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GUANGDONG INVESTMENT LIMITED
(粵 海 投 資 有 限 公 司)

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00270)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

Unaudited financial highlights for the six months ended 30 June

	2019	2018	Changes
	HK\$'000	HK\$'000	%
Revenue	<u>7,164,763</u>	<u>6,581,180</u>	+8.9
Profit before tax	<u>3,876,040</u>	<u>3,629,077</u>	+6.8
Profit attributable to owners of the Company	<u>2,700,961</u>	<u>2,671,854</u>	+1.1
Earnings per share – Basic	<u>HK 41.31 cents</u>	<u>HK 40.87 cents</u>	+1.1
Interim dividend per share	<u>HK 17.30 cents</u>	<u>HK 16.00 cents</u>	+8.1

CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 together with the comparative figures for the corresponding period in 2018. 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 2019

	Notes	For the six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	4	7,164,763	6,581,180
Cost of sales		<u>(2,911,928)</u>	<u>(2,523,198)</u>
Gross profit		4,252,835	4,057,982
Other income and gains		342,779	353,670
Changes in fair value of investment properties		194,462	115,608
Selling and distribution expenses		(175,993)	(147,072)
Administrative expenses		(785,616)	(821,958)
Exchange differences, net		54,162	39,083
Other operating income, net		51,054	6,044
Finance costs	5	(138,909)	(54,408)
Share of profits less losses of associates		<u>81,266</u>	<u>80,128</u>
PROFIT BEFORE TAX	6	3,876,040	3,629,077
Income tax expense	7	<u>(905,692)</u>	<u>(720,851)</u>
PROFIT FOR THE PERIOD		<u>2,970,348</u>	<u>2,908,226</u>
Attributable to:			
Owners of the Company		2,700,961	2,671,854
Non-controlling interests		<u>269,387</u>	<u>236,372</u>
		<u>2,970,348</u>	<u>2,908,226</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u>HK41.31 cents</u>	<u>HK40.87 cents</u>
Diluted		<u>HK41.31 cents</u>	<u>HK40.84 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>2,970,348</u>	<u>2,908,226</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
- Subsidiaries	(228,295)	(400,512)
- Associates	<u>(50,146)</u>	<u>(12,949)</u>
	<u>(278,441)</u>	<u>(413,461)</u>
Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:		
Fair value gains of property, plant and equipment, net of tax	<u>269,028</u>	<u>42,196</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(9,413)</u>	<u>(371,265)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>2,960,935</u></u>	<u><u>2,536,961</u></u>
Attributable to:		
Owners of the Company	2,685,542	2,377,306
Non-controlling interests	<u>275,393</u>	<u>159,655</u>
	<u><u>2,960,935</u></u>	<u><u>2,536,961</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2019

	Note	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,024,310	7,017,886
Investment properties		17,767,326	16,949,174
Right-of-use assets		726,769	-
Prepaid land lease payments		-	306,824
Goodwill		579,897	301,883
Investments in associates		3,623,733	3,676,701
Operating concession rights		14,280,843	13,047,462
Receivables under service concession arrangements		2,286,216	1,451,496
Receivables under a cooperative arrangement		612,443	414,701
Equity investment designated at fair value through other comprehensive income		10,151	10,191
Prepayments and other receivables		161,977	137,905
Deferred tax assets		<u>307,676</u>	<u>252,019</u>
Total non-current assets		<u>47,381,341</u>	<u>43,566,242</u>
CURRENT ASSETS			
Properties held for sale under development		6,051,161	5,831,502
Completed properties held for sale		4,669,868	5,053,081
Financial assets at fair value through profit or loss		4,629,318	7,399,210
Other financial assets at amortised cost		1,421,000	1,597,820
Tax recoverable		79,928	26,053
Inventories		331,213	180,939
Receivables under service concession arrangements		31,030	13,223
Receivables, prepayments and other receivables	10	2,023,156	1,118,991
Due from non-controlling equity holders of subsidiaries		65,971	66,670
Pledged bank deposits		42,112	42,278
Restricted bank balances		1,347,431	641,314
Cash and cash equivalents		<u>9,770,487</u>	<u>7,645,121</u>
Total current assets – page 5		<u>30,462,675</u>	<u>29,616,202</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2019

	Note	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Total current assets – page 4		<u>30,462,675</u>	<u>29,616,202</u>
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(4,910,107)	(5,055,827)
Contract liabilities		(2,666,877)	(1,637,277)
Tax payables		(878,106)	(803,482)
Due to non-controlling equity holders of subsidiaries		(167,497)	(159,000)
Bank and other borrowings		(909,887)	(1,567,092)
Lease liabilities		(40,700)	-
Dividend payables		<u>(2,451,683)</u>	<u>-</u>
Total current liabilities		<u>(12,024,857)</u>	<u>(9,222,678)</u>
NET CURRENT ASSETS		<u>18,437,818</u>	<u>20,393,524</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>65,819,159</u>	<u>63,959,766</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings		(7,302,424)	(7,289,915)
Lease liabilities		(653,181)	-
Other liabilities		(1,590,851)	(937,138)
Deferred tax liabilities		<u>(6,631,826)</u>	<u>(6,272,264)</u>
Total non-current liabilities		<u>(16,178,282)</u>	<u>(14,499,317)</u>
Net assets		<u>49,640,877</u>	<u>49,460,449</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,966,177	8,966,177
Reserves		<u>31,446,745</u>	<u>31,406,078</u>
		40,412,922	40,372,255
Non-controlling interests		<u>9,227,955</u>	<u>9,088,194</u>
Total equity		<u>49,640,877</u>	<u>49,460,449</u>

Notes:

1. GENERAL INFORMATION 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.

This unaudited interim financial information of the Group for the six months ended 30 June 2019 set out in this announcement 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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). This unaudited 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 for the year ended 31 December 2018.

The accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations) for the first time for the current period's unaudited interim financial information, as further detailed in note 2 below. 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 2018 included in this unaudited interim financial information for the six months ended 30 June 2019 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 those statutory consolidated 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 2018 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 for the year ended 31 December 2018. 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 new and revised HKFRSs for the first time for the current period's interim financial information:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the new and revised HKFRSs has had no material impact on the Group's unaudited interim condensed consolidated financial information. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the condensed consolidated statement of financial position.

The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. For the other leases, the right-of-use assets amounting to HK\$11,451,000 were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. Prepaid land lease payments, which represent medium-term leasehold land in the People's Republic of China (the "PRC" or "Mainland China"), amounting to HK\$306,824,000 were reclassified to right-of-use assets as at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) (Unaudited) HK\$'000
Assets	
Increase in right-of-use assets	726,177
Decrease in prepaid land lease payments	(306,824)
Increase in deferred tax assets	<u>31,851</u>
Increase in total assets	<u><u>451,204</u></u>
Liabilities	
Increase in lease liabilities	547,944
Decrease in payables, accruals and other liabilities	<u>(1,187)</u>
Increase in total liabilities	<u><u>546,757</u></u>
Equity	
Decrease in retained profits attributable to owners of the Company	(81,406)
Decrease in non-controlling interests	<u>(14,147)</u>
Decrease in total equity	<u><u>(95,553)</u></u>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) HK\$'000
Operating lease commitments as at 31 December 2018	356,728
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(7,507)
Add: Payments for optional extension periods not recognised as at 31 December 2018	<u>362,626</u>
Gross lease liabilities as at 1 January 2019	711,847
Weighted average incremental borrowing rate as at 1 January 2019	<u>4.91%</u>
Discounted lease liabilities as at 1 January 2019	<u>547,944</u>
Current portion of lease liabilities as at 1 January 2019	56,233
Non-current portion of lease liabilities as at 1 January 2019	<u>491,711</u>
Lease liabilities as at 1 January 2019	<u>547,944</u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and restoration costs. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Summary of new accounting policies (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option to early terminate some of its leases. The Group applies judgement in evaluating whether it is reasonably certain not to exercise the option to terminate. It considers all relevant factors that create an economic incentive for it not to exercise the termination option. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to terminate. The Group determined not to exercise the termination option of certain leases and included the periods covered by that option as part of the non-cancellable term of the lease due to the termination penalties involved.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets are as follow:

	30 June 2019 (Unaudited) HK\$'000	1 January 2019 (Unaudited) HK\$'000
Properties	426,477	419,353
Prepaid land lease payments	<u>300,292</u>	<u>306,824</u>
Total	<u>726,769</u>	<u>726,177</u>
Investment properties	<u>267,739</u>	<u>-</u>

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 engages in water distribution, sewage treatment, and construction of water supply and sewage treatment infrastructure for customers in 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 and sale of properties in Mainland China. This segment also provides property management services to certain commercial properties;
- (iii) The department store operation segment operates department stores, which engages in sale of goods and concessionaire sales, 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 provides hotel management services to certain third parties' hotels in Hong Kong and Mainland China;
- (vi) The road and bridge segment invests in road and bridge projects, which engages in toll road operation and road management 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 bank interest income, interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost, changes in fair value of financial assets at fair value through profit or loss, 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 cash equivalents, restricted bank balances, financial assets at fair value through profit or loss, equity investment designated at fair value through other comprehensive income, other financial assets at amortised cost and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, tax payables, deferred tax liabilities, loans from a fellow subsidiary, dividend payables 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 operation</u>	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	4,379,338	4,114,002	1,146,177	681,569	377,107	417,186
Intersegment sales	-	-	53,685	67,321	-	-
Other income from external sources	1,632	6,274	2,801	806	33,280	34,996
Other income from intersegment transactions	1,481	1,568	3,610	-	-	-
Total	<u>4,382,451</u>	<u>4,121,844</u>	<u>1,206,273</u>	<u>749,696</u>	<u>410,387</u>	<u>452,182</u>
Segment results	<u>2,341,262</u>	<u>2,306,747</u>	<u>733,262</u>	<u>551,930</u>	<u>155,296</u>	<u>145,658</u>
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Changes in fair value of financial assets at fair value through profit or loss						
Finance costs						
Share of profits less losses of associates	47,428	50,790	-	-	1,149	4,959
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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	542,057	649,513	330,530	338,389	389,554	380,521
Intersegment sales	109,244	120,229	-	-	-	-
Other income from external sources	15,407	16,799	327	229	21,712	8,506
Other income from intersegment transactions	-	-	-	-	-	-
Total	<u>666,708</u>	<u>786,541</u>	<u>330,857</u>	<u>338,618</u>	<u>411,266</u>	<u>389,027</u>
Segment results	<u>123,628</u>	<u>82,003</u>	<u>74,553</u>	<u>76,947</u>	<u>259,634</u>	<u>238,567</u>
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Changes in fair value of financial assets at fair value through profit or loss						
Finance costs						
Share of profits less losses of associates	32,523	24,329	166	50	-	-
Profit before tax						
Income tax expense						
Profit for the period						

