



Guangdong Investment Limited

粵海投資有限公司

Stock Code : 0270



2014

INTERIM REPORT

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Corporate Information

as at 26 August 2014

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mrs. HO LAM Lai Ping, Theresa

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

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

REGISTERED OFFICE

28th and 29th Floors
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Telephone : (852) 2860 4368
Facsimile : (852) 2528 4386
Website : <http://www.gdi.com.hk>

SHARE REGISTRAR

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

SHARE INFORMATION

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

SHAREHOLDERS' CALENDAR

Closure of Register of Members : 26 September 2014
Interim Dividend Payable : 8.0 HK cents per ordinary share
30 October 2014

Report on Review of Interim Financial Information



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To the board of directors of Guangdong Investment Limited

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 30 which comprises the condensed consolidated statement of financial position of Guangdong Investment Limited (the "Company") and its subsidiaries as at 30 June 2014 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period 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

26 August 2014

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	3	4,315,967	4,137,945
Cost of sales		(1,282,406)	(1,285,111)
Gross profit		3,033,561	2,852,834
Other income and gains		263,472	109,216
Gain on disposal of a subsidiary and a joint venture		–	424,245
Changes in fair value of investment properties		617,597	317,725
Selling and distribution expenses		(83,238)	(72,085)
Administrative expenses		(579,079)	(482,407)
Other operating income/(expenses), net		86,787	(9,106)
Finance costs	4	(36,159)	(29,995)
Share of profit of a joint venture		–	51,238
Share of profits less losses of associates		161,012	113,263
PROFIT BEFORE TAX	5	3,463,953	3,274,928
Income tax expense	6	(665,918)	(629,091)
PROFIT FOR THE PERIOD		2,798,035	2,645,837
Attributable to:			
Owners of the Company		2,469,295	2,428,325
Non-controlling interests		328,740	217,512
		2,798,035	2,645,837
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		39.57 HK cents	38.94 HK cents
Diluted		39.47 HK cents	38.81 HK cents

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	2,798,035	2,645,837
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange fluctuation reserves released upon disposal of a subsidiary and a joint venture	–	(231,773)
Exchange differences on translation of foreign operations	(148,703)	237,566
Net gains on available-for-sale financial assets	11,178	64,711
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(137,525)	70,504
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Fair value gains on property, plant and equipment, net of tax	38,623	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(98,902)	70,504
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,699,133	2,716,341
Attributable to:		
Owners of the Company	2,402,283	2,427,158
Non-controlling interests	296,850	289,183
	2,699,133	2,716,341

Condensed Consolidated Statement of Financial Position

30 June 2014

	<i>Notes</i>	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,029,080	3,085,632
Investment properties	9	11,305,411	10,531,668
Prepaid land lease payments		91,382	94,558
Goodwill		278,959	266,146
Investments in associates		1,585,958	1,702,873
Intangible assets		12,920,779	13,320,172
Receivables under operating concessions	10	293,145	–
Deposits	11	259,242	107,625
Deferred tax assets		29,272	29,698
Total non-current assets		29,793,228	29,138,372
CURRENT ASSETS			
Available-for-sale financial assets		8,119,545	5,037,387
Tax recoverable		–	4,032
Inventories		64,434	79,462
Receivables, prepayments and deposits	11	986,254	521,451
Cash and cash equivalents		4,968,285	6,531,736
Total current assets		14,138,518	12,174,068
CURRENT LIABILITIES			
Payables, accruals and other liabilities	14	(2,225,467)	(2,630,526)
Tax payable		(340,085)	(494,427)
Due to non-controlling shareholders of subsidiaries		(292,010)	(276,373)
Interest-bearing bank borrowings	15	(1,219,432)	(974,547)
Dividend payable		(998,445)	–
Total current liabilities		(5,075,439)	(4,375,873)
NET CURRENT ASSETS		9,063,079	7,798,195
TOTAL ASSETS LESS CURRENT LIABILITIES – page 7		38,856,307	36,936,567

Condensed Consolidated Statement of Financial Position

30 June 2014

	<i>Notes</i>	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES – page 6		38,856,307	36,936,567
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	(1,386,925)	(1,580,635)
Other liabilities	16	(1,433,760)	(1,178,726)
Deferred tax liabilities		(2,208,142)	(1,995,688)
Total non-current liabilities		(5,028,827)	(4,755,049)
Net assets		33,827,480	32,181,518
EQUITY			
Equity attributable to owners of the Company			
Issued capital	17	5,595,013	3,119,691
Reserves	19	22,671,454	23,195,331
Proposed dividend		499,223	998,300
Non-controlling interests		28,765,690	27,313,322
		5,061,790	4,868,196
Total equity		33,827,480	32,181,518

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company														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	Non-controlling interests		
													Total	Total	
													(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	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014	3,119,691	2,473,222	30,335	14,580	1,495,954	2,867	1,533,592	1,490,902	93,348	125,478	15,935,053	998,300	27,313,322	4,868,196	32,181,518
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,469,295	-	2,469,295	328,740	2,798,035
Other comprehensive income/(loss) for the period:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(107,578)	-	-	-	-	(107,578)	(41,125)	(148,703)
Net gain on available-for-sale financial assets	-	-	-	-	-	11,178	-	-	-	-	-	-	11,178	-	11,178
Fair value gains on property, plant and equipment, net of tax	-	-	-	29,388	-	-	-	-	-	-	-	-	29,388	9,235	38,623
Total comprehensive income for the period	-	-	-	29,388	-	11,178	-	(107,578)	-	-	2,469,295	-	2,402,283	296,850	2,699,133
Change in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	36,235	-	-	-	36,235	(45,920)	(9,685)
Capital reduction of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(57,336)	(57,336)
Share options exercised, net of share issue expenses	633	1,467	(408)	-	-	-	-	-	-	-	-	-	1,692	-	1,692
Equity-settled share option arrangements	-	-	10,603	-	-	-	-	-	-	-	-	-	10,603	-	10,603
Share options forfeited/lapsed	-	-	(7,207)	-	-	-	-	-	-	-	7,207	-	-	-	-
Transfer from retained profits	-	-	-	-	-	-	11,976	-	-	-	(11,976)	-	-	-	-
Final 2013 dividend	-	-	-	-	-	-	-	-	-	-	(145)	(998,300)	(998,445)	-	(998,445)
Proposed interim 2014 dividend (note 7)	-	-	-	-	-	-	-	-	-	-	(499,223)	499,223	-	-	-
Transfer to retained profits upon issue of new ordinary shares	-	-	-	-	-	-	-	-	-	(1,692)	1,692	-	-	-	-
Transfer to issued capital (note 17(iii))	2,474,689	(2,474,689)	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2014	5,595,013	-	33,323	43,968	1,495,954	14,045	1,545,568	1,383,324	129,583	123,786	17,901,903	499,223	28,765,690	5,061,790	33,827,480

