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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 2020

Unaudited financial highlights for the six months ended 30 June

	2020	2019	Changes
	HK\$'000	HK\$'000	%
Revenue	<u>9,485,522</u>	<u>7,164,763</u>	+32.4
<i>Changes in fair value of investment properties</i>	<i>(305,765)</i>	<i>194,462</i>	
Profit before tax	<u>3,805,808</u>	<u>3,876,040</u>	-1.8
Profit attributable to owners of the Company	<u>2,369,219</u>	<u>2,700,961</u>	-12.3
Earnings per share – Basic	<u>HK 36.24 cents</u>	<u>HK 41.31 cents</u>	-12.3
Interim dividend per share	<u>HK 17.64 cents</u>	<u>HK 17.30 cents</u>	+2.0

CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 together with the comparative figures for the corresponding period in 2019. 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 2020*

	Notes	For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	9,485,522	7,164,763
Cost of sales		<u>(4,837,219)</u>	<u>(2,911,928)</u>
Gross profit		4,648,303	4,252,835
Other income and gains		316,448	342,779
Changes in fair value of investment properties		(305,765)	194,462
Selling and distribution expenses		(198,851)	(175,993)
Administrative expenses		(708,356)	(785,616)
Exchange differences, net		51,487	54,162
Other operating income, net		20,364	51,054
Finance costs	5	(141,206)	(138,909)
Share of profits less losses of associates		<u>123,384</u>	<u>81,266</u>
PROFIT BEFORE TAX	6	3,805,808	3,876,040
Income tax expense	7	<u>(1,113,099)</u>	<u>(905,692)</u>
PROFIT FOR THE PERIOD		<u>2,692,709</u>	<u>2,970,348</u>
Attributable to:			
Owners of the Company		2,369,219	2,700,961
Non-controlling interests		<u>323,490</u>	<u>269,387</u>
		<u>2,692,709</u>	<u>2,970,348</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK36.24 cents</u>	<u>HK41.31 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>2,692,709</u>	<u>2,970,348</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	(838,017)	(228,295)
- Associates	<u>(50,617)</u>	<u>(50,146)</u>
	<u>(888,634)</u>	<u>(278,441)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	32,249	269,028
Share of an associate's remeasurement loss on defined benefit plan, net of tax	<u>(585)</u>	<u>-</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(856,970)</u>	<u>(9,413)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,835,739</u>	<u>2,960,935</u>
Attributable to:		
Owners of the Company	1,686,523	2,685,542
Non-controlling interests	<u>149,216</u>	<u>275,393</u>
	<u>1,835,739</u>	<u>2,960,935</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2020

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,839,031	6,848,039
Investment properties		17,850,871	18,177,573
Right-of-use assets		532,849	586,680
Goodwill		568,308	574,242
Investments in associates		4,093,582	4,136,983
Operating concession rights		13,361,865	13,889,229
Receivables under service concession arrangements		6,301,761	4,477,977
Receivables under a cooperative arrangement		1,307,336	1,151,590
Equity investment designated at fair value through other comprehensive income		9,951	10,146
Prepayments and other receivables		153,371	163,271
Deferred tax assets		<u>423,254</u>	<u>385,948</u>
Total non-current assets		<u>51,442,179</u>	<u>50,401,678</u>
CURRENT ASSETS			
Properties held for sale under development		2,513,329	6,624,204
Completed properties held for sale		6,889,800	3,980,357
Tax recoverable		80,509	109,098
Inventories		216,026	199,630
Receivables under service concession arrangements		91,526	86,972
Receivables, prepayments and other receivables	10	2,882,253	1,612,470
Due from non-controlling equity holders of subsidiaries		67,722	65,703
Pledged bank deposits		42,069	42,895
Restricted bank balances		410,103	954,719
Cash and cash equivalents		<u>14,301,801</u>	<u>12,346,768</u>
Total current assets – page 5		<u>27,495,138</u>	<u>26,022,816</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2020

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Total current assets – page 4		<u>27,495,138</u>	<u>26,022,816</u>
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(4,792,715)	(4,594,861)
Contract liabilities		(2,153,048)	(3,091,704)
Tax payables		(1,444,026)	(1,328,697)
Due to non-controlling equity holders of subsidiaries		(313,724)	(167,215)
Bank and other borrowings		(3,374,362)	(1,417,013)
Lease liabilities		(45,250)	(42,663)
Dividend payables		<u>(2,647,818)</u>	<u>-</u>
Total current liabilities		<u>(14,770,943)</u>	<u>(10,642,153)</u>
NET CURRENT ASSETS		<u>12,724,195</u>	<u>15,380,663</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>64,166,374</u>	<u>65,782,341</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings		(5,840,570)	(6,720,265)
Lease liabilities		(603,102)	(630,171)
Other liabilities		(1,944,589)	(1,555,193)
Deferred tax liabilities		<u>(5,830,401)</u>	<u>(6,183,719)</u>
Total non-current liabilities		<u>(14,218,662)</u>	<u>(15,089,348)</u>
Net assets		<u>49,947,712</u>	<u>50,692,993</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,966,177	8,966,177
Reserves		<u>31,189,627</u>	<u>32,190,190</u>
		40,155,804	41,156,367
Non-controlling interests		<u>9,791,908</u>	<u>9,536,626</u>
Total equity		<u>49,947,712</u>	<u>50,692,993</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 2020 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 2019.