3. OPERATING SEGMENT INFORMATION (continued)

	<u>Others</u>		<u>Eliminations</u>		<u>Consolidated</u>	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	-	-	-	-	7,164,763	6,581,180
Intersegment sales	-	-	(162,929)	(187,550)	-	-
Other income from external sources	496	570	-	-	75,655	68,180
Other income from intersegment transactions	<u>1,701</u>	<u>2,992</u>	<u>(6,792)</u>	<u>(4,560)</u>	<u>-</u>	<u>-</u>
Total	<u>2,197</u>	<u>3,562</u>	<u>(169,721)</u>	<u>(192,110)</u>	<u>7,240,418</u>	<u>6,649,360</u>
Segment results	<u>(22,149)</u>	<u>(83,985)</u>	<u>1,073</u>	<u>-</u>	3,666,559	3,317,867
Bank interest income					93,501	108,666
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost					186,228	121,268
Changes in fair value of financial assets at fair value through profit or loss					(12,605)	55,556
Finance costs					(138,909)	(54,408)
Share of profits less losses of associates	-	-	-	-	<u>81,266</u>	<u>80,128</u>
Profit before tax					3,876,040	3,629,077
Income tax expense					<u>(905,692)</u>	<u>(720,851)</u>
Profit for the period					<u>2,970,348</u>	<u>2,908,226</u>

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Water resources		Property investment and development		Department store operation	
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Segment assets	19,076,247	15,354,265	29,454,243	28,863,058	505,049	133,404
Investments in associates	2,414,674	2,465,918	-	-	151,007	150,469
Unallocated assets						
Total assets						
Segment liabilities	3,116,231	2,058,744	4,251,396	3,322,071	1,228,554	881,210
Unallocated liabilities						
Total liabilities						

Other segment information:

	For the six months ended 30 June 2019 (Unaudited) HK\$'000		For the six months ended 30 June 2018 (Unaudited) HK\$'000		For the six months ended 30 June 2019 (Unaudited) HK\$'000		For the six months ended 30 June 2018 (Unaudited) HK\$'000	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Exchange gains/(losses), net	12,595	34,917	52,920	23,536	(700)	(1,361)		

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	<u>Electric power generation</u>		<u>Hotel operation and management</u>		<u>Road and bridge</u>	
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Segment assets	2,559,378	2,600,628	1,831,224	1,860,656	3,134,628	3,057,294
Investments in associates	1,054,541	1,056,953	3,511	3,361	-	-
Unallocated assets						
Total assets						
Segment liabilities	461,345	585,790	155,012	188,879	281,383	182,634
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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Exchange gains/(losses), net	2,579	7,333	(638)	174	1,701	3,614

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Others		Eliminations		Consolidated	
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Segment assets	22,885	9,182	(745)	-	56,582,909	51,878,487
Investments in associates	-	-	-	-	3,623,733	3,676,701
Unallocated assets					<u>17,637,374</u>	<u>17,627,256</u>
Total assets					<u>77,844,016</u>	<u>73,182,444</u>
Segment liabilities	120,906	153,461	-	-	9,614,827	7,372,789
Unallocated liabilities					<u>18,588,312</u>	<u>16,349,206</u>
Total liabilities					<u>28,203,139</u>	<u>23,721,995</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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Exchange gains/(losses), net	(15,368)	(29,130)	1,073	-	54,162	39,083

4. REVENUE

Revenue represents income from water distribution, sewage treatment and construction services, and water pipeline installation; the invoiced value of electricity sold; the invoiced revenue arising from the sale of goods in department stores; commissions income from concessionaire sales; revenue from hotel ownership and operation; rental income, toll revenue and management fee income, invoiced value arising from the sale of completed properties and management fee income, net of sales related tax, during the period.

Disaggregation of revenue is analysed as follows:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
(a) Types of goods or services:		
<u>Water resources segment</u>		
Income from water distribution — Hong Kong	2,622,000	2,614,140
Income from water distribution — the PRC	1,068,342	1,087,816
Income from sewage treatment services	117,776	54,793
Income from construction services	389,845	245,583
Income from water pipeline installation	163,322	96,564
<u>Property investment and development segment</u>		
Management fee income	114,065	106,127
Sale of properties	460,530	8,873
<u>Department store operation segment</u>		
Commissions income from concessionaire sales	344,556	378,609
Sale of goods	32,551	38,577
<u>Electric power generation segment</u>		
Sale of electricity	542,057	649,513
<u>Hotel operation and management segment</u>		
Hotel income	318,402	324,702
Management fee income	12,128	13,687
<u>Road and bridge segment</u>		
Toll revenue	386,013	380,057
Management fee income	3,541	464
<i>Revenue from contracts with customers</i>	6,575,128	5,999,505
<i>Revenue from other sources</i>		
<u>Property investment and development segment</u>		
Rental income	571,582	566,569
<u>Water resources segment</u>		
Finance income from service concession arrangements	18,053	15,106
Total revenue	7,164,763	6,581,180

4. REVENUE (continued)

Disaggregation of revenue is analysed as follows: (continued)

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
(b) Geographical locations*:		
<u>Mainland China</u>		
Water resources segment	4,361,285	4,098,896
Property investment and development segment	574,595	115,000
Department store operation segment	377,107	417,186
Electric power generation segment	542,057	649,513
Hotel operation and management segment	218,047	226,568
Road and bridge segment	<u>389,554</u>	<u>380,521</u>
	<u>6,462,645</u>	<u>5,887,684</u>
<u>Hong Kong</u>		
Hotel operation and management segment	<u>112,483</u>	<u>111,821</u>
<i>Revenue from contracts with customers</i>	6,575,128	5,999,505
<i>Revenue from other sources</i>		
Rental income	571,582	566,569
Finance income from service concession arrangements	<u>18,053</u>	<u>15,106</u>
Total revenue	<u>7,164,763</u>	<u>6,581,180</u>

* The geographical location is based on the location of which the services were rendered or goods were delivered from.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on bank and other borrowings	136,979	44,687
Interest on loans from a fellow subsidiary	9,072	9,721
Interest on lease liabilities	<u>17,300</u>	<u>-</u>
Finance costs incurred	163,351	54,408
Less: Amount capitalised in properties held for sale under development and investment properties under development	<u>(24,442)</u>	<u>-</u>
Finance costs charged for the period	<u>138,909</u>	<u>54,408</u>

The capitalised interest rate applied to funds borrowed and used for the development of properties is 5.46% per annum for the period ended 30 June 2019 (2018: Nil).

