidiaries was a shareholder's loan from a fellow subsidiary amounting to HK\$60,254,000 (31 December 2012: Nil). The balances are unsecured, non-interest-bearing and have no specific terms of repayment.

20. RELATED PARTY TRANSACTIONS (Continued)**(e) Compensation of directors and key management personnel of the Group**

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	3,864	2,739
Post-employment benefits	138	206
Equity-settled share option expense	5,391	526
Total compensation paid to directors and key management personnel	9,393	3,471

21. CAPITAL EXPENDITURE

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment, investment properties and intangible assets in aggregate of approximately HK\$107,608,000 (six months ended 30 June 2012: HK\$1,512,195,000).

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors of the Company on 28 August 2013.

Business Review, Discussion and Analysis, and Prospects

RESULTS

The board of directors (the “Board”) is pleased to report the results of the Group for the six months ended 30 June 2013 (the “Period”). The Group’s unaudited consolidated profit attributable to shareholders amounted to HK\$2,428 million (2012: HK\$1,871 million), an increase of 29.8% as compared with the same period last year. Basic earnings per share was 38.94 HK cents (2012: 30.02 HK cents), an increase of 29.7% over the same period last year.

INTERIM DIVIDEND

The Board declares an interim dividend of 7.0 HK cents per share for the Period (2012: 7.0 HK cents).

FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$4,138 million (2012: HK\$3,993 million), an increase of 3.6% as compared with the same period last year. The growth was mainly contributed by water distribution, department stores operations and property investment businesses.

The unaudited consolidated profit attributable to shareholders of the Group for the Period increased by 29.8% to HK\$2,428 million (2012: HK\$1,871 million). The profit before tax increased by 15.7% or HK\$444 million to HK\$3,275 million (2012: HK\$2,831 million). The growth was mainly contributed by water distribution, electric power generation and the gain arising from disposal of certain non-core investments, but partly offset by the decrease in property investment and development businesses.

Net gain arising from fair value adjustments of investment properties of HK\$318 million (2012: HK\$553 million) was recorded during the Period. The finance cost of the Group decreased by 65.5% to HK\$30 million (2012: HK\$87 million) as there was no finance charge arising from interest rate swap arrangement for the Period.

Basic earnings per share was 38.94 HK cents (2012: 30.02 HK cents), representing an increase of 29.7% as compared with the same period last year.

BUSINESS REVIEW

A summary of the performance of the Group’s major businesses during the Period is 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 30 June 2013, the Company’s interest in GH Water Supply (Holdings) Limited (“GH Water Holdings”) was 95.99% (31 December 2012: 95.98%). During the Period, the Company had acquired 7,675 shares in GH Water Holdings at a price of HK\$111 per share for a total consideration of approximately HK\$852,000. 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 Period amounted to 1.000 billion cubic meters (2012: 1.021 billion cubic meters), down by 2.1%, which generated a revenue of HK\$2,611,852,000 (2012: HK\$2,539,274,000), an increase of 2.9% over the same period last year.

Pursuant to the Hong Kong Water Supply Agreement for years 2012 to 2014 entered into between the Hong Kong Special Administrative Region (“Hong Kong”) Government and the Guangdong Provincial Government (“GPG”) in 2011, the annual revenue for water sales to Hong Kong for the three years of 2012, 2013 and 2014 are 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 Period increased by 5.8% to HK\$2,042 million (2012: HK\$1,930 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period decreased by 6.4% to HK\$570 million (2012: HK\$609 million). The profit before tax of the water distribution business for the Period was HK\$1,657,495,000 (2012: HK\$1,484,795,000), 11.6% higher than that in the same period last year.

Nansha Water Supply

The Group's effective interest in 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 user during the Period amounted to 27.24 million cubic meters (2012: 26.32 million cubic meters), an increase of 3.5%. Revenue for the Period was HK\$68,440,000 (2012: HK\$60,888,000), an increase of 12.4%. The loss before tax of Nansha Water Co for the Period was HK\$20,453,000 (2012: HK\$28,101,000), 27.2% less than that of the same period last year.

Property Investment

Mainland China

Teem Plaza

As at 30 June 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 Period, revenue of Teem Plaza, comprising rental income from both the shopping mall (included rentals from department store operated by the Group) and the office building, reached HK\$539,001,000 (2012: HK\$512,579,000), an increase of 5.2%. The profit before tax for the Period, excluding revaluation gain and net interest income, increased by 3.7% to HK\$378,437,000 (2012: HK\$364,879,000).