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 2019, except for the adoption of the 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 financial information relating to the year ended 31 December 2019 included in this unaudited interim financial information for the six months ended 30 June 2020 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 2019 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 2019. 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 accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 39 HKFRS 7 and HKFRS 9	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of output to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020.
- (b) Amendments to HKAS 39, HKFRS 7 and HKFRS 9 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.
- (c) Amendments to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information.

The above amendments did not have any impact on the Group's unaudited 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 engages in water distribution, sewage treatment and construction of water supply and sewage treatment infrastructure for customers in 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 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 (other than interest on lease liabilities) 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, equity investment designated at fair value through other comprehensive income 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, loan 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	5,584,431	4,379,338	2,907,864	1,146,177	219,723	377,107
Intersegment sales	-	-	41,729	53,685	-	-
Other income and gains from external sources	28,076	1,632	1,549	2,801	26,606	33,280
Other income from intersegment transactions	-	1,481	3,439	3,610	-	-
Total	<u>5,612,507</u>	<u>4,382,451</u>	<u>2,954,581</u>	<u>1,206,273</u>	<u>246,329</u>	<u>410,387</u>
Segment results	<u>2,568,340</u>	<u>2,341,262</u>	<u>1,054,882</u>	<u>733,262</u>	<u>27,187</u>	<u>155,296</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	59,108	47,428	-	-	3,293	1,149
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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	499,389	542,057	102,064	330,530	172,051	389,554
Intersegment sales	109,296	109,244	-	-	-	-
Other income and gains from external sources	22,000	15,407	303	327	37,086	21,712
Other income from intersegment transactions	-	-	-	-	-	-
Total	<u>630,685</u>	<u>666,708</u>	<u>102,367</u>	<u>330,857</u>	<u>209,137</u>	<u>411,266</u>
Segment results	<u>120,440</u>	<u>123,628</u>	<u>(117,293)</u>	<u>74,553</u>	<u>94,722</u>	<u>259,634</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	60,867	32,523	116	166	-	-
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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	-	-	-	-	9,485,522	7,164,763
Intersegment sales	-	-	(151,025)	(162,929)	-	-
Other income and gains from external sources	6,075	496	-	-	121,695	75,655
Other income from intersegment transactions	<u>2,214</u>	<u>1,701</u>	<u>(5,653)</u>	<u>(6,792)</u>	-	-
Total	<u>8,289</u>	<u>2,197</u>	<u>(156,678)</u>	<u>(169,721)</u>	<u>9,607,217</u>	<u>7,240,418</u>
Segment results	<u>(137,755)</u>	<u>(22,149)</u>	<u>2,246</u>	<u>1,073</u>	3,612,769	3,666,559
Bank interest income					194,753	93,501
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost					-	186,228
Changes in fair value of financial assets at fair value through profit or loss					-	(12,605)
Finance costs					(125,098)	(138,909)
Share of profits less losses of associates	-	-	-	-	<u>123,384</u>	<u>81,266</u>
Profit before tax					3,805,808	3,876,040
Income tax expense					<u>(1,113,099)</u>	<u>(905,692)</u>
Profit for the period					<u>2,692,709</u>	<u>2,970,348</u>

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Water resources		Property investment and development		Department store operation	
	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Segment assets	22,514,387	20,539,872	28,513,483	29,269,462	543,801	522,121
Investments in associates	2,845,801	2,825,583	-	-	193,053	193,516
Unallocated assets						
Total assets						
Segment liabilities	3,695,229	3,097,603	3,610,578	4,495,527	1,200,353	1,341,558
Unallocated liabilities						
Total liabilities						

Other segment information:

	For the six months ended 30 June 2020 (Unaudited) HK\$'000		For the six months ended 30 June 2019 (Unaudited) HK\$'000		For the six months ended 30 June 2020 (Unaudited) HK\$'000	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Exchange gains/(losses), net	59,300	12,595	51,966	52,920	(3,854)	(700)

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities: (continued)

	<u>Electric power generation</u>		<u>Hotel operation and management</u>		<u>Road and bridge</u>	
	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Segment assets	2,362,122	2,423,294	1,957,404	2,000,859	3,632,418	3,645,339
Investments in associates	1,051,340	1,114,547	3,388	3,337	-	-
Unallocated assets						
Total assets						
Segment liabilities	372,930	403,232	149,669	167,307	358,530	426,599
Unallocated liabilities						
Total liabilities						
Other segment information:						
	For the six months ended 30 June 2020 (Unaudited) HK\$'000		For the six months ended 30 June 2019 (Unaudited) HK\$'000		For the six months ended 30 June 2020 (Unaudited) HK\$'000	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Exchange gains/(losses), net	14,115	2,579	(2,823)	(638)	8,167	1,701

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities: (continued)

	Others		Eliminations		Consolidated	
	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Segment assets	13,092	17,990	(40,948)	(7,650)	59,495,759	58,411,287
Investments in associates	-	-	-	-	4,093,582	4,136,983
Unallocated assets					<u>15,347,976</u>	<u>13,876,224</u>
Total assets					<u>78,937,317</u>	<u>76,424,494</u>
Segment liabilities	134,801	134,161	-	-	9,522,090	10,065,987
Unallocated liabilities					<u>19,467,515</u>	<u>15,665,514</u>
Total liabilities					<u>28,989,605</u>	<u>25,731,501</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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Exchange gains/(losses), net	(77,629)	(15,368)	2,245	1,073	51,487	54,162