* These reserve accounts comprise the consolidated reserves of HK\$22,671,454,000 (31 December 2013: HK\$23,195,331,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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				
	(Unaudited)	(Unaudited)	(Unaudited)	(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	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/(loss) for the period:																	
Exchange fluctuation reserves released upon disposal of a subsidiary and a joint venture	-	-	-	-	-	-	-	(231,773)	-	-	-	-	(231,773)	-	(231,773)		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	165,895	-	-	-	-	165,895	71,671	237,566		
Net gain on available-for-sale financial assets	-	-	-	-	-	64,711	-	-	-	-	-	-	64,711	-	64,711		
Total comprehensive income for the period	-	-	-	-	-	64,711	-	(65,878)	-	-	2,428,325	-	2,427,158	289,183	2,716,341		
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	-	133	-	-	-	133	(985)	(852)		
Share options exercised, net of share issue expenses	1,979	7,258	(1,796)	-	-	-	-	-	-	-	-	-	7,441	-	7,441		
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)		
Proposed interim 2013 dividend (note 7)	-	-	-	-	-	-	-	-	-	-	(436,671)	436,671	-	-	-		
Release upon disposal of a subsidiary and a joint venture	-	-	-	-	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 2014

	Note	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,971,213	1,657,208
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in available-for-sale financial assets		(3,075,965)	(4,888,907)
Purchase of items of property, plant and equipment		(86,985)	(74,053)
Additions to investment properties		(174,560)	(55,307)
Acquisitions of subsidiaries	20	(136,528)	–
Refund of deposits for an investment and loan receivables		–	2,648,173
Proceeds from disposal of a subsidiary and a joint venture		–	1,022,408
Deposits for purchases of items of property, plant and equipment		(153,920)	–
Increase in non-pledged time deposits with original maturity of more than three months when acquired		(94,828)	(275,321)
Cash flows used in other investing activities, net		(44,635)	(752)
Net cash flows used in investing activities		(3,767,421)	(1,623,759)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in an amount due to the ultimate holding company		272,310	–
Repayment of bank loans		(87,497)	–
Cash flow used in other financing activities, net		(30,888)	(45,741)
Net cash flow from/(used in) financing activities		153,925	(45,741)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,642,283)	(12,292)
Cash and cash equivalents at beginning of period		6,264,637	4,471,752
Effect of foreign exchange rate changes, net		(15,996)	22,874
CASH AND CASH EQUIVALENTS AT END OF PERIOD		4,606,358	4,482,334
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,857,387	1,339,050
Non-pledged bank deposits with original maturity of less than three months when acquired		1,748,971	3,143,284
Cash and cash equivalents as stated in the consolidated statement of cash flows		4,606,358	4,482,334
Non-pledged time deposits with original maturity of more than three months when acquired		361,927	275,840
Cash and cash equivalents as stated in the consolidated statement of financial position		4,968,285	4,758,174

Notes to Interim Financial Information

30 June 2014

1. GENERAL INFORMATION, KEY EVENTS AND ACCOUNTING POLICIES

Guangdong Investment Limited (the "Company") is a limited liability 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.

During the six months ended 30 June 2014, the Group acquired 100% equity interests in 東莞市常平金勝水務有限公司 and 東莞市道滘鴻發污水處理有限公司, which are principally engaged in the sewage treatment business in the People's Republic of China (the "PRC" or "Mainland China"), at a total consideration of RMB109,129,000 (approximately equivalent to HK\$137,882,000). For details, please refer to note 20 to the interim financial information.

During the six months ended 30 June 2014, 五華粵海環保有限公司, a wholly-owned subsidiary newly incorporated by the Group in Mainland China, acquired the operating rights of 五華縣污水處理廠 from 廣東省五華縣人民政府, for a period of 30 years commencing from 1 March 2014 at the cash consideration of RMB27,000,000 (approximately equivalent to HK\$34,015,000).

The unaudited interim financial information of the Group for the six months ended 30 June 2014 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 2013.

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 2013, 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 interim financial information.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of the new and revised HKFRSs has had no material financial effect on the interim financial information.

30 June 2014

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 resources segment operates water supply and sewage treatment projects in Mainland China;
- (iv) The electric power generation segment operates coal-fire power plants supplying electricity and steam in the Guangdong Province, Mainland China;
- (v) The hotel operations and management segment operates the Group's hotels and manages third parties' hotels in Hong Kong and Mainland China;
- (vi) The toll roads and bridges segment invests in various road and bridge projects in Mainland China; and
- (vii) The "others" segment provides treasury services in Hong Kong and Mainland China and engages in the provision of corporate services to other segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, interest income and investment income from available-for-sale financial assets, finance costs, share of profits less losses of a joint venture and associates and gain on disposal of a subsidiary and a joint venture are excluded from such measurement.

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

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

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

Notes to Interim Financial Information

30 June 2014

3. OPERATING SEGMENT INFORMATION (continued)

	Property investment and development		Department stores		Water resources	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	566,934	527,530	427,819	424,029	2,744,664	2,611,852
Intersegment sales	55,167	51,863	–	–	–	–
Other revenue from external sources (note)	913	1,238	24,027	20,845	3,402	547
Other revenue from intersegment transactions (note)	–	–	–	–	–	–
Exchange differences, net	(1,484)	714	–	–	(20,976)	26,770
Total	621,530	581,345	451,846	444,874	2,727,090	2,639,169
Segment results	1,066,301	725,460	163,170	169,018	1,707,515	1,642,746
Interest income						
Interest income from available-for-sale financial assets						
Investment income from available-for-sale financial assets						
Finance costs						
Share of profits less losses of:						
A joint venture	–	–	–	–	–	–
Associates	–	–	9,915	(2,078)	(13,699)	(9,807)
Gain on disposal of a subsidiary and a joint venture						
Profit before tax						
Income tax expense						
Profit for the period						

Note: Excluding exchange differences, net

Notes to Interim Financial Information

30 June 2014

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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	249,372	256,790	327,178	308,313	-	9,431
Intersegment sales	-	-	-	-	-	-
Other revenue from external sources (note)	5,571	6,136	319	229	-	20
Other revenue from intersegment transactions (note)	-	-	-	-	-	-
Exchange differences, net	(176)	(207)	(1,592)	3,157	-	106
Total	254,767	262,719	325,905	311,699	-	9,557
Segment results	164,248	65,998	55,985	59,176	-	3,254
Interest income						
Interest income from available-for-sale financial assets						
Investment income from available-for-sale financial assets						
Finance costs						
Share of profits less losses of:						
A joint venture	-	-	-	-	-	51,238
Associates	164,796	122,272	-	-	-	2,876
Gain on disposal of a subsidiary and a joint venture						
Profit before tax						
Income tax expense						
Profit for the period						

Note: Excluding exchange differences, net

Notes to Interim Financial Information

30 June 2014

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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	–	–	–	–	4,315,967	4,137,945
Intersegment sales	–	–	(55,167)	(51,863)	–	–
Other revenue from external sources (note)	1,714	864	–	–	35,946	29,879
Other revenue from intersegment transactions (note)	4,895	1,970	(4,895)	(1,970)	–	–
Exchange differences, net	(2,039)	12,174	–	–	(26,267)	42,714
Total	4,570	15,008	(60,062)	(53,833)	4,325,646	4,210,538
Segment results	(45,645)	(28,812)	–	–	3,111,574	2,636,840
Interest income					29,972	20,308
Interest income from available-for-sale financial assets					153,589	–
Investment income from available-for-sale financial assets					43,965	59,029
Finance costs					(36,159)	(29,995)
Share of profits less losses of:						
A joint venture	–	–	–	–	–	51,238
Associates	–	–	–	–	161,012	113,263
Gain on disposal of a subsidiary and a joint venture					–	424,245
Profit before tax					3,463,953	3,274,928
Income tax expense					(665,918)	(629,091)
Profit for the period					2,798,035	2,645,837

