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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0270)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Unaudited financial highlights for the six months ended 30 June

	2017	2016	Changes
	HK\$'000	HK\$'000	%
Revenue	<u>5,919,914</u>	<u>5,319,514</u>	+11.3
Profit before tax	<u>4,916,992</u>	<u>3,151,101</u>	+56.0
Profit attributable to owners of the Company	<u>3,785,856</u>	<u>2,275,104</u>	+66.4
Earnings per share – Basic	<u>HK 59.37 cents</u>	<u>HK 36.33 cents</u>	+63.4
Interim dividend per share	<u>HK 14.50 cents</u>	<u>HK 12.00 cents</u>	+20.8

CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the “Board”) of Guangdong Investment Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016. These results have not been audited, but have been reviewed by the Company’s Audit Committee and external auditor, Messrs. Ernst & Young.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	3	5,919,914	5,319,514
Cost of sales		<u>(2,155,179)</u>	<u>(1,706,863)</u>
Gross profit		3,764,735	3,612,651
Other income		287,221	281,413
Gain on bargain purchase	5	1,212,514	-
Changes in fair value of investment properties		446,547	83,700
Selling and distribution expenses		(105,408)	(108,914)
Administrative expenses		(696,428)	(632,273)
Exchange differences, net		(5,945)	(145,045)
Other operating income, net		29,113	711
Finance costs	4	(50,735)	(62,621)
Share of profits less losses of associates		<u>35,378</u>	<u>121,479</u>
PROFIT BEFORE TAX	5	4,916,992	3,151,101
Income tax expense	6	<u>(910,947)</u>	<u>(647,999)</u>
PROFIT FOR THE PERIOD		<u>4,006,045</u>	<u>2,503,102</u>
Attributable to:			
Owners of the Company		3,785,856	2,275,104
Non-controlling interests		<u>220,189</u>	<u>227,998</u>
		<u>4,006,045</u>	<u>2,503,102</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK59.37 cents</u>	<u>HK36.33 cents</u>
Diluted		<u>HK59.33 cents</u>	<u>HK36.30 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>4,006,045</u>	<u>2,503,102</u>
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	1,107,090	(455,563)
Net loss on available-for-sale financial assets	<u>(10,733)</u>	<u>(2,074)</u>
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>1,096,357</u>	<u>(457,637)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>1,096,357</u>	<u>(457,637)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>5,102,402</u></u>	<u><u>2,045,465</u></u>
Attributable to:		
Owners of the Company	4,626,286	1,938,655
Non-controlling interests	<u>476,116</u>	<u>106,810</u>
	<u><u>5,102,402</u></u>	<u><u>2,045,465</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2017

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,510,563	6,691,743
Investment properties		15,367,962	12,561,194
Prepaid land lease payments		266,516	264,498
Goodwill		302,224	301,150
Investments in associates		1,671,145	1,716,163
Operating concession rights		14,343,783	14,140,407
Receivables under service concession arrangements		563,971	417,289
Available-for-sale financial assets		5,350	5,191
Prepayment and deposits		86,743	64,167
Deferred tax assets		154,539	61,507
Pledged bank deposits		23,044	22,358
		<u>40,295,840</u>	<u>36,245,667</u>
TOTAL non-current assets			
CURRENT ASSETS			
Properties under development		5,258,456	-
Completed properties held for sale		527,325	-
Available-for-sale financial assets		6,059,693	7,623,090
Tax recoverable		1,969	5,996
Inventories		164,535	126,209
Receivables under service concession arrangements		10,561	10,247
Receivables, prepayments and deposits	9	1,420,410	803,200
Due from non-controlling shareholders of subsidiaries		93,908	93,548
Pledged bank deposits		28,805	27,948
Restricted bank balances		179,904	-
Cash and bank balances		11,610,916	7,194,452
		<u>25,356,482</u>	<u>15,884,690</u>
TOTAL current assets			
CURRENT LIABILITIES			
Payables and accruals	10	(4,230,888)	(3,642,799)
Tax payable		(942,520)	(718,108)
Due to non-controlling shareholders of subsidiaries		(199,007)	(199,673)
Bank and other borrowings		(3,525,409)	(1,012,138)
Dividend payable		(1,961,346)	-
		<u>(10,859,170)</u>	<u>(5,572,718)</u>
TOTAL current liabilities			
NET CURRENT ASSETS – page 5			
		<u>14,497,312</u>	<u>10,311,972</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2017

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
NET CURRENT ASSETS – page 4	<u>14,497,312</u>	<u>10,311,972</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>54,793,152</u>	<u>46,557,639</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings	(1,956,426)	(4,415,680)
Other liabilities	(1,414,465)	(1,389,413)
Deferred tax liabilities	<u>(4,665,169)</u>	<u>(2,513,860)</u>
Total non-current liabilities	<u>(8,036,060)</u>	<u>(8,318,953)</u>
Net assets	<u>46,757,092</u>	<u>38,238,686</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	8,966,177	5,789,737
Reserves	<u>29,099,532</u>	<u>26,432,231</u>
	38,065,709	32,221,968
Non-controlling interests	<u>8,691,383</u>	<u>6,016,718</u>
Total equity	<u>46,757,092</u>	<u>38,238,686</u>

Notes:

1. GENERAL INFORMATION, KEY EVENTS AND ACCOUNTING POLICIES

The unaudited interim financial information of the Group for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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 2016.

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 2016, 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) effective as at 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial information relating to the year ended 31 December 2016 included in these unaudited interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622). The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's interim financial information.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Amendments to HKFRS 12</i>	Disclosure of interests in Other Entities
<i>included in Annual Improvements</i>	
<i>2014-2016 Cycle</i>	

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

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 water resources segment operates water distribution and sewage treatment in the mainland of the People's Republic of China (the "PRC" or "Mainland China") and Hong Kong;
- (ii) 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;
- (iii) The department store segment operates department stores in Mainland China;
- (iv) The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province, Mainland China;
- (v) The hotel operation and management segment operates the Group's hotels and manages third parties' hotels in Hong Kong and Mainland China;
- (vi) The road and bridge segment invests in road and bridge projects; 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 and investment income from available-for-sale financial assets, gain on bargain purchase, finance costs and share of profits less losses of associates are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged bank deposits, cash and bank balances, restricted bank balances, available-for-sale financial assets and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, tax payable, deferred tax liabilities, dividend payable 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 in full on consolidation.