Teemall, one of the most popular shopping malls in the 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 approximately 99% during the Period (2012: 99%). The mall is successful in retaining existing brand-name tenants and 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 of rental income during the Period.

The office building, known as 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 98% (2012: 98%) as at 30 June 2013, the total rental income for the Period was HK\$100,912,000 (2012: HK\$102,644,000), a decrease of 1.7%. The profit before tax for the Period, excluding revaluation gain, was down by 3.1% to HK\$85,875,000 (2012: HK\$88,651,000).

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. It is expected that the construction work of the Tianjin Teem Shopping Mall will be completed by the end of 2016. Approximately HK\$1,395 million had been invested as at 30 June 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 Company Limited) ("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\$650 million had been invested by Tianhecheng Investco in Wanye according to the cooperation agreement as at 30 June 2013.

Business Review, Discussion and Analysis, and Prospects

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 98.2% (2012: 99.6%), which was 1.4% lower than that in the same period last year. As a result of the upsurge in average rental, total rental income for the Period was up by 20.2% to HK\$21,365,000 (2012: HK\$17,769,000).

Department Stores Operations

As at 30 June 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 approximately 130,000 square meters (2012: 126,700 square meters) generated revenue of HK\$424,029,000 (2012: HK\$391,247,000), an increase of 8.4%. The profit before tax for the Period increased by 30.2% to HK\$191,463,000 (2012: HK\$147,017,000).

Teemall Store offers to sell a wide range of products and is one of the major top-selling department stores in Guangzhou. The revenue of Teemall Store increased by 7.8% to HK\$299,633,000 (2012: HK\$277,828,000) during the Period.

Due to the opening of new competing department stores along the Beijing Road, the revenue of Ming Sheng Store for the Period was decreased by 7.1% to HK\$29,782,000 (2012: HK\$32,041,000). Ao Ti Store is operated as an outlet mall and its revenue for the Period was HK\$15,348,000 (2012: HK\$11,333,000), an increase of 35.4%. The revenue of Baiyun New Town Store for the Period was HK\$8,750,000 (2012: HK\$6,732,000), an increase of 30.0%. The revenue of Dong Pu Store for the Period was HK\$23,617,000 (2012: HK\$16,006,000), an increase of 47.6%.

Wan Bo Store is operated as an outlet mall, sells brand-name products at a substantial discount. Due to the opening of new competing department stores in Panyu District, the revenue of Wan Bo Store for the Period was decreased by 0.9% to HK\$46,899,000 (2012: HK\$47,306,000).

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 negative contribution from new stores of GD Aeon Teem and the increase in logistic and other shared costs charged by its headquarters, the Group's share of losses in GD Aeon Teem amounted to HK\$2,078,000 (2012: share of profit HK\$15,353,000) during the Period.

Hotel Operations and Management

As at 30 June 2013, our hotel management team managed a total of 37 hotels (31 December 2012: 37 hotels), of which two were located in Hong Kong, one in Macau and 34 in Mainland China. As at 30 June 2013, seven hotels were owned or lease-owned by the Group, of which two were located in Hong Kong, two in Shenzhen, one in Guangzhou, one in Zhuhai and one in Zhengzhou. Of these seven hotels, six were managed by our hotel management team and the one located in Guangzhou, namely Sheraton Guangzhou Hotel, was 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 service. During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$1,219 (2012: HK\$1,310) whereas the average room rate of the remaining four star-rated hotels and the two hotels with limited service was HK\$744 (2012: HK\$747) and HK\$248 (2012: three hotels with limited service HK\$227), respectively. The average occupancy rate of Sheraton Guangzhou Hotel was 79.0% (2012: 61.8%) and of the other four star-rated hotels was 77.9% (2012: 81.5%) during the Period.

Regarding the hotel operations and management business as a whole, the revenue for the Period increased by 0.1% to HK\$308,313,000 (2012: HK\$308,024,000). The profit before tax for the Period decreased by 0.2% to HK\$62,411,000 (2012: HK\$62,520,000).

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 Period amounted to 346 million kwh (2012: 322 million kwh), an increase of 7.5%. As a result of the increase in electricity sales, revenue for the Period also increased by 5.8% to HK\$256,790,000 (2012: HK\$242,601,000). The increase in sales volume together with the decrease in coal price further drove up the profit margin of ZTP, thus the profit before tax increased by 63.1% to HK\$68,031,000 (2012: HK\$41,713,000) during the Period.