Note: Excluding exchange differences, net

Notes to Interim Financial Information

30 June 2014

3. OPERATING SEGMENT INFORMATION (continued)

	Property investment and development		Department stores		Water resources		Electric power generation		Hotel operations and management	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	11,845,832	11,103,897	125,773	126,692	14,480,591	14,148,083	525,655	308,008	2,240,903	2,304,669
Investments in associates	-	-	161,613	153,187	183,469	168,617	1,240,876	1,381,069	-	-
Unallocated assets										
Total assets										
Segment liabilities	933,809	663,323	976,612	1,303,830	1,416,394	1,422,707	459,564	531,074	110,860	114,678
Unallocated liabilities										
Total liabilities										

	Toll roads and bridges		Others		Eliminations		Consolidated	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	-	-	8,035	8,774	-	-	29,226,789	28,000,123
Investments in associates	-	-	-	-	-	-	1,585,958	1,702,873
Unallocated assets							13,118,999	11,609,444
Total assets							43,931,746	41,312,440
Segment liabilities	-	-	53,480	49,270	-	-	3,950,719	4,084,882
Unallocated liabilities							6,153,547	5,046,040
Total liabilities							10,104,266	9,130,922

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	28,098	29,995
Interest on the amount due to the ultimate holding company (note 23(a)(v))	8,061	-
Total finance costs for the period	36,159	29,995

Notes to Interim Financial Information

30 June 2014

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest income**	(29,972)	(20,308)
Interest income from available-for-sale financial assets**	(153,589)	–
Investment income from available-for-sale financial assets**	(43,965)	(59,029)
Cost of inventories sold*	173,274	208,649
Depreciation	127,899	126,367
Recognition of prepaid land lease payments	2,397	2,370
Amortisation of intangible assets*	397,906	401,969
Reversal of impairment of items of property, plant and equipment [^]	(85,497)	–

* Included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

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

[^] Included in "Other operating income/(expenses), net" on the face of the condensed consolidated statement of profit or loss.

6. INCOME TAX EXPENSE

	For the six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current – Hong Kong Charge for the period	12,241	10,660
Current – Mainland China Charge for the period	444,408	485,190
Underprovision in prior years	2,133	4,623
Deferred tax	207,136	128,618
Total tax charge for the period	665,918	629,091

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

7. DIVIDENDS

	For the six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interim – 8.0 HK cents (2013: 7.0 HK cents) per ordinary share	499,223	436,671

At a meeting of the board of directors held on 26 August 2014, the directors resolved to pay to shareholders an interim dividend of 8.0 HK cents (2013: 7.0 HK cents) per ordinary share for the six months ended 30 June 2014.

Notes to Interim Financial Information

30 June 2014

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 2014 and 2013 are based on:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	2,469,295	2,428,325

	For the six months ended 30 June	
	2014 (Unaudited) Number of shares	2013 (Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,240,163,786	6,236,043,176
Effect of dilution – weighted average number of ordinary shares assumed to have been issued:		
Share options	16,109,830	20,271,659
For the purpose of diluted earnings per share calculation	6,256,273,616	6,256,314,835

9. INVESTMENT PROPERTIES

As at 30 June 2014, one of the Group's investment properties under development which was previously stated at cost as at 31 December 2013 was revalued on an open market, existing use basis, by the independent and professionally qualified valuers as the development project reached a stage that its fair value could be reliably determined. This gave rise to a revaluation gain of HK\$110,085,000 and a related deferred tax of HK\$27,521,000, which were both recognised in the consolidated statement of profit or loss for the period.

10. RECEIVABLES UNDER OPERATING CONCESSIONS

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Receivables under operating concessions	311,525	–
Less: Portion classified as current assets (<i>note 11</i>)	(18,380)	–
Non-current portion	293,145	–

The Group applied the financial asset model to account for service concession arrangements of sewage treatment operations acquired during the current period and recognised receivables under operating concessions for such arrangements. Balance classified as current assets included HK\$14,037,000 and HK\$4,343,000 which were aged within 3 months and 3 months to 6 months, respectively, based on the payment due date. None of the above balances was impaired.

Notes to Interim Financial Information

30 June 2014

11. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade receivables, net of impairment	(i)	746,495	348,703
Receivable under operating concessions	10	18,380	–
Other receivables, prepayments and deposits		474,607	275,935
Due from the ultimate holding company	23(d)	1,088	1,024
Due from fellow subsidiaries	23(d)	4,926	3,414
		1,245,496	629,076
Less: Portion classified as non-current assets		(259,242)	(107,625)
Current portion		986,254	521,451

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.

Note:

- (i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally 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 resources and electricity supply businesses, giving rise to a concentration of credit risk whereby 48% (31 December 2013: 16%) 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 3 months	678,280	273,339
3 months to 6 months	484	172
6 months to 1 year	657	172
More than 1 year	77,557	85,394
	756,978	359,077
Less: Impairments	(10,483)	(10,374)
	746,495	348,703

Notes to Interim Financial Information

30 June 2014

12. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2014

Financial assets

	Loans and receivables (Unaudited) HK\$'000	Available- for-sale financial assets (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Available-for-sale financial assets	–	8,119,545	8,119,545
Receivables under operating concessions	311,525	–	311,525
Financial assets included in receivables, prepayments and deposits	954,861	–	954,861
Loan to an associate	86,522	–	86,522
Cash and cash equivalents	4,968,285	–	4,968,285
	6,321,193	8,119,545	14,440,738

31 December 2013

Financial assets

	Loans and receivables (Audited) HK\$'000	Available- for-sale financial assets (Audited) HK\$'000	Total (Audited) HK\$'000
Available-for-sale financial assets	–	5,037,387	5,037,387
Financial assets included in receivables, prepayments and deposits	513,407	–	513,407
Loan to an associate	88,468	–	88,468
Cash and cash equivalents	6,531,736	–	6,531,736
	7,133,611	5,037,387	12,170,998

Financial liabilities

	Financial liabilities at amortised cost 30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Financial liabilities included in payables, accruals and other liabilities	(2,459,650)	(2,536,571)
Due to non-controlling shareholders of subsidiaries	(292,010)	(276,373)
Interest-bearing bank borrowings	(2,606,357)	(2,555,182)
	(5,358,017)	(5,368,126)

Notes to Interim Financial Information

30 June 2014

13. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Financial assets				
Available-for-sale financial assets	8,119,545	5,037,387	8,119,545	5,037,387

Management has assessed that the fair values of cash and cash equivalents, financial assets included in receivables under operating concessions, receivables, prepayments and deposits, a loan to an associate, financial liabilities included in payables, accruals and other liabilities, amounts due to non-controlling shareholders of subsidiaries and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturity of these instruments. In addition, the fair values of interest-bearing bank borrowings with floating interest rates approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the available-for-sale financial assets has been calculated by discounting the expected future cash flows using interest rates currently available for instruments with similar terms, credit risk and remaining terms.

Below is a summary of significant observable inputs to the valuation of financial instruments:

	Valuation technique	Significant observable inputs	Range
Available-for-sale financial assets	Discounted cash flow method	Interest rates	4.2% to 5.9%

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>As at 30 June 2014 (Unaudited)</i>				
Available-for-sale financial assets	–	8,119,545	–	8,119,545
<i>As at 31 December 2013 (Audited)</i>				
Available-for-sale financial assets	–	5,037,387	–	5,037,387

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2013: Nil).