3. OPERATING SEGMENT INFORMATION (continued)

	<u>Water resources</u>		<u>Property investment and development</u>		<u>Department store</u>	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	3,819,567	3,370,524	548,400	562,676	386,934	383,869
Intersegment sales	-	-	55,908	59,349	-	-
Other income from external sources	12,220	10,873	2,488	207	26,514	29,434
Other income from intersegment transactions	<u>1,450</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>3,833,237</u>	<u>3,381,397</u>	<u>606,827</u>	<u>622,232</u>	<u>413,448</u>	<u>413,303</u>
Segment results	<u>2,208,610</u>	<u>1,903,554</u>	<u>763,569</u>	<u>540,257</u>	<u>148,186</u>	<u>125,826</u>
Interest income						
Interest income from available- for-sale financial assets						
Investment income from available-for-sale financial assets						
Gain on bargain purchase						
Finance costs						
Share of profits less losses of associates	28,950	28,802	-	-	2,289	3,940
Profit before tax						
Income tax expense						
Profit for the period						

3. OPERATING SEGMENT INFORMATION (continued)

	<u>Electric power generation</u>		<u>Hotel operation and management</u>		<u>Road and bridge</u>	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	529,825	389,195	303,822	296,933	331,366	316,317
Intersegment sales	96,072	10,758	-	-	-	-
Other income from external sources	13,045	9,548	211	81	2,960	2,109
Other income from intersegment transactions	-	-	-	-	-	-
Total	<u>638,942</u>	<u>409,501</u>	<u>304,033</u>	<u>297,014</u>	<u>334,326</u>	<u>318,426</u>
Segment results	<u>75,420</u>	<u>157,854</u>	<u>70,011</u>	<u>34,880</u>	<u>184,414</u>	<u>208,569</u>
Interest income						
Interest income from available-for-sale financial assets						
Investment income from available-for-sale financial assets						
Gain on bargain purchase						
Finance costs						
Share of profits less losses of associates	4,147	88,737	(8)	-	-	-
Profit before tax						
Income tax expense						
Profit for the period						

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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	-	-	-	-	5,919,914	5,319,514
Intersegment sales	-	-	(151,980)	(70,107)	-	-
Other income from external sources	570	955	-	-	58,008	53,207
Other income from intersegment transactions	<u>2,553</u>	<u>4,431</u>	<u>(4,034)</u>	<u>(4,431)</u>	<u>-</u>	<u>-</u>
Total	<u>3,123</u>	<u>5,386</u>	<u>(156,014)</u>	<u>(74,538)</u>	<u>5,977,922</u>	<u>5,372,721</u>
Segment results	<u>40,412</u>	<u>(106,927)</u>	<u>-</u>	<u>24</u>	3,490,622	2,864,037
Interest income					136,069	97,393
Interest income from available-for-sale financial assets					58,640	89,554
Investment income from available-for-sale financial assets					34,504	41,259
Gain on bargain purchase					1,212,514	-
Finance costs					(50,735)	(62,621)
Share of profits less losses of associates	-	-	-	-	<u>35,378</u>	<u>121,479</u>
Profit before tax					4,916,992	3,151,101
Income tax expense					<u>(910,947)</u>	<u>(647,999)</u>
Profit for the period					<u>4,006,045</u>	<u>2,503,102</u>

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Water resources		Property investment and development		Department store	
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Segment assets	15,862,156	14,860,658	22,263,817	12,971,657	167,113	165,253
Investments in associates	459,539	441,437	-	-	166,243	159,032
Unallocated assets						
Total assets						
Segment liabilities	2,026,090	1,942,085	1,576,869	1,066,167	705,676	859,401
Unallocated liabilities						
Total liabilities						
Other segment information:						
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Exchange difference, net	(18,219)	(131,819)	(61,999)	35,888	3,718	(1,693)

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities: (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Segment assets	2,773,058	2,648,973	1,948,276	1,907,356	2,870,478	2,880,264
Investments in associates	1,041,967	1,112,390	3,396	3,304	-	-
Unallocated assets						
Total assets						
Segment liabilities	796,035	657,125	131,518	146,477	102,593	82,046
Unallocated liabilities						
Total liabilities						
Other segment information:						
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Exchange difference, net	(23,278)	17,111	4,463	(3,141)	(11,647)	7,177

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities: (continued)

	Others		Eliminations		Consolidated	
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Segment assets	10,161	26,962	-	-	45,895,059	35,461,123
Investments in associates	-	-	-	-	1,671,145	1,716,163
Unallocated assets					<u>18,086,118</u>	<u>14,953,071</u>
Total assets					<u>65,652,322</u>	<u>52,130,357</u>
Segment liabilities	84,319	68,053	-	-	5,423,100	4,821,354
Unallocated liabilities					<u>13,472,130</u>	<u>9,070,317</u>
Total liabilities					<u>18,895,230</u>	<u>13,891,671</u>

Other segment information:

	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Exchange difference, net	101,017	(68,568)	-	-	(5,945)	(145,045)

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank and other borrowings	41,539	52,378
Interest on loans from the ultimate holding company and a fellow subsidiary	<u>9,196</u>	<u>10,243</u>
Total finance costs for the period	<u><u>50,735</u></u>	<u><u>62,621</u></u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income**	(136,069)	(97,393)
Interest income from available-for-sale financial assets**	(58,640)	(89,554)
Investment income from available-for-sale financial assets**	(34,504)	(41,259)
Cost of inventories sold*	491,190	240,065
Cost of services rendered*	1,182,165	999,685
Depreciation	230,358	197,663
Recognition of prepaid land lease payments	5,103	5,488
Amortisation of operating concession rights*	481,824	467,113
Gain on bargain purchase [#]	<u>(1,212,514)</u>	<u>-</u>

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

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

[#] On 18 April 2017, the Company acquired approximately 73.82% of the issued share capital of Guangdong Land Holdings Limited ("GD Land") at a consideration of HK\$4,122,287,000. A gain on bargain purchase of HK\$1,212,514,000 (2016: Nil) from this acquisition was recognised in profit or loss for the period ended 30 June 2017.