4. REVENUE

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

Disaggregation of revenue is analysed as follows:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
(a) Types of goods or services:		
<u>Water resources segment</u>		
Income from water distribution — Hong Kong	2,629,860	2,622,000
Income from water distribution — the PRC	1,024,364	1,068,342
Income from sewage treatment services	130,253	117,776
Income from construction services	1,348,805	389,845
Income from water pipeline installation and consultancy services	283,606	163,322
Sale of machinery	39,710	-
<u>Property investment and development segment</u>		
Sale of properties	2,298,898	460,530
Management fee income	84,028	114,065
<u>Department store operation segment</u>		
Commissions income from concessionaire sales	181,540	344,556
Sale of goods	38,183	32,551
<u>Electric power generation segment</u>		
Sale of electricity and steam	499,389	542,057
<u>Hotel operation and management segment</u>		
Hotel income	84,081	318,402
Management fee income	4,913	12,128
<u>Road and bridge segment</u>		
Toll revenue	168,483	386,013
Management fee income	3,568	3,541
<i>Revenue from contracts with customers</i>	8,819,681	6,575,128

4. REVENUE (continued)

Disaggregation of revenue is analysed as follows: (continued)

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
(a) Types of goods or services: (continued)		
<i>Revenue from other sources</i>		
<u>Water resources segment</u>		
Finance income from service concession arrangements	127,833	18,053
<u>Property investment and development segment</u>		
Rental income	524,938	571,582
<u>Hotel operation and management segment</u>		
Rental income	13,070	-
Total revenue	<u>9,485,522</u>	<u>7,164,763</u>
(b) Geographical locations*:		
<u>Mainland China</u>		
Water resources segment	5,456,598	4,361,285
Property investment and development segment	2,382,926	574,595
Department store operation segment	219,723	377,107
Electric power generation segment	499,389	542,057
Hotel operation and management segment	63,787	218,047
Road and bridge segment	172,051	389,554
	<u>8,794,474</u>	<u>6,462,645</u>
<u>Hong Kong</u>		
Hotel operation and management segment	25,207	112,483
<i>Revenue from contracts with customers</i>	8,819,681	6,575,128
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	127,833	18,053
Rental income	538,008	571,582
Total revenue	<u>9,485,522</u>	<u>7,164,763</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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank and other borrowings	144,364	136,979
Interest on a loan from a fellow subsidiary	6,771	9,072
Interest on lease liabilities	<u>16,240</u>	<u>17,300</u>
Finance costs incurred	167,375	163,351
Less: Interest capitalised	<u>(26,169)</u>	<u>(24,442)</u>
Finance costs charged for the period	<u>141,206</u>	<u>138,909</u>

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale and investment properties under development are between 4.45% and 4.90% per annum for the six months ended 30 June 2020 (2019: 5.46%).

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Bank interest income**	(194,753)	(93,501)
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost**	-	(186,228)
Changes in fair value of financial assets at fair value through profit or loss**	-	12,605
Interest income from receivables under a cooperative arrangement**	(35,042)	(14,696)
Cost of inventories sold*	451,586	472,806
Cost of services rendered*	2,517,727	1,558,418
Cost of properties sold*	1,330,400	367,852
Depreciation of property, plant and equipment	223,845	207,356
Depreciation of right-of-use assets	27,298	29,734
Reversal of impairment on an investment in an associate***	-	(46,026)
Government subsidies***^	(23,622)	(5,556)
Amortisation of operating concession rights*	<u>537,506</u>	<u>512,852</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	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current - Hong Kong		
Charge for the period	5,418	11,197
Current - Mainland China		
Charge for the period	1,393,963	909,114
Under/(over) provision in prior years	7,337	(1,004)
Deferred tax	<u>(293,619)</u>	<u>(13,615)</u>
Total tax charge for the period	<u>1,113,099</u>	<u>905,692</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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 Income Tax Law, enterprises are subject to corporate income tax at a rate of 25% (2019: 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	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interim – HK 17.64 cents (2019: HK 17.30 cents) per ordinary share	<u>1,153,272</u>	<u>1,131,044</u>

At a meeting of the board of directors held on 25 August 2020 (2019: 28 August 2019), the directors resolved to pay to shareholders of the Company an interim dividend of HK 17.64 cents (2019: HK 17.30 cents) per ordinary share for the six months ended 30 June 2020.

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 2020 and 2019 are based on:

	For the six months ended 30 June	
	2020	2019
	(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>2,369,219</u>	<u>2,700,961</u>
	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	Number of shares	Number of shares
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>6,537,821,440</u>	<u>6,537,821,440</u>

No adjustment has been made to the basic earnings per share amount presented for the periods ended 30 June 2020 and 2019 in the calculation of diluted earnings per share as there were no dilutive potential ordinary shares during the periods ended 30 June 2020 and 2019.

10. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in the Group's receivables, prepayments and other receivables as at 30 June 2020 are trade receivables of HK\$1,457,743,000 (31 December 2019: HK\$810,694,000), 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 30% (31 December 2019: Nil) and 9% (31 December 2019: 10%) of the total trade receivables were due from two customers (31 December 2019: 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current or less than 3 months past due	1,402,199	734,731
3 months to 6 months past due	15,803	535
6 months to 1 year past due	7,216	5,499
More than 1 year past due	<u>55,054</u>	<u>93,694</u>
	1,480,272	834,459
Less: Loss allowance	<u>(22,529)</u>	<u>(23,765)</u>
	<u><u>1,457,743</u></u>	<u><u>810,694</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 2020 are trade payables of HK\$803,539,000 (31 December 2019: HK\$868,078,000). 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 3 months	681,183	848,422
3 months to 6 months	55,377	4,496
6 months to 1 year	<u>66,979</u>	<u>15,160</u>
	<u><u>803,539</u></u>	<u><u>868,078</u></u>

12. CONTINGENT LIABILITIES

As at 30 June 2020, the Group provided guarantees to certain banks in respect of mortgages 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 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 2020, the Group's outstanding guarantees amounted to HK\$814,726,000 (31 December 2019: HK\$736,124,000) for these guarantees.