Notes to Interim Financial Information

30 June 2014

14. PAYABLES, ACCRUALS AND OTHER LIABILITIES

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade payables		381,577	575,336
Accruals, other payables and other liabilities	16	2,907,429	3,144,661
Deferred income		18,721	18,407
Due to the ultimate holding company	23(d)	339,366	66,714
Due to the immediate holding company	23(d)	3,575	2,870
Due to fellow subsidiaries	23(d)	8,559	1,264
		3,659,227	3,809,252
Less: Portion classified as non-current liabilities	16	(1,433,760)	(1,178,726)
Current portion		2,225,467	2,630,526

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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 3 months	380,656	574,751
3 months to 6 months	458	168
6 months to 1 year	463	417
	381,577	575,336

15. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Current				
Bank loans – secured	0.98% to 4.91%	2014	207,595	160,000
Bank loans – unsecured	2.40% to 2.84%	2014	1,011,837	814,547
			1,219,432	974,547
Non-current				
Bank loans – secured	0.98%	2015–2017	480,000	480,000
Bank loans – unsecured	2.40%	2015	906,925	1,100,635
			1,386,925	1,580,635
			2,606,357	2,555,182

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30 June 2014

16. OTHER LIABILITIES

At 30 June 2014, included in other liabilities was a non-interest-bearing receipt in advance amounting to HK\$1,063,800,000 (31 December 2013: HK\$1,063,800,000). 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.

17. SHARE CAPITAL

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Issued and fully paid: 6,240,282,571 (31 December 2013: 6,239,382,571) ordinary shares	5,595,013	3,119,691

A summary of the transactions during the period of the Company's issued capital is as follows:

	<i>Notes</i>	Number of ordinary shares in issue (Unaudited)	Issued capital (Unaudited) HK\$'000	Ordinary share premium account (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2014		6,239,382,571	3,119,691	2,473,222	5,592,913
Share option exercised	<i>(i)</i>	900,000	588	1,104	1,692
Release of share option reserve	<i>(i)</i>	–	45	363	408
Transfer to issued capital	<i>(ii)</i>	–	2,474,689	(2,474,689)	–
At 30 June 2014		6,240,282,571	5,595,013	–	5,595,013

Notes:

- (i) During the six months ended 30 June 2014, the subscription rights attaching 900,000 share options were exercised at subscription price of HK\$1.88 per ordinary share, resulting in the issue of 900,000 ordinary shares for a total consideration of HK\$1,692,000. Of the share options exercised, 800,000 and 100,000 were exercised before and after the new Hong Kong Companies Ordinance became effective on 3 March 2014, resulting in the release of share option reserve of HK\$363,000 and HK\$45,000 to the ordinary share premium account and issued capital, respectively.
- (ii) Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Hong Kong Companies Ordinance which became effective on 3 March 2014, the balance of the share premium account as at 3 March 2014 was transferred to issued capital.

18. 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.

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18. SHARE OPTION SCHEME (continued)

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

	2014		2013	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	4.91	56,014,500	1.88	26,850,000
Granted during the period	–	–	6.20	39,432,000
Lapsed during the period	1.88	(15,881,000)	1.88	(2,040,000)
Forfeited during the period	6.20	(1,786,500)	–	–
Exercised during the period	1.88	(900,000)	1.88	(3,958,000)
At 30 June	6.20	37,447,000	4.71	60,284,000

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2014 was HK\$7.31 (six months ended 30 June 2013: HK\$7.01) per share.

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

2014	Number of options '000	Exercise price* HK\$ per share	Exercise period** (dd.mm.yyyy)
	14,979	6.20	22-01-2015 to 21-07-2018
	11,234	6.20	22-01-2016 to 21-07-2018
	3,745	6.20	22-01-2017 to 21-07-2018
	7,489	6.20	22-01-2018 to 21-07-2018
	37,447		

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		

* 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 37 and 38; and (ii) the "2008 Scheme" in the "Share Options of the Company" section of the interim report on page 41.

19. 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 2014, there was no release of provision as determined above (six months ended 30 June 2013: Nil); and no profit was distributed from the Company's Subsidiary during the current period (six months ended 30 June 2013: Nil) as determined above, and resulted in no transfer from retained profits to the Special Reserve of the Group (six months ended 30 June 2013: Nil).

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 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 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.

During the six months ended 30 June 2014, 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 (prior to the effective date of the New Hong Kong Companies Ordinance) due to the issue of the Company's ordinary shares (before any share issue expenses), amounted to HK\$1,692,000 (six months ended 30 June 2013: HK\$7,441,040). 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 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 2014, there was no non-permanent loss which has turned into a permanent loss of the Group and the Company (six months ended 30 June 2013: 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\$603,346,306 (31 December 2013: HK\$605,038,306) and the amount standing to the credit of the Special Reserve was HK\$123,785,959 (31 December 2013: HK\$125,477,959) as at 30 June 2014.

Notes to Interim Financial Information

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20. BUSINESS COMBINATIONS

The Group acquired 100% equity interests in 東莞市常平金勝水務有限公司 and 東莞市道滘鴻發污水處理有限公司 (the "Acquired Subsidiaries") on 28 February 2014 and 19 June 2014, respectively, from independent third parties with total cash considerations of HK\$137,882,000.

The fair values of the aggregate identifiable assets and liabilities of the Acquired Subsidiaries as at the dates of the respective acquisitions were as follows:

	Fair value recognised on acquisitions HK\$'000
Property, plant and equipment	438
Receivables under operating concessions	271,826
Inventories	54
Prepayments and other receivables	1,717
Cash and bank balances	1,354
Trade payables	(254)
Other payables and accruals	(2,457)
Tax payable	(373)
Interest-bearing bank borrowings	(134,971)
Deferred tax liabilities	(12,315)
Total identifiable net assets at fair value	125,019
Goodwill on acquisitions	12,863
Satisfied by cash	137,882

As at the dates of respective acquisitions, the fair values of the receivables were also their gross contractual amounts, except for the receivables under operating concessions, which had a gross contractual amount of HK\$222,567,000.

The Group incurred transaction costs of HK\$1,027,000 for these acquisitions, out of which HK\$355,000 was expensed in prior years. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Notes to Interim Financial Information

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20. BUSINESS COMBINATIONS (continued)

An analysis of the cash flows in respect of the acquisitions of the subsidiaries is as follows:

	HK\$'000
Cash considerations	(137,882)
Cash and bank balances acquired	1,354
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(136,528)
Transaction costs of the acquisitions included in cash flows from operating activities	(264)
	(136,792)

Since the acquisitions, the Acquired Subsidiaries contributed HK\$8,350,000 to the Group's revenue and HK\$439,000 to the consolidated profit for the period ended 30 June 2014.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the period would have been HK\$4,328,241,000 and HK\$2,801,170,000, respectively.

As of the date of these unaudited consolidated interim financial statements, the purchase price allocation process is under progress. The Group has used the estimated fair values of the acquired assets and assumed liabilities with the excess of the cost of acquisition over these estimated fair values being recorded as goodwill. The purchase price allocation to the acquired assets and assumed liabilities in these unaudited consolidated interim financial statements is provisional and may be adjusted in the Group's consolidated financial statements for the year ending 31 December 2014 when the purchase price allocation is finalised. Had the purchase price allocation been finalised, the fair values of the assets acquired and liabilities assumed and the amount of goodwill could be different from the amounts recognised.

21. 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 2013: 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	95,339	95,683
In the second to fifth years, inclusive	102,771	120,096
After five years	27,978	31,358
	226,088	247,137

In addition to the operating lease arrangements disclosed above, the subsidiaries of the Group leased certain leasehold properties for the department store operations. The related rental charge for the six months ended 30 June 2014 of HK\$61,678,000 (six months ended 30 June 2013: HK\$55,379,000) was calculated with reference to revenue generated by the subsidiaries of the Group.