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Bank interest income**	(93,501)	(108,666)
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost**	(186,228)	(121,268)
Changes in fair value of financial assets at fair value through profit or loss**	12,605	(55,556)
Interest income from receivables under a cooperative arrangement**	(14,696)	(4,519)
Cost of inventories sold*	472,806	650,501
Cost of services rendered*	1,558,418	1,338,230
Cost of properties sold*	367,852	7,178
Depreciation of property, plant and equipment	207,356	262,702
Depreciation of right-of-use assets	29,734	-
Recognition of prepaid land lease payments	-	6,994
Reversal of impairment on an investment in an associate***	(46,026)	-
Government subsidies***^	(5,556)	(8,528)
Amortisation of operating concession rights*	<u>512,852</u>	<u>527,289</u>

* 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, net" on the face of the condensed consolidated statement of profit or loss.

^ The government subsidies recognised during the period mainly represented subsidies received from certain government authorities in respect of the fulfilment of certain specific criteria by the Group.

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current - Hong Kong		
Charge for the period	11,197	11,202
Current - Mainland China		
Charge for the period	909,114	830,771
Overprovision in prior years	(1,004)	(76,166)
Deferred tax	<u>(13,615)</u>	<u>(44,956)</u>
Total tax charge for the period	<u>905,692</u>	<u>720,851</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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. Under the PRC Corporate Tax Income Law, enterprises are subject to corporate income tax at a rate of 25% (2018: 25%). Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

8. DIVIDENDS

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interim – HK17.3 cents (2018: HK16.0 cents) per ordinary share	<u>1,131,044</u>	<u>1,046,051</u>

At a meeting of the board of directors held on 28 August 2019 (2018: 27 August 2018), the directors resolved to pay to shareholders of the Company an interim dividend of HK17.3 cents (2018: HK16.0 cents) per ordinary share for the six months ended 30 June 2019.

9. 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 2019 and 2018 are based on:

	For the six months ended 30 June	
	2019	2018
	(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>2,700,961</u>	<u>2,671,854</u>
	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	Number of shares	Number of shares
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,537,821,440	6,537,821,440
Effect of dilution of share options - weighted average number of ordinary shares assumed to have been issued at nil consideration	<u>-</u>	<u>4,370,819</u>
Weighted average number of ordinary shares during the period used in the diluted earnings per share calculation	<u>6,537,821,440</u>	<u>6,542,192,259</u>

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2019 in the calculation of diluted earnings per share as there was no potentially dilutive ordinary shares during the period ended 30 June 2019.

10. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in the Group's receivables, prepayments and other receivables as at 30 June 2019 are trade receivables of HK\$1,252,228,000 (31 December 2018: HK\$616,140,000), 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. The various group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. 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 certain concentration of credit risk whereby 34% (31 December 2018: Nil) and 10% (31 December 2018: 14%) of the total trade receivables were due from two customers (31 December 2018: one customer). The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest bearing.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date and net of loss allowance, is as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Current or less than 3 months past due	1,173,545	589,282
3 months to 6 months past due	6,676	2,299
6 months to 1 year past due	56,632	19,138
More than 1 year past due	<u>42,023</u>	<u>11,021</u>
	1,278,876	621,740
Less: Loss allowance	<u>(26,648)</u>	<u>(5,600)</u>
	<u><u>1,252,228</u></u>	<u><u>616,140</u></u>

11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

The Group's payables, accruals and other liabilities are non-interest-bearing and are normally settled on 60-day terms. Included in the Group's payables, accruals and other liabilities as at 30 June 2019 are trade payables of HK\$757,339,000 (31 December 2018: HK\$776,698,000). An ageing 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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 3 months	749,348	769,335
3 months to 6 months	-	31
6 months to 1 year	<u>7,991</u>	<u>7,332</u>
	<u><u>757,339</u></u>	<u><u>776,698</u></u>

12. CONTINGENT LIABILITIES

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

(a)	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
The Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate	<u>55,703</u>	<u>55,924</u>

As at 30 June 2019, the banking facilities granted to an associate subject to guarantees given to a bank by the Group and the other equity holders of the associate were in accordance with the equity holding ratio of each party. The facilities granted to the associate by bank was utilised to the extent of approximately HK\$113,680,000 (31 December 2018: HK\$114,130,000).

- (b) As at 30 June 2019, 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. Pursuant to the terms of the guarantees, upon default in mortgage payments by 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 2019, the Group's outstanding guarantees amounted to HK\$515,163,000 (31 December 2018: HK\$370,276,000) for these guarantees.

13. EVENT AFTER THE REPORTING PERIOD

On 5 August 2019, the Group entered into a cooperative agreement whereby the Group agreed to make cash contribution as an increase in the registered capital of a company holding a water resources project in Zhanjiang City, Guangdong Province, the PRC (the "Project"), consequent upon which the Group will have 65% equity interest in that company. The total investment amount of the Project amounted to approximately RMB3,362 million (equivalent to approximately HK\$3,822 million). The Group will finance the Project with the Group's working capital and external financing arrangement.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Board is pleased to report the results of the Group for the six months ended 30 June 2019 (the “Period”). The Group’s unaudited consolidated profit attributable to owners of the Company amounted to HK\$2,701 million (2018: HK\$2,672 million), an increase of 1.1% as compared with the same period last year. Basic earnings per share increased by 1.1% over the same period last year to HK 41.31 cents (2018: HK 40.87 cents).

INTERIM DIVIDEND

The Board declares an interim dividend of HK 17.3 cents per ordinary share for the Period (2018: HK 16.0 cents).

FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$7,165 million (2018: HK\$6,581 million), an increase of 8.9% as compared with the same period last year. The growth in revenue was mainly attributable to a better performance in water resources business and property investment and development business during the Period.

The unaudited consolidated profit before tax for the Period increased by 6.8% or HK\$247 million to HK\$3,876 million (2018: HK\$3,629 million). The increase in the profit before tax was mainly due to a better performance in water resources business, infrastructure business and property investment and development business for the Period. Furthermore, the net gain arising from fair value adjustments for investment properties for the Period was HK\$194 million (2018: HK\$116 million), HK\$78 million higher than that in the same period last year. Total net exchange gain of the Group for the Period amounted to HK\$54 million (2018: HK\$39 million). Total interest income and the changes in fair value of financial assets at fair value through profit or loss, net of finance costs of the Group decreased by 44.6% to HK\$128 million (2018: HK\$231 million) for the Period.

The unaudited consolidated profit attributable to owners of the Company for the Period increased by 1.1% to HK\$2,701 million (2018: HK\$2,672 million). Due to the absence of a reversal of over-provided LAT of approximately HK\$77 million in relation to the sales of certain properties of Guangdong Land Holdings Limited (“GD Land”) in 2018, there was a mismatch between the growth in profit before tax and the growth in profit attributable to owners of the Company for the Period. Basic earnings per share increased by 1.1% to HK 41.31 cents (2018: HK 40.87 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 2019, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (31 December 2018: 96.04%). 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 1.029 billion tons (2018: 1.111 billion tons), a decrease of 7.4%, which generated a revenue of HK\$3,281 million (2018: HK\$3,359 million), a decrease of 2.3% over the same period last year.

Pursuant to the Hong Kong Water Supply Agreement for the years 2018 to 2020 entered into between the Government of the Hong Kong Special Administrative Region and the Guangdong Provincial Government in 2017, the annual revenue for water sales to Hong Kong for the three years of 2018, 2019 and 2020 are HK\$4,792.59 million, HK\$4,807.00 million and HK\$4,821.41 million, respectively.

The revenue from water sales to Hong Kong for the Period increased by 0.3% to HK\$2,622 million (2018: HK\$2,614 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period decreased by 11.5% to HK\$659 million (2018: HK\$745 million). The profit before tax for the Period, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project was HK\$2,177 million (2018: HK\$2,182 million), 0.2% lower than that in the same period last year.

Other Water Resources Projects

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

On 7 May 2019, the Group completed an acquisition of 79% equity interest of 江西海匯公用事業集團有限公司 (Jiangxi Haihui Public Utilities Group Co., Ltd.[▲]) and its subsidiaries ("Jiangxi Haihui Group") at a cash consideration of approximately RMB1,627 million (equivalent to approximately HK\$1,896 million). Jiangxi Haihui Group engaged in a number of water resources projects in Jiangxi, Anhui, Zhejiang and Gansu, the PRC, with total designed water supply capacity and waste water processing capacity of 1,090,000 tons per day and 81,000 tons per day, respectively. In addition, the Group successfully bid for one new water resources project in Xinghua city, Jiangsu Province, the PRC during the Period, with designed water supply capacity of 430,000 tons per day and the expected investment amount of the project is RMB2,760 million (equivalent to approximately HK\$3,217 million).

As at 30 June 2019, the total designed water supply capacity of the water supply plants and the total designed waste water processing capacity of the sewage treatment plants of the Group's Other Water Resources Projects are 7,524,000 tons per day (31 December 2018: 6,004,000 tons per day) and 1,221,000 tons per day (31 December 2018: 1,140,000 tons per day), respectively.

Capacity of Water Resources Projects in Operation

- 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▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲), 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲), 盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited▲), 高州粵海水務有限公司 (Gaozhou Guangdong Water Company Limited▲) and Jiangxi Haihui Group is 290,000 tons, 310,000 tons, 150,000 tons, 145,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 120,000 tons, 50,000 tons, 50,000 tons, 73,500 tons, 150,000 tons, 100,000 tons and 650,000 tons per day, respectively, totaling 2,673,500 tons per day (2018: 1,953,500 tons per day).
- 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.▲), 興寧粵海環保有限公司 (Xingning Yuehai Huanbao Co., Ltd.▲), 開平粵海污水處理有限公司 (Kaiping Yuehai Sewage Treatment Co., Ltd.▲), 五華粵海清源環保有限公司 (Wuhua Yuehai Qingyuan Huanbao Co., Ltd.▲), 汕尾粵海環保有限公司 (Shanwei Yuehai Huanbao Co., Ltd.▲), 五華粵海綠源環保有限公司 (Wuhua Yuehai Luyuan Huanbao Co., Ltd.▲), 六盤水粵海環保有限公司 (Liupanshui Guangdong Water Co., Ltd.▲) and Jiangxi Haihui Group is 100,000 tons, 140,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons, 3,000 tons, 25,000 tons, 15,000 tons, 30,000 tons, 5,000 tons, 115,000 tons, 81,000 tons per day, respectively, totaling 714,000 tons per day (2018: 463,000 tons per day).
- The water supply capacity of the water supply plants operated by Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd, 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.▲) and 汕頭市粵海水務有限公司 (Shantou Guangdong Water Company Limited▲), being associates of the Company, is 520,000 tons, 400,000 tons and 920,000 tons per day, respectively, totaling 1,840,000 tons per day (2018: 1,840,000 tons per day).

Capacity of Water Resources Projects under Construction

- The water supply capacity of the water supply plants under construction of each of the subsidiaries of the Company, namely, 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited▲), 雲浮粵海水務有限公司 (Yunfu Guangdong Water Company Limited▲), 恩施粵海正源水務有限公司 (Enshi Guangdong Zheng Yuan Water Company Limited▲) and Jiangxi Haihui Group is 20,000 tons, 50,000 tons, 400,000 tons and 30,000 tons per day, respectively, totaling 500,000 tons per day.