13. IMPACT OF COVID-19

The COVID-19 outbreak (which is now a pandemic) since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the performance of the Group's property investment and development, department store operation and hotel operation and management businesses. As the full impact and the duration of the outbreak cannot be estimated at this point in time, the Group will closely monitor the situation and continue to assess the impact of the epidemic on the operations and financial performance of the Group.

14. EVENT AFTER THE REPORTING PERIOD

On 10 July 2020, the Group received the GuiJiaoCaiWuFa[2020] No. 58 – Notice on Extension of Toll Road Operating Concession Period (《關於順延全區收費公路收費期限的通知》(桂交財務發[2020]58號)) issued by 廣西壯族自治區交通運輸廳 (Department of Transport of Guangxi Zhuang Autonomous Region), Development and Reform Commission of Guangxi Zhuang Autonomous Region and Department of Finance of Guangxi Zhuang Autonomous Region of the PRC pursuant to which, with the consent of the People's Government of Guangxi Zhuang Autonomous Region, the period during which the toll-free policy (the "toll-free-period") was in place in consequence of the outbreak of the "new Coronavirus (COVID-19) pneumonia" epidemic was excluded from the operating concession period. Following the termination of the toll-free-period, the operating concession period for the toll road project originally granted to Guangxi GDH Highway Co., Ltd. was automatically extended by the toll-free-period of 79 days (i.e. from 17 February 2020 to 5 May 2020).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Board hereby reports the results of the Group for the six months ended 30 June 2020 (the “Period”). The Group’s unaudited consolidated profit attributable to owners of the Company amounted to HK\$2,369 million (2019: HK\$2,701 million), a decrease of 12.3% as compared with the same period last year. Basic earnings per share decreased by 12.3% over the same period last year to HK 36.24 cents (2019: HK 41.31 cents).

INTERIM DIVIDEND

The Board declares an interim dividend of HK 17.64 cents per ordinary share for the Period (2019: HK 17.30 cents).

FINANCIAL REVIEW

The outbreak of the “new Coronavirus (COVID-19) pneumonia” epidemic (the “Epidemic”) has caused adverse impact on the macro economy in China as well as countries across the world. Many of the Group’s businesses have experienced varying degrees of impact. Nevertheless, the operation of Group’s core business, water resources management business, remains stable.

The unaudited consolidated revenue of the Group for the Period was HK\$9,486 million (2019: HK\$7,165 million), an increase of 32.4% as compared with the same period last year. The growth in revenue was mainly attributable to a better performance in water resources business and sale of properties business during the Period.

The unaudited consolidated profit before tax for the Period decreased by 1.8% or HK\$70 million to HK\$3,806 million (2019: HK\$3,876 million), which was primarily caused by a decrease in fair value of the Group’s investment properties having been mainly affected by the Epidemic during the Period. The net deficit arising from fair value adjustments for investment properties was HK\$306 million (2019: net surplus of HK\$194 million), causing a reduction in profit before tax by HK\$500 million as compared with the same period last year. Furthermore, the performance in department store operation business, hotel operation and management business and road and bridge business for the Period had also been adversely affected by the Epidemic. The net exchange gain of the Group for the Period amounted to HK\$51 million (2019: HK\$54 million), HK\$3 million lower than that in the same period last year. 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 45.3% to HK\$70 million (2019: HK\$128 million) for the Period.

The unaudited consolidated profit attributable to owners of the Company for the Period decreased by 12.3% to HK\$2,369 million (2019: HK\$2,701 million). Due to the increase in land appreciation tax in relation to the sales of completed properties of the Group, the Group’s effective tax rate for the year increased to 29.2% (2019: 23.4%).

Basic earnings per share decreased by 12.3% to HK 36.24 cents (2019: HK 41.31 cents) as compared with the same period last year.

Although the Epidemic has had an adverse impact on the Group, the fundamentals of the Group have not changed and our financial position remains strong. The Company believes that such impact is temporary, and with the gradual easing and cessation of the Epidemic, operations will return to normal. The Company remains firmly confident that the Group will maintain steady development in the middle and long-term.

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 2020, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (31 December 2019: 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 volume of water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.056 billion tons (2019: 1.029 billion tons), an increase of 2.6%, which generated a revenue of HK\$3,233 million (2019: HK\$3,281 million), a decrease of 1.5% 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\$2,630 million (2019: HK\$2,622 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period decreased by 8.5% to HK\$603 million (2019: HK\$659 million). The profit before tax for the Period, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project was HK\$2,181 million (2019: HK\$2,177 million), 0.2% higher 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.

During the Period, the Group entered into a supplemental concession agreement for construction of a new water supply plant located in Fengshun County, Guangdong Province, the PRC, with designed water supply capacity of 146,000 tons per day, and the expected investment amount of the project is approximately RMB497 million (equivalent to approximately HK\$544 million). In addition, the Group successfully bid for two new water resources projects in Huilai County, Guangdong Province, the PRC, with total designed waste water processing capacity of 33,500 tons per day. The expected total investment amount of these projects are RMB671 million (equivalent to approximately HK\$735 million). In line with the regional municipal water supply development plan, the Group is planning to construct a new water supply plant in Wujin City, Jiangsu Province, the PRC, with designed water supply capacity of 400,000 tons per day, and the expected investment amount of the project is approximately RMB565 million (equivalent to approximately HK\$619 million).