Notes to Interim Financial Information

30 June 2014

22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had the following commitments at the end of the reporting period:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Capital commitments in respect of property, plant and equipment, investment properties and intangible assets:		
Contracted for	2,649,246	1,161,648
Authorised, but not contracted for	4,382,797	6,247,851
	7,032,043	7,409,499
Capital commitments in respect of contribution payable to an associate:		
Authorised, but not contracted for	–	31,162
	7,032,043	7,440,661

23. 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

	<i>Notes</i>	For the six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Hotel management and other service fees received from fellow subsidiaries	<i>(i)</i>	(2,697)	(2,004)
Rents received from Guangdong Holdings Limited ("Guangdong Holdings"), GDH Limited and certain fellow subsidiaries	<i>(ii)</i>	(11,918)	(11,906)
Water distribution income received from a fellow subsidiary	<i>(iii)</i>	(13,922)	(14,778)
Dividends paid to GDH Limited and certain of its subsidiaries by GH Water Supply (Holdings) Limited	<i>(iv)</i>	–	26,018
Dividends paid to GDH Limited and certain of its subsidiaries by the Company	<i>(iv)</i>	537,305	455,410
Interest expense charged by Guangdong Holdings	<i>(v)</i>	8,061	–

Notes to Interim Financial Information

30 June 2014

23. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

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 were 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.
- (v) Interest expense was charged at 81.3% of the RMB benchmark 3-year lending rate per annum announced by the People's Bank of China.

(b) Other transactions with related parties

A 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 RMB358,400,000 (31 December 2013: RMB573,440,000).

(c) Commitments with related parties

The Group entered into several tenancy agreements, as a 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 23(a) to the interim financial information. Details of the Group's commitments with related parties at the end of the reporting period are as follows:

	Year ending 30 June 2015 HK\$'000 (Unaudited)	Year ending 30 June 2016 HK\$'000 (Unaudited)	Year ending 30 June 2017 HK\$'000 (Unaudited)
GDH Limited	9,558	3,590	2,722
Guangdong Holdings	3,286	–	–
Guangdong Land Holdings Limited	2,722	2,722	1,237
Guangdong Tannery Limited	492	492	294

(d) Outstanding balances with related parties

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Balances due from:			
The ultimate holding company	(i)	1,088	1,024
Fellow subsidiaries	(i)	2,120	605
A fellow subsidiary	(ii)	2,806	2,809
Loan to an associate*	(iv)	86,522	88,468
Balances due to:			
The ultimate holding company	(iii)	(339,366)	(66,714)
The immediate holding company	(i)	(3,575)	(2,870)
Fellow subsidiaries	(i)	(8,559)	(1,264)

Notes to Interim Financial Information

30 June 2014

23. RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties (continued)

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) Included in the balance is an amount due to the ultimate holding company of HK\$331,378,000, which is unsecured, interest-bearing at 81.3% of the RMB benchmark 3-year lending rate per annum announced by the People's Bank of China, and repayable in 2016. The remaining balance is unsecured, non-interest-bearing and has no specific terms of repayment.
 - (iv) The balance is a loan to an associate, which is unsecured, interest-bearing at 5% per annum and repayable in 2015.
- * Included in "Investments in associates" on the face of the condensed consolidated statement of financial position.

(e) Compensation of directors and key management personnel of the Group

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term employee benefits	3,503	3,864
Post-employment benefits	189	138
Equity-settled share option expense	5,747	5,391
Total compensation paid to directors and key management personnel	9,439	9,393

24. CAPITAL EXPENDITURE

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment and investment properties in aggregate of approximately HK\$251,725,000 (2013: HK\$107,608,000).

25. 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 26 August 2014.

RESULTS

The Board is pleased to report the results of the Group for the six months ended 30 June 2014 (the "Period"). The Group's unaudited consolidated profit attributable to shareholders amounted to HK\$2,469 million (2013: HK\$2,428 million), an increase of 1.7% as compared with the same period last year. Basic earnings per share increased 1.6% over the same period last year to 39.57 HK cents (2013: 38.94 HK cents).

INTERIM DIVIDEND

The Board declares an interim dividend of 8.0 HK cents per share for the Period (2013: 7.0 HK cents).

FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$4,316 million (2013: HK\$4,138 million), an increase of 4.3% as compared with the same period last year. The growth was mainly attributable to better performance in water resources and property investment and development businesses.

The unaudited consolidated profit attributable to shareholders of the Group for the Period increased by 1.7% to HK\$2,469 million (2013: HK\$2,428 million). The profit before tax increased by 5.8% or HK\$189 million to HK\$3,464 million (2013: HK\$3,275 million). The growth was mainly attributable to better performance in electric power generation, water resources, property investment and development businesses. During the Period, no gain was realized from the disposal of any non-core investments of the Group whereas such a gain amounted to HK\$424 million was recognized in the same period last year.

Net gain arising from fair value adjustments of investment properties of HK\$618 million (2013: HK\$318 million) was recorded during the Period. The finance cost of the Group increased by 20.0% to HK\$36 million (2013: HK\$30 million).

Basic earnings per share increased 1.6% to 39.57 HK cents (2013: 38.94 HK cents), 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 resources

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 2014, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96% (31 December 2013: 96%). 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 0.941 billion cubic meters (2013: 1.000 billion cubic meters), down by 5.9%, generating a revenue of HK\$2,733,513,000 (2013: HK\$2,611,852,000), an increase of 4.7% over the same period last year.

Pursuant to the Hong Kong Water Supply Agreement for years 2012 to 2014 entered into between the Government of Hong Kong Special Administrative Region ("HKG") 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\$2,160 million (2013: HK\$2,042 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period increased by 0.7% to HK\$574 million (2013: HK\$570 million). The profit before tax of the Dongshen Water Supply Project for the Period was HK\$1,741,583,000 (2013: HK\$1,657,495,000), 5.1% higher than that in the same period last year.

Nansha water supply

The Group's effective interest in 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.) ("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 the user during the Period amounted to 30.97 million cubic meters (2013: 27.24 million cubic meters), showing an increase of 13.7%. Revenue for the Period increased by 33.4% to HK\$91,268,000 (2013: HK\$68,440,000). The loss before tax of Nansha Water Co for the Period was HK\$28,404,000 (2013: HK\$47,063,000 (excluding the government subsidy)), 39.6% less than that of the same period last year. The Group's share of loss in Nansha Water Co amounted to HK\$13,699,000 (2013: HK\$9,807,000) during the Period.

Water Group HK

During the Period, Guangdong Water Group (H.K.) Limited ("Water Group HK"), a wholly-owned subsidiary of the Company, set up a subsidiary and acquired two more subsidiaries which are principally engaged in sewage treatment operations in the People's Republic of China ("PRC"). 五華粵海環保有限公司 ("Wuhua Water Co") was newly established with a registered capital of RMB30 million. Further, 100% equity interests in both 東莞市常平金勝水務有限公司 ("Jinsheng Water Co") and 東莞市道滘鴻發污水處理有限公司 ("Daojiao Water Co") were acquired by Water Group HK at the consideration of approximately RMB109 million in aggregate.