- The waste water processing capacity of the sewage treatment plants under construction of each of the subsidiaries of the Company, namely, 五華粵海綠源環保有限公司(Wuhua Yuehai Luyuan Huanbao Co., Ltd.▲), 大埔粵海環保有限公司(Dapu Guangdong Huanbao Co., Ltd.▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 韶關粵海綠源環保有限公司 (Shaoguan Yuehai Luyuan Huanbao Co., Ltd.▲), 陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd.▲), 陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd.▲) and 吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲) is 6,000 tons, 22,000 tons, 20,000 tons, 150,000 tons, 28,500 tons, 35,300 tons, 20,000 tons and 25,000 tons per day, respectively, totaling 306,800 tons per day.

Revenue of Other Water Resources Projects for the Period in aggregate amounted to HK\$1,109,246,000 (2018: HK\$771,232,000), increasing by 43.8% over the same period last year. The growth was mainly attributable to additional returns from those water resources projects newly acquired or launched and increase in construction revenue from those projects under construction. Profit before tax of Other Water Resources Projects for the Period, excluding the net exchange differences and net finance costs, amounted to HK\$198,896,000 (2018: HK\$140,795,000) in aggregate, 41.3% higher than that in the same period last year.

New Water Resources Projects

After the end of the reporting period, the Group successfully contracted/bid for two new water resources projects in Zhanjiang City and Chaozhou City of Guangdong Province with designed water supply capacity and waste water processing capacity of 1,060,000 tons per day and 70,000 tons per day, respectively, and the expected total investment amount of these projects are approximately RMB3,764 million (equivalent to approximately HK\$4,279 million).

Property Investment and Development

Mainland China

GD Teem

As at 30 June 2019, 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 GD Teem’s property investment business mainly comprises rental and property management fee income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building of Teem Plaza. During the Period, revenue of GD Teem decreased by 2.1% to HK\$599,264,000 (2018: HK\$612,326,000). The HK\$ equivalent of revenue decreased because the average exchange rate of RMB has decreased by 5.5% compared with that in 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 2.7% to HK\$410,699,000 (2018: HK\$421,923,000).

The shopping mall of Teem Plaza, 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 square meters (“sq. m.”), of which 106,000 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 (2018: 99.9%).

The office building of Teem Plaza, 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 96.6% (2018: 98.4%), the revenue for the Period was HK\$105,210,000 (2018: HK\$107,644,000), decreasing by 2.3%. The profit before tax for the Period, excluding changes in fair value of investment properties, decreased by 3.4% to HK\$88,063,000 (2018: HK\$91,187,000).

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.

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 with a total GFA of approximately 385,000 sq. m. of which properties with GFA of approximately 152,000 sq. m. and 104,000 sq. m. will be held for sale and for rental purposes, respectively, upon their completion.

As at 30 June 2019, the cumulative land and development cost incurred by the Group for Panyu Wanbo CBD Project amounted to approximately HK\$3,203 million (31 December 2018: approximately HK\$3,164 million), of which approximately HK\$1,709 million (31 December 2018: approximately HK\$1,686 million) and HK\$1,494 million (31 December 2018: approximately HK\$1,478 million) were attributable to "Properties held for sale under development" under current assets and "Investment properties" under non-current assets, respectively.

The pre-sale of the commercial residential units and offices of Panyu Wanbo CBD Project had commenced in 2018, with contracts signed for accumulated GFA of approximately 77,000 sq.m. as at 30 June 2019 (31 December 2018: approximately 49,000 sq.m.).

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 145,000 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. The Group invested a total sum of approximately RMB2,508 million (equivalent to approximately HK\$2,862 million) for Tianjin Teem Shopping Mall upon its completion in 2017.

Tianjin Teem Shopping Mall with tenants ranging from local enterprises to well-known multinationals, the mall had an average occupancy rate of 97.0% (2018: 97.4%) during the Period. Revenue of Tianjin Teem Shopping Mall for the Period was HK\$93,189,000 (2018: HK\$78,251,000), increasing by 19.1%. The profit before tax of Tianjin Teem Shopping Mall for the Period, excluding changes in fair value of investment properties and net finance costs, was HK\$30,277,000 (2018: HK\$18,064,000), increasing by 67.6%.

GD Land

The Company's effective interest in GD Land is approximately 73.82%. GD Land holds a 100% interest in the GDH City Project, which is a multi-functional commercial complex with jewelry as the main theme, located in Luohu District, Shenzhen City, the PRC. As at 30 June 2019, the cumulative development costs and fees incurred by the Group for the GDH City Project amounted to approximately HK\$8,492 million (31 December 2018: approximately HK\$8,262 million), of which approximately HK\$4,329 million (31 December 2018: approximately HK\$4,146 million) and HK\$4,163 million (31 December 2018: approximately HK\$4,116 million) were attributable to "Properties held for sale under development" under the current assets and "Investment properties" under the non-current assets, respectively.

In relation to the property sale of the GDH City Project, the pre-sale of the properties with total GFA of approximately 116,000 sq. m. in the Northwestern Land had commenced in December 2018. As at 30 June 2019, accumulated GFA with contracts signed amounted to approximately 4,991 sq. m. (31 December 2018: Nil).

GD Land also holds a 100% interest in the Laurel House Project located in Yuexiu District, Guangzhou City, the PRC. The Laurel House Project includes residential units, commercial properties and car-parking spaces, among which all the residential units and some of the car-parking spaces are for sale, while the remaining properties are for lease.