As at 30 June 2020, 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 9,648,500 tons per day (31 December 2019: 9,003,000 tons per day) and 1,364,200 tons per day (31 December 2019: 1,331,000 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.▲), Yizheng Yuehai Water Supply Co., Ltd., Gaoyou GDH Water Co., Ltd., 寶應粵海水務有限公司 (Baoying Guangdong Water Co., Ltd.▲), 海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲), 梧州粵海江河水務有限公司 (Wuzhou Guangdong Jianghe Water Co., Ltd.▲), Zhaoqing HZ GDH Water Co., Ltd., 遂溪粵海水務有限公司 (Suixi Guangdong Water Co., Ltd.▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd.▲), 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 Co., Ltd.▲), 高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd.▲), 江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd.▲) and its subsidiaries (“Jiangxi Guangdong Group”) and 雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd.▲) is 290,000 tons, 310,000 tons, 150,000 tons, 100,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 120,000 tons, 70,000 tons, 50,000 tons, 73,500 tons, 150,000 tons, 100,000 tons, 650,000 tons and 50,000 tons per day, respectively, totaling 2,698,500 tons per day (2019: 2,673,500 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 Guangdong Huanbao Fazhan Co., Ltd.▲), 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 Guangdong 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 Guangdong Huanbao Co., Ltd.▲), 開平粵海污水處理有限公司 (Kaiping Guangdong Sewage Treatment Co., Ltd.▲), 五華粵海清源環保有限公司 (Wuhua Guangdong Qingyuan Huanbao Co., Ltd.▲), 汕尾粵海環保有限公司 (Shanwei Guangdong Huanbao Co., Ltd.▲), 五華粵海綠源環保有限公司 (Wuhua Guangdong Luyuan Huanbao Co., Ltd.▲), 六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Co., Ltd.▲), Jiangxi Guangdong Group, 昆明粵海水務有限公司 (Kunming Guangdong Water 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 Co., Ltd.▲) and 韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd.▲) is 150,000 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, 11,000 tons, 115,000 tons, 81,000 tons, 15,000 tons, 4,300 tons, 20,000 tons and 10,000 tons per day, respectively, totaling 819,300 tons per day (2019: 714,000 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 Co., Ltd.▲), being associates of the Company, is 600,000 tons, 400,000 tons and 920,000 tons per day, respectively, totaling 1,920,000 tons per day (2019: 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, 恩施粵海正源水務有限公司 (Enshi Guangdong Zheng Yuan Water Co., Ltd.▲), Jiangxi Guangdong Group, Gaoyou GDH Water Co., Ltd., 湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲), 邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd.▲), 荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd.▲), 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲) and 昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.▲) is 400,000 tons, 80,000 tons, 50,000 tons, 1,060,000 tons, 250,000 tons, 80,000 tons, 50,000 tons and 34,000 tons per day, respectively, totaling 2,004,000 tons per day.
- The waste water processing capacity of the sewage treatment plants under construction of each of the subsidiaries of the Company, namely, 大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd.▲), 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 Guangdong 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.▲), 吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲), 潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd.▲), 惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd.▲) and 惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd.▲) is 17,200 tons, 100,000 tons, 18,500 tons, 35,300 tons, 20,000 tons, 25,000 tons, 20,000 tons, 13,500 tons and 20,000 tons per day, respectively, totaling 269,500 tons per day.
- The water supply capacity of the water supply plants under construction of the associate of the Company, namely, 興化粵海水務有限公司 (Xinghua Guangdong Water Co., Ltd.▲) is 430,000 tons per day.

Revenue of Other Water Resources Projects for the Period in aggregate amounted to HK\$2,362,688,000 (2019: HK\$1,109,246,000), increasing by 113.0% 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\$384,157,000 (2019: HK\$198,896,000) in aggregate, 93.1% higher than that in the same period last year.

New Water Resources Projects

After the end of the reporting period, the Group acquired 75% equity interest of 哈爾濱工業大學中百信軟件基地有限責任公司 (Harbin Institute of Technology Zhongbaixin Software Base Co., Ltd.▲) and its subsidiaries (“Harbin Zhongbaixin”) at a cash consideration of approximately RMB69,220,000 (equivalent to approximately HK\$75,782,000). Harbin Zhongbaixin is mainly engaged in water quality research and water resources technology development and innovation in Harbin City, Heilongjiang Province, the PRC.

Property Investment and Development

Mainland China

GDH Teem

As at 30 June 2020, the Group held an effective interest of 76.13% in 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲) (“GDH 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 GDH 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 GDH Teem decreased by 14.0% to HK\$515,444,000 (2019: HK\$599,264,000), which was mainly caused by the rental concession granted to tenants following the Epidemic and the decrease in the HK\$ equivalent of profit from rental operation as a result of decrease in average exchange rate of RMB by 4.4% 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 9.1% to HK\$373,339,000 (2019: HK\$410,699,000).

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 (2019: 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 96.7% (2019: 96.6%), the revenue for the Period was HK\$100,057,000 (2019: HK\$105,210,000), decreasing by 4.9%. The profit before tax for the Period, excluding changes in fair value of investment properties, increased by 2.2% to HK\$90,000,000 (2019: HK\$88,063,000).