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current - Hong Kong		
Charge for the period	10,378	8,625
Current - Mainland China		
Charge for the period	740,684	572,549
Underprovision/(overprovision) in prior years	10	(4,197)
Deferred tax	<u>159,875</u>	<u>71,022</u>
Total tax charge for the period	<u>910,947</u>	<u>647,999</u>

Hong Kong profits tax has been provided at the rate of 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interim - HK 14.5 cents (2016: HK 12.0 cents) per ordinary share	<u>947,984</u>	<u>751,760</u>

At a meeting of the board of directors held on 29 August 2017 (2016: 24 August 2016), the directors resolved to pay to shareholders an interim dividend of HK 14.5 cents (2016: HK 12.0 cents) per ordinary share for the six months ended 30 June 2017.

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

The calculations of the basic and diluted earnings per share amounts for the six months ended 30 June 2017 and 2016 are based on:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	<u>3,785,856</u>	<u>2,275,104</u>
	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	Number of shares	
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,376,499,716	6,261,831,845
Effect of dilution - weighted average number of ordinary shares assumed to have been issued:		
Share options	<u>4,333,620</u>	<u>5,503,208</u>
For the purpose of the diluted earnings per share calculation	<u>6,380,833,336</u>	<u>6,267,335,053</u>

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the Group's receivables, prepayments and deposits are trade receivables, net of impairments, from the Group's customers. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally due within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has a certain concentration of credit risk whereby 44% (31 December 2016: Nil) and 13% (31 December 2016: 20%) of the total trade receivables were due from two customers (31 December 2016: one customer). The Group does not hold any collateral or other credit enhancements over these balances.

An aging 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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 3 months	921,459	422,881
3 months to 6 months	22,868	11,034
6 months to 1 year	25,054	761
More than 1 year	<u>15,193</u>	<u>20,758</u>
	984,574	455,434
Less: Impairment	<u>(4,676)</u>	<u>(5,138)</u>
	<u>979,898</u>	<u>450,296</u>

10. PAYABLES AND ACCRUALS

The Group's payables and accruals are non-interest-bearing and are normally settled on 60-day terms. Included in the Group's payables and accruals are trade payables. An aging 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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 3 months	651,374	577,896
3 months to 6 months	571	183
6 months to 1 year	<u>108</u>	<u>87</u>
	<u>652,053</u>	<u>578,166</u>

11. CONTINGENT LIABILITIES

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

(a)	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
The Group's proportional share of guarantees given to banks in connection with facilities utilised by an associate	<u>64,926</u>	<u>93,121</u>

As at 30 June 2017, the banking facilities granted to an associate subject to guarantees given to a bank by the Group and the other shareholders of the associate were in accordance with the shareholding ratio of each party. The facilities granted to the associate by bank were utilised to the extent of approximately HK\$132,503,000 (31 December 2016: HK\$190,043,000) in respect of these guarantees.

- (b) As at 30 June 2017, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties held for sale. Pursuant to the terms of the guarantees, upon default in mortgage payments by any of these purchasers, the Group is responsible for repaying the relevant outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks, and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 30 June 2017, the Group's outstanding guarantees amounted to HK\$881,613,000 (31 December 2016: Nil) in respect of these guarantees.
- (c) According to the master agreement relating to the disposal of the brewery business by GD Land in 2013 (as disclosed in the circular of GD Land dated 9 April 2013), GD Land had undertaken to bear any losses arising from the brewery subsidiaries disposed of for additional obligations in respect of, inter alia, taxes, government levy, staff welfare and uncollectible trade receivables that occurred prior to the date of completion of the said disposal. The financial impact of the contingent liabilities that may arise from such agreement is not disclosed as the estimate of which is not practicable to do so.

12. EVENT AFTER THE REPORTING PERIOD

On 7 July 2017, Guangdong Water Group (H.K.) Limited (“Water Group HK”), a wholly-owned subsidiary of the Company, entered into an agreement with 廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited*) (“Guangdong Water Co”), an indirect wholly-owned subsidiary of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited*) and 汕頭市城市建設開發總公司 (Shantou City Construction Development Corporation*) (“Shantou Construction Development”), an independent third party, pursuant to which Water Group HK and Guangdong Water Co had agreed to make capital contribution of RMB1,639 million (equivalent to approximately HK\$1,888 million) and RMB67 million (equivalent to approximately HK\$77 million) to 汕頭市自來水總公司 (Shantou Water Corporation*), respectively, after its restructuring into a limited liability company.

Upon completion of the abovementioned capital contribution, Water Group HK, Guangdong Water Co and Shantou Construction Development will hold 49%, 2% and 49% equity interest in Shantou Water Corporation, respectively. The transaction was not yet completed as at the date of this announcement. Further details of the transaction are set out in the announcement of the Company dated 7 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Board is pleased to report the results of the Group for the six months ended 30 June 2017 (the “Period”). The Group’s unaudited consolidated profit attributable to owners of the Company amounted to HK\$3,786 million (2016: HK\$2,275 million), an increase of 66.4% as compared with the same period last year. Basic earnings per share increased by 63.4% over the same period last year to HK 59.37 cents (2016: HK 36.33 cents).

INTERIM DIVIDEND

The Board declares an interim dividend of HK 14.5 cents per ordinary share for the Period (2016: HK 12.0 cents).

FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$5,920 million (2016: HK\$5,320 million), an increase of 11.3% as compared with the same period last year. In addition, the unaudited consolidated profit before tax for the Period increased by 56.0% or HK\$1,766 million to HK\$4,917 million (2016: HK\$3,151 million) and the unaudited consolidated profit attributable to owners of the Company for the Period increased by 66.4% to HK\$3,786 million (2016: HK\$2,275 million).

The growth in revenue was mainly attributable to a better performance in water resources business during the Period and the increase in the profit before tax and profit attributable to owners of the Company was mainly attributable to a one-off gain on bargain purchase of HK\$1,213 million arising from the acquisition of approximately 73.82% of the issued share capital of GD Land. In addition, the net gain arising from fair value adjustments for investment properties was HK\$447 million (2016: HK\$84 million), HK\$363 million higher than that in the same period last year. Total interest income and finance cost of the Group for the Period amounted to HK\$195 million (2016: HK\$187 million) and HK\$51 million (2016: HK\$63 million), respectively. Total interest income net of finance cost of the Group increased by 16.1% to HK\$144 million (2016: HK\$124 million) for the Period. Net exchange loss for the Period was HK\$6 million (2016: HK\$145 million).

Basic earnings per share increased by 63.4% to HK 59.37 cents (2016: HK 36.33 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 set out as follows:

Water Resources

Dongshen Water Supply Project

The profit contribution from the Dongshen Water Supply Project continued to form a significant part of the Group's profit. As at 30 June 2017, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.03% (31 December 2016: 96.0%). GH Water Holdings holds a 99.0% 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 tons. Total water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 0.961 billion tons (2016: 0.918 billion tons), an increase of 4.7%, which generated a revenue of HK\$3,193 million (2016: HK\$2,984 million), an increase of 7.0% over the same period last year.

Pursuant to the Hong Kong Water Supply Agreement for the years 2015 to 2017 entered into between the Government of the Hong Kong Special Administrative Region and the Guangdong Provincial Government in 2015, the annual revenue for water sales to Hong Kong for the three years of 2015, 2016 and 2017 were HK\$4,222.79 million, HK\$4,491.52 million and HK\$4,778.29 million, respectively.

The revenue from water sales to Hong Kong for the Period increased by 6.4% to HK\$2,606 million (2016: HK\$2,450 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period increased by 9.9% to HK\$587 million (2016: HK\$534 million). The profit before tax for the Period, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project was HK\$2,132 million (2016: HK\$1,951 million), 9.3% higher than that in the same period last year.

Other Water Resources Projects

Apart from the Dongshen Water Supply Project, the Group comprises a number of subsidiaries and associates which are principally engaged in water distribution, sewage treatment operation and waterworks construction in the PRC.

The water supply capacity of the water supply plants operated by each of the subsidiaries of the Company, namely, 東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.*), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.*), 儀征港儀供水有限公司 (Yizheng Gangyi Water Supply Company Limited*), 高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited*), 寶應粵海水務有限公司 (Baoying Yuehai Water Company Limited*), 海南儋州自來水有限公司 (Hainan Danzhou Tap Water Company Limited*), 梧州粵海江河水務有限公司 (Wuzhou Yuehai Jianghe Water Company Limited*), Zhaoqing HZ GDH Water Co., Ltd., 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited*) and 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited*) is 290,000 tons, 210,000 tons, 150,000 tons, 145,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 90,000 tons, 50,000 tons and 10,000 tons per day, respectively.

Besides, the additional or newly acquired water supply capacity of the water supply plants operated by each of the subsidiaries of the Company for the Period, namely, Zhaoqing HZ GDH Water Co., Ltd., 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.*) and 盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited*) is 60,000 tons, 60,000 tons and 150,000 tons per day, respectively.

The waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries of the Company, namely, 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.*), 梧州粵海環保發展有限公司 (Wuzhou Yuehai Huanbao Fazhan Company Limited*), 東莞市常平金勝水務有限公司 (Dongguan Changping Jinsheng Water Co., Ltd.*), 開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.*), 五華粵海環保有限公司 (Wuhua Yuehai Huanbao Co., Ltd.*), 東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd.*) and 興寧粵海環保有限公司 (Xingning Yuehai Huanbao Co., Ltd.*) is 100,000 tons, 90,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons and 3,000 tons per day, respectively, totaling 393,000 tons per day (2016: 390,000 tons per day).

The water supply capacity of Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd and 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.*), being associates of the Company, is 520,000 tons and 400,000 tons per day, respectively, totaling 920,000 tons per day (2016: 920,000 tons per day).

The water supply capacity of the water supply plants under construction of each of the subsidiaries of the Company, namely, 高州粵海水務有限公司 (Gaozhou Guangdong Water Company Limited*), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited*), Zhaoqing HZ GDH Water Co., Ltd. and 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited*) is 100,000 tons, 50,000 tons, 50,000 tons and 20,000 tons per day, respectively, totaling 220,000 tons per day.

The waste water processing capacity of the sewage treatment plants under construction of each of the subsidiaries of the Company, namely, 汕尾粵海環保有限公司 (Shanwei Yuehai Huanbao Co., Ltd.*), 開平粵海污水處理有限公司 (Kaiping Yuehai Sewage Treatment Co., Ltd.*), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited*), 五華粵海清源環保有限公司 (Wuhua Yuehai Qingyuan Huanbao Co., Ltd.*) and 五華粵海綠源環保有限公司 (Wuhua Yuehai Luyuan Huanbao Co., Ltd.*) (established during the Period) is 30,000 tons, 25,000 tons, 20,000 tons, 15,000 tons and 11,000 tons per day, respectively, totaling 101,000 tons per day.