Wuhua Sewage

The principal activities of Wuhua Water Co include sewage treatment, research and development of environmentally friendly products, technical consulting, environmental equipment installation and maintenance. The waste water processing capacity of the sewage treatment plant operated by Wuhua Water Co is 20,000 tons per day. Revenue and profit before tax for the period from 1 March 2014 (date of operation) to 30 June 2014 amounted to HK\$2,802,000 and HK\$1,567,000, respectively.

Jinsheng Sewage

Jinsheng Water Co is principally engaged in sewage treatment, research and development of environmentally friendly products, technical consulting, environmental equipment installation and maintenance. The waste water processing capacity of the sewage treatment plant operated by Jinsheng Water Co is 70,000 tons per day. Revenue and profit before tax for the period from 28 February 2014 (date of acquisition) to 30 June 2014 amounted to HK\$7,757,000 and HK\$342,000, respectively.

Daojiao Sewage

Daojiao Water Co is principally engaged in sewage treatment. The waste water processing capacity of the sewage treatment plant operated by Daojiao Water Co is 40,000 tons per day. Revenue and profit before tax for the period from 19 June 2014 (date of acquisition) to 30 June 2014 amounted to HK\$593,000 and HK\$85,000, respectively.

Property investment

Mainland China

Teem Plaza

As at 30 June 2014, the Group held an effective equity interest of 76.13% in 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited) ("GD Teem"), the property owner of Teem Plaza. Teem Plaza 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 (including rentals from the department stores operated by the Group) and the office building, reached HK\$577,902,000 (2013: HK\$539,001,000), an increase of 7.2%. The profit before tax for the Period, excluding revaluation gain and net interest income, increased by 10.6% to HK\$418,589,000 (2013: HK\$378,437,000).

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 102,000 square meters, respectively. The mall was operated at its full capacity with an average occupancy rate of nearly 99% during the Period (2013: 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 open tendering system for selecting new tenants 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 average occupancy rate of 98.4% (2013: 98.0%) as at 30 June 2014, the total rental income for the Period was HK\$106,113,000 (2013: HK\$100,912,000), an increase of 5.2%. The profit before tax for the Period, excluding revaluation gain, increased by 6.3% to HK\$91,245,000 (2013: HK\$85,875,000).

Tianjin Teem shopping mall

GD Teem owns a parcel of land situated in Tianjin to 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. A total sum of approximately HK\$1,590 million had been invested as at 30 June 2014.

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 31.06%. 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 located in 番禺萬博中央商務區 (Panyu Wanbo Central Business District), which is designated to be a new commercial area in 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. A total sum of approximately HK\$1,331 million had been invested by Tianhecheng Investco in Wanye in accordance with the cooperation agreement as at 30 June 2014.

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 100% (2013: 98.2%), which was 1.8% higher than that in the same period last year. As a result of the increase in average rental, total rental income for the Period was up by 13.9% to HK\$24,336,000 (2013: HK\$21,365,000).

Department stores operations

As at 30 June 2014, the Group held an effective interest of approximately 85.2% 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 133,700 square meters (2013: 130,000 square meters) generated revenue of HK\$427,819,000 (2013: HK\$424,029,000), an increase of 0.9%. The addition of leased area taken together with the annual increment of rental payment incurred by the department stores exceeded the growth in business, hence the profit before tax for the Period decreased by 1.3% to HK\$188,937,000 (2013: HK\$191,463,000).

Teemall Store offers to sell a wide range of products and is one of the major top-selling department stores in Guangzhou. Due to keen competition of the retail market in Guangzhou and the reduction in pedestrian flow due to the work of interior renovation, the revenue of Teemall Store decreased by 13.9% to HK\$257,903,000 (2013: HK\$299,633,000) during the Period.

The revenue of the other five stores during the Period recorded various levels of growth as a result of the success of various promotional activities launched. During the Period, (i) the revenue of Ming Sheng Store increased by 9.8% to HK\$32,714,000 (2013: HK\$29,782,000); (ii) Ao Ti Store, an outlet mall, increased its revenue by 229.7% to HK\$50,603,000 (2013: HK\$15,348,000); (iii) the revenue of Baiyun New Town Store increased by 25.6% to HK\$10,992,000 (2013: HK\$8,750,000); (iv) the revenue of Dong Pu Store increased by 11.0% to HK\$26,218,000 (2013: HK\$23,617,000); (v) Wan Bo Store, an outlet mall, which sells brand-name products at a substantial discount, increased its revenue by 5.3% to HK\$49,389,000 (2013: HK\$46,899,000).

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 26.65%. The Group's share of profits in GD Aeon Teem amounted to HK\$9,916,000 (2013: share of losses HK\$2,078,000) during the Period.

Hotel operations and management

As at 30 June 2014, our hotel management team managed a total of 38 hotels (31 December 2013: 39 hotels), of which two were located in Hong Kong, one in Macau and 35 in Mainland China. As at 30 June 2014, seven hotels, of which two were located in Hong Kong, two in Shenzhen, one in each of Guangzhou, Zhuhai and Zhengzhou, were owned or lease-owned by the Group. Of these seven hotels, six were managed by our hotel management team but the one located in Guangzhou, namely Sheraton Guangzhou Hotel, is managed by Sheraton Overseas Management Corporation.

Among the seven hotels owned or lease-owned, five are star-rated hotels and two are budget hotels. During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$1,244 (2013: HK\$1,219) whereas the average room rate of the remaining four star-rated hotels and the two budget hotels were HK\$752 (2013: HK\$744) and HK\$241 (2013: HK\$248), respectively. The average occupancy rate of Sheraton Guangzhou Hotel was 79.9% (2013: 79.0%) and of the other four star-rated hotels was 85.1% (2013: 77.9%) during the Period.

Regarding the hotel operations and management business as a whole, the revenue for the Period increased by 6.1% to HK\$327,178,000 (2013: HK\$308,313,000). The profit before tax for the Period decreased by 2.0% to HK\$61,142,000 (2013: HK\$62,411,000).

Electric Power Generation

Zhongshan Power Plant

Zhongshan Power (Hong Kong) Limited (“ZPHK”) is effectively 95% owned by the Company. ZPHK holds 75% (2013: 63%) interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co. Ltd.) (“ZTP”). 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 327 million kwh (2013: 346 million kwh), decreased by 5.5%. As a result of the decrease in electricity sales, revenue for the Period was down by 2.9% to HK\$249,372,000 (2013: HK\$256,790,000). However, due to the reduction in coal price, profit margin of ZTP for the Period increased as compared to that in 2013. The profit before tax for the Period was HK\$81,098,000 (2013: HK\$68,031,000), an increase of 19.2%.

Pursuant to the agreements entered into by ZPHK and 中山興中集團有限公司 (Zhongshan Xingzhong Group Co., Ltd.) (“Xing Zhong”) on 22 July 2009, ZPHK and Xing Zhong agreed to make additional contribution into ZTP for the construction of two 300 MW heat and electricity supply plants (the “Zhongshan Project”), and their respective interests in ZTP would be adjusted to 75% and 25%. During the Period, capital contributions made by ZPHK for the Zhongshan Project amounted to HK\$226,620,000.

The construction of Zhongshan Project was approved by the relevant PRC authorities in 2014, and the term of the joint venture was extended for a further 30 years to 29 October 2043.

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 2014, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the Period amounted to 6,985 million kwh (2013: 7,179 million kwh), decreased by 2.7%. Revenue for the Period amounted to HK\$3,914,730,000 (2013: HK\$3,904,531,000), an increase of 0.3%. Due to the reduction in coal price, the profit before tax of Yudean Jinghai Power for the Period increased by 34.9% to HK\$880,193,000 (2013: HK\$652,592,000). The Group’s share of profit in Yudean Jinghai Power amounted to HK\$164,796,000 (2013: HK\$122,272,000) during 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 (2013: Nil).

AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 30 June 2014, the available-for-sale financial assets of the Group increased by HK\$3,083 million to HK\$8,120 million (31 December 2013: HK\$5,037 million), which are placed by the Group with a number of licensed banks in the PRC for a term of no more than one year. The principal sums are denominated in RMB and guaranteed by the relevant banks upon the maturity date.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2014, the cash and bank balances of the Group decreased by HK\$1,564 million to HK\$4,968 million (31 December 2013: HK\$6,532 million), of which 21.8% was denominated in Hong Kong dollars, 76.9% in Renminbi and 1.3% in US dollars.

As at 30 June 2014, the Group's financial borrowings increased by HK\$51 million to HK\$3,670 million (31 December 2013: HK\$3,619 million), of which 81.8% was denominated in Hong Kong dollars, 16.9% in US dollars and 1.3% in Renminbi, including the non-interest-bearing receipt in advance of HK\$1,064 million. Of the Group's total financial borrowings, HK\$1,338 million was repayable within one year while the remaining balances of HK\$1,859 million and HK\$473 million are repayable within two to five years and beyond five years from the end of reporting period, respectively.

The Group did not maintain any credit facility as at 30 June 2014 (31 December 2013: Nil).

As at 30 June 2014 and 31 December 2013, the Group was in a net cash position. Hence, no gearing ratio (i.e. net financial indebtedness/net asset value (excluding non-controlling interests)) was presented. The Group was in a healthy debt servicing position as the EBITDA/finance cost as at 30 June 2014 was 107.0 times (31 December 2013: 114.3 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 2014, 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 2013: Nil).

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$252 million which was principally related to the development cost for property development projects and construction cost for Zhongshan Project.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 30 June 2014, total US dollars borrowings amounted to HK\$622 million (31 December 2013: HK\$620 million) and total Renminbi borrowings amounted to HK\$48 million (31 December 2013: Nil). The foreign currency risk exposure was considered to be minimal and thus no currency hedging was considered necessary.

As at 30 June 2014, the Group's total floating rate borrowings amounted to HK\$2,606 million (31 December 2013: HK\$2,555 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 2014, the Group had a total of 4,219 employees, of which 831 were at the managerial level. Among the employees, 3,963 were employed by subsidiaries in Mainland China and 256 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$331,910,000 (2013: HK\$305,097,000).

In 2014, the global economy has been recovering, along with the revival of productivity and demand. Under such circumstances, the Group made every effort in improving its commercial competitiveness by optimizing investment portfolio and maximizing capital operation. Through re-organisation of its assets and re-adjustment of business focus, the Group has been enhancing its competitive advantages and increasing its core competency continuously. In this first half of the year, the Group continued its effort in building a corporate culture with core values of integrity and sense of responsibility, further enhanced the establishment of a team of professionals and experts. This has been done through recruiting strategic staff who possess the appropriate calibre necessitated by the Company's business, as well as training and nurturing employees with great potentials. On this basis, the Group has adopted a strategic view on establishing a performance management system with a continuous emphasis on incentive and disciplinary mechanism. This effort has fostered an environment for employee development, as a result of which a group of managerial and technical talents has been trained to meet the rapid development of the Group. Further, the Group implemented an achievement-oriented appraisal system, regularly reviewing the performance of its senior management to ensure their integrity and efficiency. Remuneration and incentive packages were commensurate with the results of the Group, such as operating net cash flows and profits after tax. For further motivation, performance-based incentive policy was introduced, in which incentive bonuses are paid to the management team, key officers and outstanding members of staff in accordance with their positions and performance appraisals. The Group also adopted a share option scheme to reward and retain loyal employees. In order to advance the proficiency of its employees, the Group actively encouraged its employees to attend continuing education and training programs by providing subsidies. Looking into the future, the Group will set focus on regulating internal management, enhance capability of the management team, optimize the organizational structure, push up reconciliation of the company resources orderly, conduct effective operation, and build a corporate culture and working environment emphasizing integrity and honesty. The Group believes these arrangements will build a solid foundation for a long term development of the Group.

REVIEW

During the first half of 2014, the global economy maintained a moderate recovering momentum, and the economy of China was running smoothly as a whole with progressive structural adjustment and ongoing transformational upgrade. Amid such economic environment, the Group continued to assess the market conditions with a view to strengthening its overall competitiveness and enhancing economic efficiency in propelling the sustainable development of the Group. Meanwhile, the Group actively implemented its growth strategies with a focus on the change of the development model and enhancement of the core competitiveness in order to optimize the assets composition of the Group. Accordingly, the Group maintained a satisfactory growth in production and operation and achieved better operating results.

PROSPECTS

In the second half of 2014, it is expected that the global economy will continue with its moderate recovery and a steady growth of the economy of China will also be maintained. The Group as a whole will further strengthen its research on the macro-economic trends. Attention will be placed towards the shift in policies over different types of industries. At the same time, the Group will further improve corporate governance and enhance the core competitiveness of the Group with an aim of achieving sustainable development.

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. The Group will strengthen the research on the changes in market trends and closely monitor the market opportunities. While intensifying its efforts in carrying out innovative reform, internally, the Group will raise its level of corporate governance and operating efficiency.

We shall use our endeavours to adopt stringent cost control and risk management measures. With the advantage of economies of scale, we shall promote the sustainable development of our business. Besides, business integration of the Group will be propelled and investment opportunities will be searched for with vigour on the core business, water resources management. In order to explore new avenues of profit, the Group will further enhance investment in businesses with strategic importance. Through reasonable allocation of resources, the Group strives to create better long-term value for its customers and investors.

Directors' Interests and Short Positions in Securities

As at 30 June 2014, 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 Hong Kong Stock Exchange (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)
Huang Xiaofeng	Personal	780,000	Long position	0.012%
Zhang Hui	Personal	1,009,000	Long position	0.016%
Chan Cho Chak, John	Personal	5,450,000	Long position	0.087%
Li Kwok Po, David	Personal	10,000,000	Long position	0.160%
Cheng Mo Chi, Moses	Personal	3,150,000	Long position	0.050%

Note: The approximate percentage of interests held was calculated on the basis of 6,240,282,571 ordinary shares of the Company in issue as at 30 June 2014.