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 30 June 2013, Yudean Jinghai Power had four (31 December 2012 : two) power generation units with a total installed capacity of 3,200 MW (31 December 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 Period amounted to 7,179 million kwh (2012: 3,193 million kwh), an increase of 124.8%. Revenue for the Period amounted to HK\$3,904,531,000 (2012: HK\$1,750,784,000), an increase of 123.0%. Due to the increase in sales volume together with and the decrease in coal price, profit before tax for the Period increased by 332.7% to HK\$652,592,000 (2012:HK\$150,814,000).

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. Sales of the electricity for the Period amounted to 1,367 million kwh (2012: 1,450 million kwh), a decrease of 5.7%. Revenue for the Period amounted to HK\$851,119,000 (2012: HK\$888,953,000) a decrease of 4.3%. Due to the decrease in coal price, profit before tax for the Period amounted to HK\$57,733,000 (2012: Loss before tax HK\$61,078,000). As full provision was made against the investment in Yue Jiang Power in 2009, no profit/loss was shared from Yue Jiang Power in the Group for the Period.

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 Period, no dividend income was received by GD Power Investment from this investment (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 (the “JCE”). The JCE held interests in the “Two Bridges” project namely Humen Bridge and Shantou Haiwan Bridge with a profit sharing ratio 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 who held 49% equity interest in the JCE, entered into an agreement for the disposal of the Group’s entire 51% and 100% equity interests in the JCE and GAM3, respectively, at 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 Period.

During the profit sharing period from 1 January 2013 to 27 June 2013 (“the PS Period”), the profit attributable to the Group from the “Two Bridges” and Panyu Bridge amounted to HK\$51,238,000 and HK\$2,876,000, respectively (the Period in 2012: HK\$44,176,000 and HK\$2,271,000), representing an increase of 16.0% and 26.6%, respectively.

(i) *Humen Bridge*

During the Period, average daily traffic flow of this bridge increased by 6.6% to 80,391 vehicle trips (2012: 75,440 vehicle trips). Revenue for the PS Period amounted to HK\$699,051,000 (the Period in 2012: HK\$644,490,000), an increase of 8.5%; accordingly, the profit before tax for PS Period increased by 18.4% to HK\$589,109,000 (the Period in 2012: HK\$497,546,000).

(ii) *Shantou Haiwan Bridge*

During the Period, average daily traffic flow of this bridge increased by 12.9% to 19,307 vehicle trips (2012: 17,098 vehicle trips). Revenue increased by 7.6% to HK\$139,477,000 (the Period in 2012: HK\$129,627,000) during the PS Period; the profit before tax for PS Period was HK\$100,711,000 (the Period in 2012: HK\$100,018,000), an increase of 0.7%.

(iii) *Panyu Bridge*

During the Period, average daily traffic flow of this bridge increased by 13.6% to 50,161 vehicle trips (2012: 44,137 vehicle trips). During the PS Period, revenue increased by 5.1% to HK\$63,001,000 (the Period in 2012: HK\$59,944,000). Attributable to the increase in revenue and the decrease in repair and maintenance expenditure, the profit before tax for PS Period increased by 59.8% to HK\$26,878,000 (the Period in 2012: HK\$16,825,000).

Yingkeng Highway

The Group’s effective interest in this project is 70%. During the Period, average daily traffic flow of this highway decreased by 11.2% to 4,160 vehicle trips (2012: 4,683 vehicle trips). Revenue decreased by 31.4% to HK\$9,431,000 (2012: HK\$13,738,000) mainly due to the decrease in traffic flow of heavy vehicles which paid a higher tariff and the widening of North River Waterway (北江航道) diverted the traffic from Yingkeng Highway. The profit before tax for the Period was HK\$3,327,000 (2012: HK\$3,205,000), an increase of 3.8%.

Given the poor conditions of a section of Yingkeng Highway, the toll charged to road users has been suspended for that section since 31 July 2013 by the project company.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 30 June 2013, the available-for-sale financial assets of the Group increased by HK\$5,068 million to HK\$5,500 million (31 December 2012: HK\$432 million), these financial assets 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 RMB and guaranteed by those banks upon the maturity date.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2013, the cash and bank balances of the Group increased by HK\$286 million to HK\$4,758 million (31 December 2012: HK\$4,472 million), of which 25.9% was denominated in Hong Kong dollars, 73.3% in Renminbi and 0.8% in US dollars.