The sale of the residential units with total GFA of approximately 65,636 sq. m. under the Laurel House Project commenced in November 2018. As at 30 June 2019, the accumulated GFA of the residential units under the Laurel House Project which had been delivered to customers amounted to approximately 7,383 sq. m. (31 December 2018: approximately 2,943 sq. m.).

Revenue of GD Land for the Period increased by 43.5 times to HK\$464,151,000 (2018: HK\$10,423,000), of which sales of properties amounted to HK\$460,530,000 (2018: HK\$8,873,000). The profit before tax of GD Land for the Period, excluding changes in fair value of investment properties and net finance costs, was HK\$22,609,000 (2018: loss before tax of HK\$49,546,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 99.1% (2018: 100%). As a result of the increase in average rental, the total revenue for the Period was up by 3.4% to HK\$28,940,000 (2018: HK\$27,986,000).

Department Store Operation

As at 30 June 2019, 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") and 佛山南海百貨店 ("Nanhai Store"). 天河城萬博 operates 天河城百貨歐萊斯折扣店 ("Wan Bo Store").

As at 30 June 2019, the seven stores (31 December 2018: eight stores) had a total leased area of approximately 137,700 sq. m. (31 December 2018: 168,700 sq. m.). The total revenue for the Period decreased by 9.6% to HK\$377,107,000 (2018: HK\$417,186,000). The profit before tax for the Period decreased by 2.6% to HK\$164,347,000 (2018: HK\$168,703,000).

The revenue of the seven stores operated by the Group for the six months ended 30 June 2019 was as follows:

	Leased area sq. m.	Revenue for the six months ended 30 June		Changes %
		2019 HK\$'000	2018 HK\$'000	
Teemall Store	40,200	261,739	284,364	-8.0
Wan Bo Store	19,600	44,347	50,062	-11.4
Ming Sheng Store	13,300	22,418	23,648	-5.2
Dong Pu Store	28,300	24,125	28,418	-15.1
Ao Ti Store	21,500	21,677	23,551	-8.0
Dongguan Store	9,800	1,919	1,879	+2.1
Nanhai Store	5,000	882	1,671	-47.2
Yuehaiyangzhong Hui Store (closed in 2018)	-	-	1,330	-100.0
Tianjin Teem Store (transformed into lease operation in 2019)	-	-	2,263	-100.0
	<u>137,700</u>	<u>377,107</u>	<u>417,186</u>	<u>-9.6</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%. The Group's share of profits in GD Aeon Teem amounted to HK\$1,149,000 (2018: HK\$4,959,000) during the Period.

Hotel Ownership, Operation and Management

As at 30 June 2019, the Group's hotel management team managed a total of 35 hotels (31 December 2018: 34 hotels), of which three were located in Hong Kong, one in Macau and 31 in Mainland China. As at 30 June 2019, five star-rated hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou and Zhuhai, were owned by the Group. Of these five hotels, four were managed by our hotel management team with the exception of the one located in Guangzhou, namely Sheraton Guangzhou Hotel, which was managed by Sheraton Overseas Management Corporation.

During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$1,276 (2018: HK\$1,319) whereas the average room rate of the remaining four star-rated hotels were HK\$741 (2018: HK\$750). The average occupancy rate of Sheraton Guangzhou Hotel was 93.7% (2018: 92.4%) and that of the other four star-rated hotels was 78.0% (2018: 77.8%) during the Period.

The revenue of hotel ownership, operation and management business for the Period decreased by 2.3% to HK\$330,530,000 (2018: HK\$338,389,000). The profit before tax for the Period, excluding the net exchange differences, increased by 0.4% to HK\$82,242,000 (2018: HK\$81,916,000).

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 1,191 million kwh (2018: 1,349 million kwh), decreasing by 11.7%. As a result, revenue of Zhongshan Power Project (including intersegment sales) generated from electricity sales and related operations for the Period decreased by 15.4% to HK\$651,301,000 (2018: HK\$769,742,000). However, due to reduction in coal price, the profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$120,990,000 (2018: HK\$74,677,000), an increase of 62.0%.

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 2019, 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 5,254 million kwh (2018: 7,021 million kwh), a decrease of 25.2%. Revenue for the Period decreased by 26.3% to HK\$2,284,836,000 (2018: HK\$3,098,604,000). However, as coal price decreased, the profit before tax of Yudean Jinghai Power for the Period was HK\$174,311,000 (2018: HK\$129,755,000), increasing by 34.3%. The Group’s share of profit in Yudean Jinghai Power amounted to HK\$32,523,000 (2018: HK\$24,329,000) during the Period, increasing by 33.7%.

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 approximately 100 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of approximately 53 km.

The average daily toll traffic flow of the Xingliu Expressway was 25,346 vehicle trips during the Period (2018: 22,721 vehicle trips), increasing by 11.6%. The revenue of Xinchangjiang Company during the Period amounted to HK\$386,013,000 (2018: HK\$380,057,000), increasing by 1.6%. Profit before tax during the Period, excluding net finance costs, amounted to HK\$247,138,000 (2018: HK\$236,878,000), increasing by 4.3%.

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. The Company had established Dongguan Yuehai Yinping Development and Construction Limited (“Yuehai Yinping”), a wholly-owned subsidiary of the Company, to perform the Company’s obligations in the Yinping PPP Project.

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\$5.404 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 Yuehai Yinping 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.

As at 30 June 2019, three Project Roads (31 December 2018: three Project Roads) were under construction. The Accrued Interest Amount and Management Fee of Yuehai Yinping recognised during the Period amounted to HK\$18,237,000 in total (2018: HK\$4,983,000) and profit before tax during the Period amounted to HK\$10,973,000 (2018: loss before tax of HK\$1,096,000).