Revenue of Other Water Resources Projects for the Period in aggregate amounted to HK\$637,424,000 (2016: HK\$390,195,000). The growth was mainly attributable to the increase in construction revenue of HK\$222,268,000 arising from those projects under construction. Profit before tax of Other Water Resources Projects for the Period, excluding the net exchange differences, in aggregate amounted to HK\$110,546,000 (2016: HK\$98,493,000), 12.2% higher than that in the same period last year.

New Water Resources Projects

During the first half of 2017, the Group successfully bid for or acquired four new water resources projects in Meizhou, Jiangsu and Zhaoqing with total designed water supply capacity of 270,000 tons per day and waste water processing capacity of 11,000 tons per day. The expected investment costs of these projects are RMB612 million (equivalent to approximately HK\$705 million).

Apart from the transaction in respect of Shantou Water Corporation, subsequent to the end of the reporting period, the Group further successfully bid for two new water resources projects in Yunfu and Meizhou with total designed water supply capacity of 300,000 tons per day and waste water processing capacity of 22,000 tons per day. The expected investment costs of these projects are RMB644 million (equivalent to approximately HK\$742 million).

Property Investment and Development

Mainland China

Teem Plaza

As at 30 June 2017, the Group held an effective 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.

Revenue of Teem Plaza comprises rental income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building. During the Period, due to negative impact from exchange rate fluctuation, revenue of Teem Plaza decreased by 4.6% to HK\$548,501,000 (2016: HK\$574,976,000). Excluding the impact of currency translation, the revenue of Teem Plaza slightly increased by 0.2% as compared with the same period last year. The profit before tax for the Period, excluding changes in fair value of investment properties and net interest income, decreased by 6.9% to HK\$381,697,000 (2016: HK\$409,807,000).

The shopping mall, known as the Teemall, is one of the most popular shopping malls in the prime area of Guangzhou and it has a total gross floor area (“GFA”) of approximately 160,000 sq. m., of which 105,000 square meters (“sq. m.”) was held for rental purposes. The mall is successful in retaining existing brand-name tenants and attracting new ones. It had an average occupancy rate of nearly 99.9% during the Period (2016: 99.7%).

The office building, known as Teem Tower, is a 45-storey Grade A office tower with a total GFA of approximately 102,000 sq. m., of which 90,000 sq. m. was held for rental purposes. With an average occupancy rate of 90.1% (2016: 97.5%), the revenue for the Period was HK\$96,769,000 (2016: HK\$105,004,000), decreasing by 7.8%. Excluding the impact of currency translation, the revenue decreased by 3.2% as compared with the same period last year. The profit before tax for the Period, excluding changes in fair value of investment properties, decreased by 9.9% to HK\$81,242,000 (2016: HK\$90,180,000).

Tianjin Teem Shopping Mall

The Group held an effective interest of 76.02% in Tianjin Teem Shopping Center Co., Ltd. (“Tianjin Teem”), the property owner of Tianjin Teem Shopping Mall. Tianjin Teem Shopping Mall, with a total GFA of approximately 205,000 sq. m., of which 140,000 sq. m. was held for rental purposes, is situated at a convenient location above underground railroads and is one of the leading shopping and leisure destinations in the renowned “Binjiang Dao - Heping Road” Commercial District in Tianjin.

Tianjin Teem Shopping Mall opened on 26 June 2017. As pre-leasing was progressing well and encouraging response from tenants ranging from local enterprises to well-known multinationals was received, the mall had an occupancy rate of 95.5% as at 30 June 2017. Tianjin Teem Shopping Mall recognised a valuation gain of HK\$405,556,000 upon its completion. Revenue of Tianjin Teem Shopping Mall for the Period was HK\$4,488,000 (including rentals from the department stores operated by the Group). The loss before tax of Tianjin Teem Shopping Mall for the Period, excluding changes in fair value of investment properties, was HK\$11,344,000.

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 a 68% interest in Wanye. As at 30 June 2017, a total sum of approximately HK\$2,248 million had been invested by Tianhecheng Investco into Wanye in accordance with the cooperation agreement.

Wanye owns a parcel of land 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. Based on the Group's current development plan, this parcel of land is being developed into a large-scale integrated commercial project of which properties with GFA of approximately 153,000 sq. m. and 187,000 sq. m. are being built and will be held for sale and for rental purposes respectively upon their completion. As at 30 June 2017, properties with amount of approximately HK\$1,488 million and HK\$1,443 million were attributable to "Properties under development" under the current assets and "Investment properties" under non-current assets, respectively.

GD Land

On 18 April 2017, the Company completed the acquisition of approximately 73.82% of the issued share capital of GD Land from GDH Limited ("GDH"), the immediate holding company of the Company, at a total consideration of RMB3,658,794,000 (equivalent to approximately HK\$4,122,287,000). The consideration was settled as to (i) RMB2,819,294,000 (equivalent to approximately HK\$3,176,440,000) by the allotment and issue of 272,890,019 ordinary shares of the Company; and (ii) RMB839,500,000 (equivalent to approximately HK\$945,847,000) in cash. Further details of the transaction are set out in the circular of the Company dated 24 February 2017.

GD Land holds a 100% interest in the Buxin Project, a multi-module commercial complex located in Buxin Area, Luohu District, Shenzhen, the PRC with the jewellery products industry as the projects main theme. The total site area of such a land amounts to approximately 66,526 sq. m., and the GFA included in the calculation of plot ratio amounts to approximately 432,051 sq. m.. In addition, an underground area of 30,000 sq. m. will be developed for commercial use.

The Northwestern Land which is under the first phase of the development of the Buxin Project has a GFA of approximately 166,000 sq. m., of which the total saleable GFA is approximately 116,000 sq. m.. The construction permit for its land pile foundation works was obtained in December 2016 and such land pile foundation works was completed at the end of March 2017. In the second quarter of 2017, GD Land has completed the tender and engagement of the main contractor for the development of the Northwestern Land. Based on GD Land's current development plan, except for the car-parking spaces, properties built within the Northwestern Land will be launched for sale upon their completion. During the period under review, GD Land formed a sales management team and has been preparing to establish a sales center. Meanwhile, GD Land continued to visit potential customers and promoted the Buxin Project actively. Positive feedback has been received.