As at 30 June 2013, the Group's financial borrowings increased by HK\$4 million to HK\$3,971 million (31 December 2012: HK\$3,967 million), of which 17.5% was denominated in US dollars and 82.5% was in Hong Kong dollars, including the non-interest-bearing receipt in advance of HK\$1,182 million. Of the Group's total financial borrowings, HK\$356 million was repayable within one year while the remaining balances of HK\$3,024 million and HK\$591 million are repayable within two to five years and beyond five years from the end of reporting period, respectively.

The Group maintained credit facilities of RMB600 million as at 30 June 2013 (31 December 2012: RMB1,100 million).

As at 30 June 2013 and 31 December 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. Net cash position was in fact a reflection of the increase in net assets of the Group. The Group was in a healthy debt servicing position as the EBITDA/finance cost as at 30 June 2013 was 122.4 times (31 December 2012: 36.4 times).

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

PLEDGE OF ASSETS

As at 30 June 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 (31 December 2012: Nil).

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$108 million which was principally related to the development cost for property development projects, construction cost for Zhongshan Project and hotel renovations.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 30 June 2013, total US dollars borrowings amounted to HK\$695 million (31 December 2012: HK\$692 million). The foreign currency risk exposure was considered to be minimal and thus no currency hedging was considered necessary.

As at 30 June 2013, the Group's total floating rate borrowings amounted to HK\$2,789 million (31 December 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 30 June 2013, the Group had a total of 4,210 employees, of which 843 were at the managerial level. Among the employees, 3,963 were employed by subsidiaries in Mainland China and 247 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$305,097,000 (2012: HK\$266,055,000).

In 2013, the profound impact of the international financial crisis has not yet been subsided and the recovery of the global economy was slow. Having faced of the above situation, the Group further enhanced its standards of management by aiming at advancing its core competitiveness, focusing on improving economic efficiencies and achieving breakthrough in the optimisation of its asset portfolio. Our core competitiveness has been improving continuously by consolidating the assets and business operations, and building up its leading industries. During the first half of the year, the Group continued to implement its people-oriented talent strategies in light of the corporate culture featured by credibility, integrity and profitability. A team of professionals was further consolidated with members acquiring from different channels for fulfilling the needs of the business development of the Company. More attention was placed on the particular incubation of staff with potentials. On this basis, the systems of performance appraisal, evaluation, incentives and human resource management system were perfected constantly for creating a favorable atmosphere and environment for the growth of these talents. A pool of outstanding management and technical personnel were selected and formed to meet the rapid development in the needs of enterprise. In future, by fully capitalising on Hong Kong's geographical advantages and its attractiveness to high-end talent, the Group will strengthen its internal management, and continue to build and train a team of senior talented professionals. The Group has an appraisal and feedback mechanism so as to ensure the integrity and efficiency of the management team on a regular basis. Employee compensation and incentive distribution were linked to the results of their respective companies. With references to net operating cash flow and profit after tax, different levels of motivation policies were implemented. Bonuses were awarded in proportion to the contribution from different levels of staff, whilst individual performance appraisal awards were paid to the management, key personnel and outstanding staff for effectively motivating their enthusiasm at work. The Group also utilised incentives from share option schemes to motivate and attract talents for their loyalty to the Group in the long term. In terms of staff training, the Group always encourages and subsidises staff training, and establishes corresponding training mechanisms targeting at the needs of its staff. The quality of our staff team continues to rise, so as to lay a solid foundation to the long-term development of the Group.

REVIEW

During the first half of 2013, the US economy began to gradually recover, and the impact of the European debt crisis gradually diminished, but the growth of the global economy remained weak. Facing complex and volatile market conditions, the Group conscientiously implemented its development strategies with innovative visions. Our business operations were further integrated upon the change in development models, with a breakthrough from the optimisation of assets composition and the disposal of certain non-core projects. The Group maintained a sound trend of growth in its production and operation despite the slowdown of economic growth of China, and achieved considerably attractive operating results.

PROSPECTS

In the second half of 2013, it is expected that the recovery of the US economy will slow down, whilst the euro zone economy will remain in recession, and the growth of the global economy will still be sluggish. The economy in China is facing the problem of excessive production capacity. There are risks that the growth of the economy will fall in the second half of the year. The Group as a whole will strengthen its research on the macro-economy. Attention will be placed towards the shift in policies over different industries. Effective measures will be adopted to actively manage potential risks, further improve corporate governance, comprehensively enhance the standards of management with an aim of achieving sustainable and steady development of the Group.