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%. 廣州粵海天河城投資有限公司 (Guangzhou Yuehai Tianhecheng Investment Co., Ltd.[▲]) (formerly known as 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.[▲])) (“Tianhecheng Investco”), a 60%-owned subsidiary of GDH 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 2020, the cumulative land and development cost incurred by the Group for Panyu Wanbo CBD Project amounted to approximately HK\$3,533 million (31 December 2019: approximately HK\$3,230 million).

The development of the commercial residential units and offices of Panyu Wanbo CBD Project had completed. As at 30 June 2020, sales contracts for accumulated GFA of approximately 93,000 sq.m. (31 December 2019: approximately 89,000 sq.m.) had been signed, in which, properties with accumulated GFA of approximately 39,800 sq.m. (31 December 2019: approximately 27,900 sq.m.) had been delivered to customers.

Revenue from sales of properties of Panyu Wanbo CBD Project for the Period was HK\$408,195,000 (2019: Nil). Profit before tax, excluding changes in fair value of investment properties and net interest income amounted to HK\$262,460,000 (2019: loss before tax of HK\$15,065,000).

Tianjin Teem Shopping Mall

The Group held an effective interest of 76.02% in Tianjin Yuehai Teem Shopping Center Co., Ltd., 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.

Tianjin Teem Shopping Mall with tenants ranging from local enterprises to well-known multinationals, the mall had an average occupancy rate of 90.9% (2019: 97.0%) during the Period. Revenue of Tianjin Teem Shopping Mall for the Period was HK\$85,438,000 (2019: HK\$93,189,000), decreasing by 8.3%. 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\$43,246,000 (2019: HK\$30,277,000), increasing by 42.8% mainly due to certain cost saving outweighing the decrease in revenue.

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 2020, the cumulative development costs and direct expenses incurred by the Group for the GDH City Project amounted to approximately HK\$9,061 million (31 December 2019: approximately HK\$8,815 million).

The completion of works (竣工備案) of the Northwestern Land properties with total GFA of approximately 114,654 sq. m., being the first phase of the GDH City Project, has been filed in June 2020 and the first delivery and revenue recognition of the GDH City Project were made during the Period. As at 30 June 2020, properties held for sale under the first phase of the GDH City Project with accumulated GFA of approximately 17,582 sq. m. (31 December 2019: Nil) had been delivered to customers.

GD Land holds a 100% interest in the Laurel House Project located in Yuexiu District, Guangzhou City, the PRC. The Laurel House Project comprises residential units, commercial properties and car-parking spaces, among which all the residential units with total GFA of approximately 65,636 sq. m. and some of the car-parking spaces are for sale, while the remaining properties are for lease. As at 30 June 2020, properties held for sale under the Laurel House Project with accumulated GFA of approximately 31,771 sq. m. (31 December 2019: approximately 22,718 sq. m.) had been delivered to customers.

GD Land also holds a 100% interest in the Chenyuan Road Project, a development project located in Pengjiang District, Jiangmen City, the PRC, with a site area of approximately 59,705 sq. m. and a total GFA of approximately 164,216 sq. m.. The Chenyuan Road Project will be developed by phases, with the first phase of the property development expected to reach pre-sale condition by 2021 and completion of works ready for filing in the second half of 2022.

On 29 May 2020, GD Land succeeded in the bid for the land use rights of the land parcel at the Aviation New Town Core Area in Jinwan District, Zhuhai City, the PRC, with a site area of approximately 66,090 sq. m. and a maximum total GFA included in the calculation of plot ratio of approximately 166,692 sq. m. for a cash consideration of RMB2,295 million (equivalent to approximately HK\$2,495 million). It is expected to be used for residential and commercial purposes.

Revenue of GD Land for the Period increased by 3.1 times to HK\$1,898,483,000 (2019: HK\$464,151,000), of which sales of properties amounted to HK\$1,890,703,000 (2019: HK\$460,530,000). The profit before tax of GD Land for the Period, excluding changes in fair value of investment properties and net finance costs, was HK\$551,682,000 (2019: HK\$22,609,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 99.2% (2019: 99.1%). The total revenue for the Period decreased by 0.7% to HK\$28,739,000 (2019: HK\$28,940,000).

Department Store Operation

As at 30 June 2020, the Group held an effective interest of approximately 85.2% in both 廣東粵海天河城百貨有限公司 (GDH Teem Department Stores Ltd.▲) (“GDTDS”) and 廣州市粵海天河城百貨商業有限公司 (“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”) 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 2020, the six stores (31 December 2019: seven stores) had a total leased area of approximately 125,800 sq. m. (31 December 2019: 136,000 sq. m.). The total revenue for the Period decreased by 41.7% to HK\$219,723,000 (2019: HK\$377,107,000). The profit before tax for the Period decreased by 68.5% to HK\$51,703,000 (2019: HK\$164,347,000). The decrease in total revenue and profit before tax for the Period was mainly due to reduced foot traffic and sales volume as a result of the Epidemic.