As at 30 June 2017, the cumulative land and development cost incurred by the Group for the Buxin Project amounted to approximately HK\$7,290 million, of which approximately HK\$3,770 million and HK\$3,520 million were attributable to “Properties under development” under the current assets and “Investment properties” under non-current assets, respectively.

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 100% (2016: 100%). As a result of the increase in average rental, the total revenue for the Period was up by 3.0% to HK\$27,796,000 (2016: HK\$26,980,000).

Department Store Operation

As at 30 June 2017, 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 Teemall Store in Teem Plaza. GDTDS also operates Teemall Store – Beijing Road Branch (“Ming Sheng Store”), 奧體歐萊斯名牌折扣店 (“Ao Ti Store”), 東圃百貨店 (“Dong Pu Store”), 東莞第一國際百貨店 (“Dongguan Store”), 佛山南海百貨店 (“Nanhai Store”), 北京路粵海仰忠匯店 (“Yuehaiyangzhong Hui Store”) and 天津天河城百貨店 (“Tianjin Teem Store”). 天河城萬博 operates 天河城百貨歐萊斯折扣店 (“Wan Bo Store”).

The nine stores had a total leased area of approximately 186,600 sq. m. (31 December 2016: 169,000 sq. m.) as at 30 June 2017. The total revenue increased by 0.8% to HK\$386,934,000 (2016: HK\$383,869,000). The profit before tax for the Period increased by 4.1% to HK\$164,962,000 (2016: HK\$158,454,000).

The revenue of the nine stores operated by the Group for the six months ended 30 June 2017 was as follows:

	Leased area sq. m.	Revenue for the six months ended 30 June		Changes %
		2017 HK\$'000	2016 HK\$'000	
Teemall Store	40,000	266,722	249,777	+6.8
Wan Bo Store	19,600	45,296	45,396	-0.2
Ming Sheng Store	13,300	25,118	28,088	-10.6
Dong Pu Store	28,400	25,830	24,708	+4.5
Ao Ti Store	21,500	19,054	18,413	+3.5
Baiyun New Town Store (closed in July 2016)	-	-	12,554	-100.0
Dongguan Store	9,800	1,918	1,703	+12.6
Nanhai Store	28,400	1,972	1,798	+9.7
Yuehaiyangzhong Hui Store	8,000	898	1,432	-37.3
Tianjin Teem Store (opened in June 2017)	17,600	126	-	+100.0
	<u>186,600</u>	<u>386,934</u>	<u>383,869</u>	<u>+0.8</u>

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%. Due to keen competition, the Group's share of profits in GD Aeon Teem amounted to HK\$2,289,000 (2016: HK\$3,940,000) during the Period, decreasing by 41.9%.

Hotel Ownership, Operation and Management

As at 30 June 2017, the Group's hotel management team managed a total of 31 hotels (31 December 2016: 42 hotels), of which two were located in Hong Kong, one in Macau and 28 in Mainland China. As at 30 June 2017, six hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou, Zhuhai and Zhengzhou, were owned or lease-owned by the Group. Of these six hotels, five were managed by the Group's hotel management team with the exception of the one located in Guangzhou, namely Sheraton Guangzhou Hotel, which was managed by Sheraton Overseas Management Corporation.

Among the six hotels owned or lease-owned, five are star-rated hotels and one is budget hotel. During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$1,204 (2016: HK\$1,243) whereas the average room rate of the remaining four star-rated hotels and the budget hotel were HK\$649 (2016: HK\$636) and HK\$142 (2016: HK\$171), respectively. The average occupancy rate of Sheraton Guangzhou Hotel was 88.6% (2016: 86.6%) and that of the other four star-rated hotels was 78.0% (2016: 77.0%) during the Period.

The revenue of hotel operation and management business for the Period increased by 2.3% to HK\$303,822,000 (2016: HK\$296,933,000). The profit before tax for the Period, excluding the net exchange differences, increased by 61.8% to HK\$69,498,000 (2016: HK\$42,957,000).

Energy Projects

Zhongshan Power Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% equity 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 600 MW. Sales of electricity during the Period amounted to 1,271 million kwh (2016: 809 million kwh), increasing by 57.1%. As a result, revenue of Zhongshan Power Project generated from electricity sales and related operations for the Period increased by 56.5% to HK\$625,897,000 (2016: HK\$399,953,000). However, due to the significant increase in coal price, the profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$91,729,000 (2016: HK\$146,033,000), a decrease of 37.2%.

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 2017, 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 5,533 million kwh (2016: 4,871 million kwh), an increase of 13.6%. Revenue for the Period increased by 2.7% to HK\$2,296,579,000 (2016: HK\$2,235,857,000). As a result of the significant increase in coal price, the profit before tax of Yudean Jinghai Power for the Period was HK\$22,118,000 (2016: HK\$494,931,000), a decrease of 95.5%. The Group's share of profit in Yudean Jinghai Power amounted to HK\$4,147,000 (2016: HK\$88,737,000) during the Period.

Road and Bridge

Xingliu Expressway

廣西新長江高速公路有限責任公司 (Guangxi Xinchangjiang Gonglu Company Limited*) (“Xinchangjiang Company”) is principally engaged in the operation of the Xingliu Expressway. The Xingliu Expressway comprises a main line which is 99.6 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of 52.7 km.

The average daily traffic flow of the Xingliu Expressway was 25,042 vehicle trips during the Period (2016: 22,458 vehicle trips). The revenue of Xinchangjiang Company during the Period amounted to HK\$331,366,000 (2016: HK\$316,317,000), increasing by 4.8%. Profit before tax during the Period amounted to HK\$199,050,000 (2016: HK\$192,701,000), increasing by 3.3%.