(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					At 30 June 2014	Total consideration paid for share options granted HK\$	Exercise price of share options** HK\$ (per share)	'Price of ordinary share at date immediately before date of grant*** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date*** HK\$ (per share)
		At date of grant	At 1 January 2014	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period					
Huang Xiaofeng	24.10.2008	5,700,000	5,700,000	-	(900,000)	(4,800,000)	-	1.88	1.73	7.36	
	22.01.2013	2,693,000	2,693,000	-	-	-	2,693,000	6.20	6.30	-	
Wen Yinheng	22.01.2013	1,395,000	1,395,000	-	-	-	1,395,000	6.20	6.30	-	
	24.10.2008	2,950,000	1,330,000	-	-	(1,330,000)	-	1.88	1.73	-	
Tsang Hon Nam	22.01.2013	1,256,000	1,256,000	-	-	-	1,256,000	6.20	6.30	-	
	22.01.2013	2,315,000	2,315,000	-	-	-	2,315,000	6.20	6.30	-	
Huang Zhenhai	22.01.2013	2,268,000	2,268,000	-	-	-	2,268,000	6.20	6.30	-	
	24.10.2008	3,300,000	1,780,000	-	-	(1,780,000)	-	1.88	1.73	-	
Wu Jianguo	22.01.2013	2,268,000	2,268,000	-	-	-	2,268,000	6.20	6.30	-	
	22.01.2013	2,268,000	2,268,000	-	-	-	2,268,000	6.20	6.30	-	
Xu Wenfang	24.10.2008	4,400,000	2,491,000	-	-	(2,491,000)	-	1.88	1.73	-	
	22.01.2013	2,268,000	2,268,000	-	-	-	2,268,000	6.20	6.30	-	
Zhang Hui	24.10.2008	2,268,000	2,268,000	-	-	-	2,268,000	6.20	6.30	-	
	22.01.2013	2,268,000	2,268,000	-	-	-	2,268,000	6.20	6.30	-	
Zhao Chunxiao	22.01.2013	2,268,000	2,268,000	-	-	-	2,268,000	6.20	6.30	-	
	24.10.2008	3,350,000	1,015,000	-	-	(1,015,000)	-	1.88	1.73	-	
Li Wai Keung	22.01.2013	2,243,000	2,243,000	-	-	-	2,243,000	6.20	6.30	-	

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

- The option period of all the share options is five years and six months from the date of grant.
- Any share option is only exercisable during the option period after it has become vested.

Directors' Interests and Short Positions in Securities

- (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.

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

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

(2) Notes to the reconciliation of share options outstanding during the 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 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 options were exercised by each of the Directors or all other participants as an aggregate whole.

INTERESTS AND SHORT POSITIONS IN GUANGDONG LAND HOLDINGS LIMITED

Interests in ordinary shares

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note 1)
Huang Xiaofeng	Family (Note 2)	3,880,000	Long position	0.227%
Zhao Chunxiao	Personal	1,062,000	Long position	0.062%
Cheng Mo Chi, Moses	Personal	600,000	Long position	0.035%

Notes:

- The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Guangdong Land Holdings Limited in issue as at 30 June 2014.
- The interest in the shares is held jointly by Mr. Huang Xiaofeng and his spouse.

Directors' Interests and Short Positions in Securities

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 2014.

(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 2014	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 2014	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 exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Guangnan Holdings share capital.
- **** The price of Guangnan Holdings ordinary shares disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

The price of Guangnan Holdings ordinary shares disclosed as "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.

Save as disclosed above, as at 30 June 2014, 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 2014, 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	3,524,406,135	Long position	56.48%
	Interest in controlled corporation	105,245,932	Short position	1.69%
GDH Limited (Note 3)	Beneficial owner/ Interest in controlled corporation	3,524,406,135	Long position	56.48%
	Beneficial owner	105,245,932	Short position	1.69%
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 6,240,282,571 ordinary shares of the Company in issue as at 30 June 2014.
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 2014, 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 2014, save as disclosed in the section of "Directors' Interests and Short Positions in Securities", certain other eligible persons had the following interests in rights to subscribe for the ordinary shares of the Company granted under the 2008 Scheme. Each option entitled the holder to subscribe for one ordinary share of the Company. Further details are set out in note 18 to the interim financial information.

Category of participants	Date of grant of share options (dd.mm.yyyy)	Number of share options					At 30 June 2014	Total consideration paid for share options granted HK\$	Exercise price of share options HK\$ (per share)	Price of ordinary share at date immediately before date of grant HK\$ (per share)	Price of ordinary share at date immediately before the exercise date HK\$ (per share)
		At date of grant	At 1 January 2014	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					
Employees	24.10.2008	18,500,000	4,465,000	-	-	(4,465,000)	-	-	1.88	1.73	-
	22.01.2013	20,458,000	20,259,500	-	-	(1,786,500)	18,473,000	-	6.20	6.30	-

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 37 and 38.

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 38.

CORPORATE GOVERNANCE CODE

The Company had 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 2014 and, where appropriate, the applicable recommended best practices of the CG Code.

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 2014.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information are set out below:

- (i) As from 1 January 2014, the remuneration package of Mr. Wen Yinheng comprising salary, pension scheme contributions, allowances and benefits in kind, but excluding any performance related bonus and its corresponding mandatory provident fund contributions, will amount to approximately HK\$961,000 per annum.

Mr. Wen Yinheng was appointed Chairman of 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Limited), a subsidiary of the Company.

- (ii) As from 1 January 2014, the remuneration package of Mr. Tsang Hon Nam comprising salary, pension scheme contributions, allowances and benefits in kind, but excluding any performance related bonus and its corresponding mandatory provident fund contributions, will amount to approximately HK\$1,744,000 per annum.

Mr. Tsang Hon Nam ceased to be a Director of 粵海國際酒店管理(中國)有限公司 (Guangdong International Hotel Management (China) Limited), a subsidiary of the Company.

- (iii) Ms. Xu Wenfang ceased to be a Director of GH Water Supply (Holdings) Limited and Guangdong Yue Gang Water Supply Company Limited, both of which are subsidiaries of the Company. She also ceased to be Chairman of 廣東粵港建設發展有限公司 (Guangdong Yue Gang Construction Development Company Limited), a company which is a wholly-owned subsidiary of 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings"). Guangdong Holdings is the ultimate holding company of the Company.

- (iv) Mr. Zhang Hui ceased to be a Director of each of Teem Holdings Limited, 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited), 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.), Guangdong Investment (Nominees) Limited and 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Limited), all of which are subsidiaries of the Company. He also ceased to be a Director of 廣東粵港投資開發有限公司 (Guangdong Yue Gang Investment Development Company Limited) ("Yue Gang Investment Development") and GDH Real Estates (China) Limited ("GDH Real Estates (China)"). Yue Gang Investment Development is a subsidiary of Guangdong Holdings whereas GDH Real Estates (China) is a subsidiary of GDH Limited. GDH Limited is the immediate holding company of the Company.

- (v) Dr. Chan Cho Chak, John ceased to be an Independent Non-Executive Director of Fordwell International Holdings Limited.

- (vi) Dr. Li Kwok Po, David ceased to be a Director of The Hong Kong Mortgage Corporation Limited.

- (vii) Mr. Wu Ting Yuk, Anthony was appointed as an Independent Non-Executive Director of Power Assets Holdings Limited.

Save for the above changes in Directors' information during the period from 1 January 2014 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 2014 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 2014, the Company issued the following new ordinary shares to an option holder 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\$
900,000	1.88	1,692,000

Save as disclosed above, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2014.

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 2014 amounted to US\$80 million. The GDI Facility shall be repaid by the Company by instalments with the last instalment due on the date 36 months from the date of the GDI Facility Agreement.

Facility Agreement dated 21 November 2012

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

- (i) GDH or the Company does not or ceases to beneficially own, directly or indirectly, at least 51% interest in GH Water; or
- (ii) the Guangdong Provincial People's Government does not or ceases to beneficially own, directly or indirectly, 51% interest in GDH.

On and at any time after the occurrence of any of the aforementioned events which is continuing, the agent of the Lenders may, and shall if so directed by the Lenders whose lending commitments aggregate 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 2014 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 8.0 HK cents (2013: 7.0 HK cents) per ordinary share for the six months ended 30 June 2014 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 26 September 2014. The interim dividend is expected to be paid on Thursday, 30 October 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 26 September 2014 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 25 September 2014.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 26 August 2014