The revenue of the stores operated by the Group for the six months ended 30 June 2020 was as follows:

	Leased area sq. m.	Revenue for the six months ended 30 June		Changes %
		2020 HK\$'000	2019 HK\$'000	
Teemall Store	39,500	140,454	261,739	-46.3
Wan Bo Store	19,600	23,966	44,347	-46.0
Ming Sheng Store	11,900	7,998	22,418	-64.3
Dong Pu Store	28,300	32,121	24,125	+33.1
Ao Ti Store	21,500	13,906	21,677	-35.8
Dongguan Store (closed in April 2020)	-	1,021	1,919	-46.8
Nanhai Store	5,000	257	882	-70.9
	<u>125,800</u>	<u>219,723</u>	<u>377,107</u>	<u>-41.7</u>

Hotel Ownership, Operation and Management

As at 30 June 2020, the Group’s hotel management team managed a total of 35 hotels (31 December 2019: 35 hotels), of which three were located in Hong Kong, one in Macau and 31 in Mainland China. As at 30 June 2020, 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\$852 (2019: HK\$1,276) whereas the average room rate of the remaining four star-rated hotels were HK\$365 (2019: HK\$741). The average occupancy rate of Sheraton Guangzhou Hotel was 40.2% (2019: 93.7%) and that of the other four star-rated hotels was 27.4% (2019: 78.0%) during the Period.

The Epidemic has led to global travel bans and overall demand for accommodation has declined significantly. Accordingly, the revenue of hotel ownership, operation and management business for the Period decreased by 69.1% to HK\$102,064,000 (2019: HK\$330,530,000). The loss before tax for the Period, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$64,997,000 (2019: profit before tax, excluding net exchange differences, of HK\$82,242,000).

Energy Projects

Zhongshan Energy Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% equity interest in 中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.[▲]) (“Zhongshan Energy”). Zhongshan Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the Period amounted to 1,257 million kwh (2019: 1,191 million kwh), increasing by 5.5%. Due to the decrease in electricity tariff as a result of the Epidemic, revenue of Zhongshan Energy Project (including intersegment sales) generated from electricity sales and related operations for the Period decreased by 6.5% to HK\$608,685,000 (2019: HK\$651,301,000). The profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$106,337,000 (2019: HK\$120,990,000), a decrease of 12.1%.

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 2020, 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 5,573 million kwh (2019: 5,254 million kwh), an increase of 6.1%. Revenue for the Period increased by 1.3% to HK\$2,314,358,000 (2019: HK\$2,284,836,000). As coal price decreased, the profit before tax of Yudean Jinghai Power for the Period was HK\$324,624,000 (2019: HK\$174,311,000), increasing by 86.2%. The Group’s share of profit in Yudean Jinghai Power amounted to HK\$60,867,000 (2019: HK\$32,523,000) during the Period, increasing by 87.2%.

Road and Bridge

Xingliu Expressway

廣西粵海高速公路有限公司 (Guangxi GDH Highway Co., Ltd.[▲]) (“GDH Highway”) 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 14,176 vehicle trips during the Period (2019: 25,346 vehicle trips), decreasing by 44.1%. The revenue of GDH Highway during the Period amounted to HK\$168,483,000 (2019: HK\$386,013,000), decreasing by 56.4%. Profit before tax, excluding net finance costs, during the Period amounted to HK\$53,579,000 (2019: HK\$247,138,000), decreasing by 78.3%. The decrease in revenue and profit before tax was mainly because the Group exempted the toll fees of vehicles passing along the Xingliu Expressway from midnight of 17 February 2020 to midnight of 5 May 2020 (“79 days toll-free period”) in accordance with the policy issued by the Ministry of Transport of the PRC on 15 February 2020.

On 10 July 2020, the relevant government authorities in Guangxi Province, the PRC announced that the accumulated 79 days toll-free period during the prevention and control of the Epidemic was not included in the original approved operating concession period. Accordingly, the operating concession period of GDH Highway will be automatically extended by 79 days.

Yinping PPP Project

In 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\$5.205 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 2020, one Project Road was completed (31 December 2019: Nil) and three Project Roads (31 December 2019: three Project Roads) were under construction. The Accrued Interest Amount and Management Fee of Yuehai Yinping recognised during the Period amounted to HK\$38,609,000 in total (2019: HK\$18,237,000) and profit before tax during the Period amounted to HK\$33,732,000 (2019: HK\$10,973,000).

POTENTIAL BUSINESS IMPACTS OF NOVEL CORONAVIRUS (COVID-19) OUTBREAK

The COVID-19 outbreak has affected various segments of our business. In the property investment and development business segment, the Group expects that there may be a decrease in fair value of our investment properties. With regard to our department store business, the Group's department stores have also experienced reduced foot traffic and sales volume. In the expressway segment, the Ministry of Transport of the PRC issued a new policy on 15 February 2020, waiving toll fees payable by all vehicles nationwide from midnight of 17 February 2020 until 5 May 2020. In the hotel segment, overall demand for accommodation has declined significantly due to the outbreak of COVID-19, which has adversely impacted operations of the Group's hotels.

Though the COVID-19 outbreak has adversely impacted our above businesses, the Group remains in a strong financial position and our core water resources management segment, which has experienced little impact from the outbreak, will provide support for the Group's overall performance in 2020. The Group will implement proactive Epidemic prevention measures to ensure the health and safety of our employees and customers. As the full impact and the duration of the outbreak cannot be estimated at this point in time, the Group will closely monitor the situation and continue to assess the impact of the Epidemic on the operations and financial performance of the Group.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2020, cash and cash equivalents of the Group increased by HK\$1,955 million to HK\$14,302 million (31 December 2019: HK\$12,347 million), of which 82.9% was denominated in Renminbi, 16.6% in Hong Kong dollars and 0.5% in United States dollars.