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND OTHER FINANCIAL ASSETS AT AMORTISED COST

As at 30 June 2019, the aggregate amount of financial assets at fair value through profit or loss and other financial assets at amortised cost of the Group decreased by HK\$2,947 million to HK\$6,050 million (31 December 2018: HK\$8,997 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, financial assets at fair value through profit or loss and other financial assets at amortised cost in the amount of approximately HK\$3,596 million matured.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2019, cash and cash equivalents of the Group increased by HK\$2,125 million to HK\$9,770 million (31 December 2018: HK\$7,645 million), of which 74.5% was denominated in Renminbi, 24.5% in Hong Kong dollars and 1.0% in United States dollars.

As at 30 June 2019, the Group’s financial borrowings decreased by HK\$645 million to HK\$8,685 million (31 December 2018: HK\$9,330 million), of which 69% was denominated in Hong Kong dollars and 31% in Renminbi, including the non-interest-bearing advance of HK\$473 million. Of the Group’s total financial borrowings, HK\$1,028 million was repayable within one year while the remaining balances of HK\$7,466 million and HK\$191 million are repayable within two to five years and beyond five years from the end of the reporting period, respectively. Furthermore, the interest rate structure of the Group’s total financial borrowings consists of 92.5% floating rate borrowings, 0.6% fixed rate borrowings and 6.9% non-interest bearing borrowings as at 30 June 2019.

The Group maintained a credit facility of HK\$1,512 million as at 30 June 2019 (31 December 2018: HK\$1,071 million).

As at 30 June 2019, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluding non-controlling interests)) was 2.03% (31 December 2018: 7.0%). The Group was in a healthy debt servicing position as the EBITDA/finance cost incurred as at 30 June 2019 was 28.7 times (31 December 2018: 50.1 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 2019, except for bank deposits of HK\$42,112,000 (31 December 2018: HK\$42,278,000), completed properties held for sale of HK\$2,704,499,000 (31 December 2018: HK\$3,566,882,000), completed investment properties of HK\$414,352,000 (31 December 2018: 412,009,000) and 100% equity interest of Guangdong Yuehai Property Development Co., Ltd. at the cost of approximately HK\$1,390,761,000 (31 December 2018: approximately HK\$1,390,761,000) pledged to secure certain bank loans and performance obligations attributable to the Group of certain construction agreements, none of the 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 a bank in connection with facilities utilised by an associate of approximately HK\$56 million (31 December 2018: approximately HK\$56 million) and the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK\$515 million (31 December 2018: approximately HK\$370 million) as disclosed in note 12 of this announcement, there was no other material contingent liability as at 30 June 2019 and 31 December 2018.

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$2,437 million which was principally related to the development cost for property development projects, construction cost for 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 2019, total Renminbi borrowings amounted to HK\$2,652 million (31 December 2018: HK\$2,800 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 30 June 2019, the Group's total floating rate borrowings amounted to HK\$8,032 million (31 December 2018: HK\$8,674 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, world economic growth remained subdued due to heightened trade tensions and rising geopolitical risks. Domestically, China's economic performance maintained a stable growth trend. However, due to the combined effects of ongoing economic structural adjustments, acceleration of replacement of old growth drivers with new initiatives, Renminbi exchange rate fluctuations and further energy saving and emission reduction efforts, economic fundamentals remain challenging. Macroeconomic development faces increasing risks, which may cause uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange and interest rates. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to senior management according to existing company procedures 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 encompasses product safety risk as well as personnel safety risk. With respect to product safety risk, the Company will systemise the relevant risk control mechanism so as to establish firm-wide standardised risk management procedures. On the other hand, the Company will strengthen production quality management 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 customised 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 2019, the Group had a total of 7,740 employees, of which 1,496 were at the managerial level. Among the employees, 7,493 were employed by subsidiaries in Mainland China and 247 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$591,682,000 (2018: approximately HK\$562,644,000).

In 2019, 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 business 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, discretionary bonus, insurance and fringe benefits, etc. Salary standards are based on factors such as employee qualifications, experience, job responsibility, performance and market conditions. The discretionary bonus is subject to the performance-based incentive policy.

In order to enhance the operational capacity of the employees, the Group actively encourages 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 2019, world economic growth remained subdued due to heightened trade tensions and rising geopolitical risks, with sluggish overall trade and investment growth. Despite increasing external uncertainties and unbalanced and inadequate economic development, China’s economic performance maintained a stable growth trend. Faced with weakening global economic growth and risks associated with rising trade tensions and protectionism, the Group continued to strengthen its risk management efforts to ensure stable performance in its core businesses, while actively sought new investment opportunities to promote sustainable growth.

PROSPECTS

In the second half of 2019, world economic growth is expected to continue to soften due to uncertainties such as escalating trade protectionism and slowing investment growth. China’s economic development is expected to remain stable with slower pace of expansion. However, with escalating Sino-US trade frictions and continuous adjustment and optimization of economic structure, certain geopolitical and economic policy adjustments may cause short-term volatilities in the foreign exchange and interest rates markets, posing potential risks to business operations. With a stringent set of risk management controls in place, the Group will closely monitor changes in macroeconomic policies and market conditions and expand its core businesses to ensure stable growth of the Company.

Looking ahead, the Group will continue to monitor business opportunities in the areas of water resources management, properties and infrastructure development, particularly potential public-private-partnership projects, to further enhance the Company’s 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 2019 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 2019, 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”).

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 17.3 cents (2018: HK 16.0 cents) per ordinary share for the six months ended 30 June 2019 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 8 October 2019. The interim dividend is expected to be paid on or about Thursday, 24 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 8 October 2019 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 4 October 2019.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2019 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 2019 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
HOU Wailin
Chairman

Hong Kong, 28 August 2019

▲ *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. HOU Wailin, Mr. WEN Yinheng, Mrs. HO LAM Lai Ping, Theresa and Mr. TSANG Hon Nam; four Non-Executive Directors, namely, Mr. CAI Yong, 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.