Yinping PPP Project

On 8 June 2016, the Company entered into a cooperation agreement with 東莞市謝崗鎮人民政府 (Dongguan City Xiegang Town People’s Government) (the “Xiegang Government”) in respect of a public-private-partnership project (the “Yinping PPP Project”) for the development of certain A-grade highways, connecting roads and municipal roads (not being toll roads) (each a “Project Road” and together, the “Project Roads”) and the related ancillary support services such as drainage, greening and lighting in 銀瓶創新區 (Yinping Innovation Zone) in Dongguan, Guangdong, the PRC.

During the period of construction of the Project Roads (the “Development Period”), the Group shall be responsible for providing funding for the development of the Project Roads (the “Development Costs”) depending on the overall development plan and progress of Yinping Innovation Zone in phases with the total Development Costs not exceeding RMB4.754 billion (equivalent to approximately HK\$5.478 billion). The Xiegang Government shall pay the Development Costs by 10 annual instalments throughout the maintenance period, being ten years (the “Maintenance Period”) from the acceptance of the Project Roads by the Xiegang Government.

During the Development Period, the Group would be entitled to an accrued interest at 8% (compounded annually) from the date of each amount disbursed by the Project Co (as defined below) that constitutes the Development Costs for such Project Roads until the end of the Development Period of the relevant Project Roads. This amount (the “Accrued Interest Amount”) will be paid by 10 annual instalments throughout the Maintenance Period. In addition, a management fee (the “Management Fee”) equal to 2.5% of the Development Costs will be payable by 10 annual instalments throughout the Maintenance Period and an annual maintenance fee equal to 1.1% of the total Development Costs, will be payable annually over the Maintenance Period by the Xiegang Government. The aggregate of the then outstanding Development Costs, the Accrued Interest Amount and the Management Fee are calculated on an accrued interest at 8% per annum on a reducing balance basis over the Maintenance Period.

The Company had established a wholly-owned subsidiary, 東莞粵海銀瓶開發建設有限公司 (Dongguan Yuehai Yinping Development and Construction Limited*) (the “Project Co” or “Yuehai Yinping”) to perform the Company’s obligations in the Yinping PPP Project. The rights and responsibilities of the Company under the cooperation agreement had been transferred to Yuehai Yinping after its establishment. No Development Costs were paid and payable for the Period.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 30 June 2017, the available-for-sale financial assets of the Group decreased by HK\$1,563 million to HK\$6,060 million (31 December 2016: HK\$7,623 million), which were placed by the Group with a number of licensed banks in the PRC, each of which for a term not exceeding one year. The principal sums of these financial assets with those licensed banks were denominated in Renminbi and were principal protected upon the maturity date. Up to the date of this announcement, available-for-sale financial assets in the amount of HK\$3,638 million matured.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2017, the cash and bank balances of the Group increased by HK\$4,417 million to HK\$11,611 million (31 December 2016: HK\$7,194 million), of which 86.4% was denominated in Renminbi, 12.2% in Hong Kong dollars and 1.4% in US dollars.

As at 30 June 2017, the Group's financial borrowings increased by HK\$54 million to HK\$6,191 million (31 December 2016: HK\$6,137 million), of which 95.8% was denominated in Hong Kong dollars and 4.2% in Renminbi, including the non-interest-bearing receipt in advance of HK\$709 million. Of the Group's total financial borrowings, HK\$3,644 million was repayable within one year while the remaining balances of HK\$2,381 million and HK\$166 million are repayable within two to five years and beyond five years from the end of the reporting period, respectively.

The Group did not maintain any committed credit facility as at 30 June 2017 (31 December 2016: Nil).

As at 30 June 2017 and 31 December 2016, the Group was in a net cash position and hence no gearing ratio was presented. The Group was in a healthy debt servicing position as the EBITDA/finance cost as at 30 June 2017 was 111.36 times (31 December 2016: 54.47 times).

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, except for bank deposits of HK\$51,849,000 (31 December 2016: HK\$50,306,000) pledged to secure performance obligations of certain service concession agreements, none of property, plant and equipment, concession rights for water distribution operation and sewage treatment operation, comprising operating concession rights and receivables under service concession agreements, were pledged to secure bank loans granted to the Group. Except for the Group's proportional share of guarantees given to banks in connection with facilities utilised by an associate of approximately HK\$65 million (31 December 2016: approximately HK\$93 million), the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK\$882 million (31 December 2016: Nil) and undertakings made in the master agreement relating to the disposal of brewery business by GD Land as disclosed in note 11 of this announcement, there was no other material contingent liability as at 30 June 2017 and 31 December 2016.

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$4,909 million which was principally related to the development cost for property development projects, construction cost for Zhongshan Power Plant, water supply and sewage treatment plants and acquisition of subsidiaries.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 30 June 2017, total Renminbi borrowings amounted to HK\$262 million (31 December 2016: HK\$213 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 30 June 2017, the Group's total floating rate borrowings amounted to HK\$5,303 million (31 December 2016: HK\$5,265 million). The interest rate risk exposure was considered to be minimal and thus no interest rate hedging was considered necessary.

PRINCIPAL RISKS AND UNCERTAINTIES

Macroeconomic Risk

As a diversified conglomerate with investments in different business segments, the financial and operating performance of the Company is inextricably linked to the macroeconomic environment. Internationally, while recovery of the global economy stayed on track, a full-swing recovery is still overshadowed by such geopolitical and economic uncertainties as re-emergence of trade protectionism. Domestically, overall macroeconomic conditions continue to improve. However, RMB exchange rate fluctuations, capital outflow coupled with higher PRC inflation expectations, overheated real estate market and further energy saving and emission reduction efforts remain likely to bring considerable adverse impacts and challenges to the sustained and steady growth of the economy. Consequently, the Company has been closely monitoring the trend in global macroeconomic development and changes in capital markets and industry dynamics, and provided timely updates to senior management in order to ensure effective implementation of the Company's development strategies and maintain its corporate competitiveness under such external economic environment.