During the second half of the year, the Group will fully leverage on its capital fund to consolidate its capital operation. Efficiency in the utilisation of funds will be improved further so as to achieve the Group's capital preservation and appreciation. Our resources will be integrated proactively with their allocation being optimised. The Group will capture the opportunities arising from the development of urbanisation, and explore potential investment opportunities in the market. The scale and quality of investments will be expanded and upgraded respectively. Our business operations will occupy a larger share in the market and rank higher in terms of capacities. Both the upstream and downstream industry chains will unravel to new ends, thereby bolstering our core competitiveness. The Group will continue to refine its philosophy of corporate culture, and create an admirable environment for pursuing excellence, as well as enhancing its cohesion and solidarity. This will effectively assure the sustainable and rapid development of the Group. We will seek opportunities to achieve a new leap in the Group's development notwithstanding the increasingly intensive competition in the market, and strive to push the performance of our business operations to new heights.

Directors' Interests and Short Positions in Securities

As at 30 June 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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	2,150,000	Long position	0.034%

Note: The approximate percentage of interests held was calculated on the basis of 6,238,163,071 ordinary shares of the Company in issue as at 30 June 2013.

Directors' Interests and Short Positions in Securities

(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)	Number of share options during the period					Total consideration paid for share options granted HK\$	Exercise price of share options** HK\$ (per share)	Price of ordinary share at date immediately before the exercise HK\$ (per share)	Price of ordinary share at date immediately before the exercise HK\$ (per share)	
		At date of grant	At 1 January 2013	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					At 30 June 2013
Huang Xiaofeng	24.10.2008	5,700,000	5,700,000	-	-	-	5,700,000	-	1.88	1.73	-
	22.01.2013	2,693,000 ^a	-	2,693,000	-	-	2,693,000	-	6.20	6.30	-
Wen Yinheng	22.01.2013	1,395,000 ^a	-	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 ^a	-	1,256,000	-	-	1,256,000	-	6.20	6.30	-
Huang Zhenhai	22.01.2013	2,315,000 ^a	-	2,315,000	-	-	2,315,000	-	6.20	6.30	-
Wu Jianguo	22.01.2013	2,268,000 ^a	-	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 ^a	-	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 ^a	-	2,268,000	-	-	2,268,000	-	6.20	6.30	-
Zhao Chunxiao	22.01.2013	2,268,000 ^a	-	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 ^a	-	2,243,000	-	-	2,243,000	-	6.20	6.30	-
Cheng Mo Chi, Moses	24.10.2008	2,500,000	1,500,000	-	-	-	1,500,000	-	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

- (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
On or before the date which is four months after the date of grant	0%
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 period*

* 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

INTERESTS AND SHORT POSITIONS IN KINGWAY BREWERY 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)
Cheng Mo Chi, Moses	Personal	600,000	Long position	0.035%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Kingway Brewery Holdings Limited in issue as at 30 June 2013.

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 30 June 2013.

Directors' Interests and Short Positions in Securities

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

Name of Director	Date of grant of share options* (dd.mm.yyyy)	Number of share options				At 30 June 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)
		At 1 January 2013	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period						
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 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 share options were granted.

Save as disclosed above, as at 30 June 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 30 June 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	60.43%
	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	60.43%
	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 6,238,163,071 ordinary shares of the Company in issue as at 30 June 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 30 June 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.

Share Options of the Company

As at 30 June 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 share option entitled the holder to subscribe for one ordinary share of the Company with a par value of HK\$0.50 each. Further details are set out in note 15 to the interim financial information.

Category of participants	Date of grant of share options (dd.mm.yyyy)	At date of grant	Number of share options				Total consideration paid for share options granted HK\$	At 30 June 2013	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)
			At 1 January 2013	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					

Employees	24.10.2008	18,500,000	9,150,000	-	(1,904,000)	(2,040,000)	5,206,000	-	1.88	1.73	7.01
	22.01.2013	20,458,000	-	20,458,000	-	-	20,458,000	-	6.20	6.30	-
Ex-Director	24.10.2008	13,000,000	2,100,000	-	(270,000)	-	1,830,000	-	1.88	1.73	6.82

Notes:

- Additional information regarding the above share options 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 40 and 41.
- Details regarding the reconciliation of share options outstanding during the period are set out in the “Notes to the reconciliation of share options outstanding during the period” in the section headed “Director’s Interests and Short Positions in Securities” of this report on page 41.
- The fair value of the share options granted during the six months ended 30 June 2013 was HK\$67,034,400 (HK\$1.70 each) which was estimated as at 22 January 2013 (when the share options were granted) using the binomial model (the “Binomial Model”).