As at 30 June 2020, the Group's financial borrowings increased by HK\$1,078 million to HK\$9,570 million (31 December 2019: HK\$8,492 million), of which 54.9% was denominated in Hong Kong dollars and 45.1% in Renminbi, including the non-interest-bearing advance of HK\$355 million. Of the Group's total financial borrowings, HK\$3,493 million was repayable within one year while the remaining balances of HK\$4,878 million and HK\$1,199 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 95.4% floating rate borrowings, 0.5% fixed rate borrowings and 4.1% non-interest bearing borrowings as at 30 June 2020.

The Group maintained a credit facility of HK\$2,613 million as at 30 June 2020 (31 December 2019: HK\$1,814 million).

As at 30 June 2020, the Group was in a net cash position and hence no gearing ratio was presented (31 December 2019: net cash position). The Group was in a healthy debt servicing position as the EBITDA/finance cost incurred as at 30 June 2020 was 27.5 times (31 December 2019: 26.9 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 2020, except for (i) bank deposits of HK\$42 million (31 December 2019: HK\$43 million); (ii) certain property assets of HK\$5,473 million (31 December 2019: HK\$2,166 million); (iii) certain revenue entitlement under the water distribution and sewage treatment concession rights as security for bank and other loans of HK\$2,016 million (31 December 2019: HK\$1,220 million); and (iv) 100% equity interest of Guangdong Yuehai Property Development Co., Ltd. at the cost of approximately HK\$1,391 million (31 December 2019: approximately HK\$1,391 million), which were 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 and other loans granted to the Group.

Except for the guarantees made to certain banks in relation to the mortgages of properties sold of approximately HK\$815 million (31 December 2019: approximately HK\$736 million) as disclosed in note 12 of this announcement, there was no other material contingent liability as at 30 June 2020 and 31 December 2019.

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$2,636 million which was principally related to the construction and asset acquisition cost for water supply and sewage treatment plants (including operating concession rights and receivables under service concession arrangements), development cost for investment property projects and renovation cost for hotel properties.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 30 June 2020, total Renminbi borrowings amounted to HK\$4,320 million (31 December 2019: HK\$3,245 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 30 June 2020, the Group's total floating rate borrowings amounted to HK\$9,124 million (31 December 2019: HK\$8,045 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, the global economic activity experienced synchronized decline. Uncertainties have increased such as outbreak of the Epidemic, China-US tensions and complex geopolitical situation. Domestically, macroeconomic performance recovery is expected in the second half of the year. However, due to the combined effects of outbreak control and prevention measures, China-US tensions, acceleration of replacement of old growth drivers with new initiatives and Renminbi exchange rate fluctuations, economic fundamentals remain challenging. Macroeconomic development faces dilemmas such as maintaining growth while attempting further structural adjustment without causing high inflation, which may cause uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange rate and interest rate. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to 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 foreign currency risks due to exchange gain/loss from exchange rate fluctuations as well as currency conversion risk due to converted net asset value fluctuations of investment projects in Mainland China. 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 faces difficulties in its expansion efforts and further decline in project investment returns in the sectors it operates in. In this regard, the Company seeks 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 systemise the relevant risk control mechanism so as to establish firmwide standardised 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, and by seeking market supervision and take timely actions to rectify existing problems to avoid adverse impact.

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.

Regarding the risks arising from the Epidemic, the Group will endeavour to prevent and control the Epidemic by establishing and improving relevant management systems to guarantee safe and smooth production in different business segments and effectively minimize the risk caused by the Epidemic on production and operation.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 7,861 employees, of which 1,651 were at the managerial level. Among the employees, 7,618 were employed by subsidiaries in Mainland China and 243 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$586,858,000 (2019: approximately HK\$591,682,000).

In 2020, 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 professional team building by employing more high-end 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 in their spare time to add value to themselves by providing subsidies as well as providing professional training according to the Company's business development and working needs on a target-oriented basis.

REVIEW

In the first half of 2020, due to the outbreak of the Epidemic, world economic activity experienced an unprecedented synchronized decline, caused by the combined impacts of marked drop in consumption and services output, depressed mobility, severe hit to the labor market as well as contraction in global trade. Confronted with severe challenges brought by the Epidemic, China's economic performance showed signs of rebound in the second quarter after a sharp decline in the first quarter, reflecting strong resilience in its economic and industrial development. Faced with declining global economic activity and risks associated with rising geopolitical and economic tensions, 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 2020, world economic activity is expected to recover at a slow pace after bottoming out in the second quarter despite uncertainties such as uneven pandemic control measures in different countries, waves of Epidemic outbreaks and rising geopolitical and economic tension. China's economic development is expected to remain stable with signs of recovery. However, with escalating Sino-US frictions and ongoing Epidemic outbreak control challenges, 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 its investments in water resources management, property investment and development as well as infrastructure segments. In accordance with its existing business and resources, the Group endeavours to proactively seek potential opportunities arising from "The Greater Bay Area Initiative", and continue to monitor potential industry consolidation, public-private-partnership projects as well as core business industry chain extension market acquisition opportunities 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 2020 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 2020, 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 17.64 cents (2019: HK 17.30 cents) per ordinary share for the six months ended 30 June 2020 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 6 October 2020. The interim dividend is expected to be paid on or about Thursday, 22 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 6 October 2020 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 Monday, 5 October 2020.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2020 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 2020 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, 25 August 2020

▲ *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. LIN Tiejun, Mr. WEN Yinheng and Mr. TSANG Hon Nam; two Non-Executive Directors, namely, Mr. CAI Yong and Mr. LAN Runing; 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.