Foreign Currency Risk

As most of the Company's business operations are located in Mainland China, the Company faces the risks of exchange gain/loss and fluctuations in the net asset value of investment projects in Mainland China on currency conversion arising from exchange rate volatility. To effectively manage foreign currency risk, the Company closely monitors foreign exchange markets, and utilises multiple strategic approaches, such as optimising cash management strategy and deploying project finance instruments, to contain foreign exchange risk.

Market Competition Risk

As market competition intensifies, the Company's expansion capabilities and project investment returns in the sectors in which it operates might be adversely affected by competitive pressure. In this regard, the Company endeavours to explore new sources of revenue and reduce operating costs through product improvement, operating efficiency enhancement and strengthening of the project management team so as to enhance profitability of its projects.

Project Safety Management Risk

Project safety management risk encompasses product safety management risk as well as personnel safety management risk. With respect to product safety risk, the Company will systemize the relevant risk control mechanism so as to establish firm-wide standardized risk management procedures. On the other hand, the Company will strengthen production quality control by performing regular safety inspections on its production and operational facilities as a preventive measure. It also seeks to mitigate any adverse impact through market supervision and taking timely actions to rectify problems.

With respect to personnel safety risk, each investment project in the Company's investment portfolio has a customized safety liability mechanism best suited to its operating environment. These safety liability mechanisms clearly define the assignment of duty and responsibility, and serve as the related performance evaluation guidelines. On top of that, the Company also provides regular operational safety training to its employees, and puts in place contingency plans to emergency events in order to ensure that such risks are effectively managed.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2017, the Group had a total of 7,067 employees, of which 1,273 were at the managerial level. Among the employees, 6,831 were employed by subsidiaries in Mainland China and 236 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$466,350,000 (2016: HK\$444,585,000).

In 2017, adhering to the people-oriented concept, the Group adhered to the core values of “integrity, professionalism, willingness, honesty and cooperation” of the corporate culture. The Group also continued to strengthen the management team building by employing more professionals. The Group further strengthened the training of employees in order to meet the Company's further development needs.

The remuneration policy of the Group is designed to ensure that the remuneration meets the market level and is in line with the development objectives and business performance of the Group. The remuneration package includes basic salary, allowance benefits and discretionary bonus. Salary standards are based on factors such as employee qualifications, experience, job nature, performance and market conditions. The discretionary bonus is subject to the performance-based incentive policy. The Group also adopted a share option scheme to reward and attract professional talents to provide long-term service to the Group.

In order to enhance the operational capacity of the employees, the Group actively encouraged its employees to attend continuing education and training programmes by providing subsidies as well as providing professional training according to the Company's strategic objectives and working needs on a target-oriented basis.

REVIEW

In the first half of 2017, global economy continued to recover, but geopolitical instabilities and commodity price volatilities caused by rising protectionism could lead to uncertainties in global economic recovery. China's economic growth has surpassed market expectations and maintained a stable momentum. Faced with a mixture of new and old risks amid overall positive trend in global economic development, the Group maintained its stable growth strategy to ensure solid performance in its core businesses and actively seek new investment opportunities in order to further accelerate its business expansion efforts, thus achieving favourable results in promoting the Group's sustainable growth.

PROSPECTS

In the second half of 2017, rising protectionism in certain countries coupled with the Fed's rate hike and balance-sheet reduction may bring uncertainties over the prospect for global economic recovery. Economic growth in China is expected to remain stable. However, certain geopolitical and economic policy adjustments may cause short-term volatilities in the global foreign exchange and interest rates markets, posing potential risks to business operations. The Group will closely monitor changes in macroeconomic policies and market conditions, further strengthen its risk management to ensure stable growth of its core businesses.

Looking ahead, the Group will continue to monitor business opportunities in the areas of water resources management, properties and infrastructure development, particularly potential opportunities involving public-private partnership projects. With comprehensive and rigorous risk management process in place, the Group will also explore potential international business opportunities to further enhance the Company's financial performance in an effort to create long-term value for its stakeholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2017 and, where appropriate, the applicable recommended best practices of the CG Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, 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 (the “Hong Kong Stock Exchange”).

ISSUE OF LISTED SECURITIES

On 19 January 2017, the Company entered into a sale and purchase agreement with GDH to acquire approximately 73.82% of the issued share capital of GD Land (the “Acquisition”) from GDH. The Acquisition was approved at an Extraordinary General Meeting of the Company held on 20 March 2017 and 272,890,019 ordinary shares of the Company (the “Consideration Share(s)”) at the price of HK\$10.39 per Consideration Share in an aggregate amount of HK\$2,835,327,297.41 were allotted and issued to GDH, credited as fully paid, upon completion of the Acquisition on 18 April 2017. Since the closing price of one Consideration Share was HK\$11.64 as at 18 April 2017, the issued share capital of the Company was increased by HK\$3,176,439,821.16 to HK\$8,966,176,406.66. Further details of the transaction are set out in the circular of the Company dated 24 February 2017.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 14.5 cents (2016: HK 12.0 cents) per ordinary share for the six months ended 30 June 2017 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 12 October 2017. The interim dividend is expected to be paid on or about Friday, 27 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 12 October 2017 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 Wednesday, 11 October 2017.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2017 have been reviewed by the Audit Committee of the Company and Messrs. Ernst & Young, external auditor of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.gdi.com.hk) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 29 August 2017

** The English names are translations of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely, Mr. HUANG Xiaofeng, Mr. WEN Yinheng, Mrs. HO LAM Lai Ping, Theresa and Mr. TSANG Hon Nam; five Non-Executive Directors, namely, Mr. CAI Yong, Mr. ZHANG Hui, Ms. ZHAO Chunxiao, Mr. LAN Runing and Mr. LI Wai Keung; and five Independent Non-Executive Directors, namely, Dr. CHAN Cho Chak, John, Dr. the Honourable LI Kwok Po, David, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses and Mr. WU Ting Yuk, Anthony.