The Binomial Model is one of the share option pricing models to estimate the fair value of share option and it requires the input of the following assumptions:

Exercise price:	HK\$6.20, being the closing price of the ordinary share of the Company as at 22 January 2013
Risk-free interest rate:	0.494% with reference to the yield of 5.5-year Hong Kong Exchange Fund Notes as at 22 January 2013
Expected life of the share options:	5 years and 6 months
Expected volatility (note):	40% with reference to the 5.5-year historical volatility of the ordinary share of the Company as at 22 January 2013
Expected dividend yield:	2.90% with reference to the historical dividend yields of the Company as at 22 January 2013

Note: There is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the ordinary shares of the Company over the 5.5 year period up to 22 January 2013.

It should be noted that the Binomial Model requires the input of highly subjective assumptions, including the volatility of share price. Since changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors, the fair value of the share options derived from the Binomial Model should not be interpreted as the market or actual value of the share option.

Information regarding the treatment of forfeiture of the share options prior to their expiry is set out in note 2.4 to the audited financial statements of the Company for the year ended 31 December 2012.

CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2013 and, where appropriate, the applicable best practices of the CG Code, save and except for the deviation in relation to 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 period, 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.

At the Board meeting of the Company held on 28 August 2013, the Company has approved and adopted a diversity policy (the “Policy”) which sets out its approach to achieve diversity on the Company’s Board of Directors. The Nomination Committee of the Company is responsible for monitoring the Company’s performance in meeting the requirements of the Policy, including the achievement of those measureable objectives as set out in the Policy.

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 throughout the six months ended 30 June 2013.

CHANGES IN DIRECTORS’ INFORMATION

The changes in Directors’ information are set out below:

- (i) Commencing from 1 January 2013, the salary, allowances and benefits in kind (excluding performance related bonus) of Mr. Wen Yinheng will amount to approximately HK\$859,000 per annum.

Mr. Wen Yinheng was appointed a director of 北京粵海金信投資有限公司, a subsidiary of the Company.

- (ii) Commencing from 1 January 2013, the salary, allowances and benefits in kind (excluding performance related bonus) of Mr. Tsang Hon Nam will amount to approximately HK\$1,681,000 per annum.

Mr. Tsang Hon Nam was appointed a Director of Global Head Developments Limited, Grammie Profits Limited and Zhongshan Power (Hong Kong) Limited. All three companies are subsidiaries of the Company.

- (iii) Ms. Zhao Chunxiao was appointed Chairman of 北京粵海金信投資有限公司.

- (iv) Dr. Chan Cho Chak, John ceased to be Chairman of the Council of the Sir Edward Youde Memorial Fund with effect from 1 July 2013. He was appointed Non-Executive Director of Hong Kong News-Expo Limited (“HK News-Expo”) on 20 June 2013 and elected as Chairman of HK News-Expo on 11 July 2013.

- (v) Dr. Li Kwok Po, David resigned as a Director of AFFIN Holdings Berhad (listed in Malaysia) on 6 August 2013.

- (vi) Dr. Cheng Mo Chi, Moses was appointed an Independent Non-Executive Director of OTC Clearing Hong Kong Limited, a subsidiary of the Hong Kong Exchanges and Clearing Limited, on 1 July 2013.

Dr. Cheng served as Chairman of the Committee on Free Kindergarten Education with effect from 8 April 2013.

- (vii) Mr. Wu Ting Yuk, Anthony ceased to be a member of the Greater Pearl River Delta Business Council.

Save for the above changes in Directors’ information during the period from 1 January 2013 to the date of this report as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF INTERIM RESULTS

The unaudited interim financial information of the Group and the Company's interim report for the six months ended 30 June 2013 have been reviewed by the Audit Committee of the Company and Messrs. Ernst & Young, the auditors of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, 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\$
3,958,000	1.88	7,441,040

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 Stock Exchange of Hong Kong Limited.

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.

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 30 June 2013 amounted to US\$90 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 66²/₃% 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 30 June 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.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of 7.0 HK cents (2012: 7.0 HK cents) per ordinary share for the six months ended 30 June 2013 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 26 September 2013. The interim dividend is expected to be paid on Wednesday, 9 October 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 26 September 2013 and no transfer of shares will be registered on that day. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 25 September 2013.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 28 August 2013



Guangdong Investment Limited
粵海投資有限公司