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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 2021**

**Unaudited financial highlights for the six months ended 30 June**

	<b>2021</b>	2020	Changes
	<b>HK\$'000</b>	HK\$'000	%
<b>Revenue</b>	<b><u>13,651,759</u></b>	<b><u>9,485,522</u></b>	+43.9
<i>Changes in fair value of investment properties</i>	<i>100,634</i>	<i>(305,765)</i>	
<b>Profit before tax</b>	<b><u>4,524,795</u></b>	<b><u>3,805,808</u></b>	+18.9
<b>Profit attributable to owners of the Company</b>	<b><u>2,762,835</u></b>	<b><u>2,369,219</u></b>	+16.6
<b>Earnings per share – Basic</b>	<b><u>HK 42.26 cents</u></b>	<b><u>HK 36.24 cents</u></b>	+16.6
<b>Interim dividend per share</b>	<b><u>HK 18.17 cents</u></b>	<b><u>HK 17.64 cents</u></b>	+3.0

## CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 together with the comparative figures for the corresponding period in 2020. 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 2021*

	Notes	For the six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	4	13,651,759	9,485,522
Cost of sales		<u>(7,859,452)</u>	<u>(4,837,219)</u>
Gross profit		5,792,307	4,648,303
Other income and gains		224,600	316,448
Changes in fair value of investment properties		100,634	(305,765)
Selling and distribution expenses		(393,957)	(198,851)
Administrative expenses		(1,039,663)	(708,356)
Exchange differences, net		(29,235)	51,487
Other operating income, net		24,833	20,364
Finance costs	5	(224,699)	(141,206)
Share of profits less losses of associates		<u>69,975</u>	<u>123,384</u>
PROFIT BEFORE TAX	6	4,524,795	3,805,808
Income tax expense	7	<u>(1,360,623)</u>	<u>(1,113,099)</u>
PROFIT FOR THE PERIOD		<u>3,164,172</u>	<u>2,692,709</u>
Attributable to:			
Owners of the Company		2,762,835	2,369,219
Non-controlling interests		<u>401,337</u>	<u>323,490</u>
		<u>3,164,172</u>	<u>2,692,709</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK42.26 cents</u>	<u>HK36.24 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2021*

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>3,164,172</u>	<u>2,692,709</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
- Subsidiaries	559,184	(838,017)
- Associates	<u>96,367</u>	<u>(50,617)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>655,551</u>	<u>(888,634)</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
Share of an associate's remeasurement loss on defined benefit plan, net of tax	<u>-</u>	<u>(585)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>655,551</u>	<u>(856,970)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>3,819,723</u></u>	<u><u>1,835,739</u></u>
Attributable to:		
Owners of the Company	3,261,256	1,686,523
Non-controlling interests	<u>558,467</u>	<u>149,216</u>
	<u><u>3,819,723</u></u>	<u><u>1,835,739</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**30 June 2021**

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		7,769,806	7,683,847
Investment properties		22,372,342	21,295,440
Right-of-use assets		788,034	604,667
Goodwill		613,902	594,086
Operating concession rights		20,119,616	15,060,664
Other intangible assets		73,158	30,025
Investments in associates		4,471,818	4,457,613
Receivables under service concession arrangements		13,066,509	9,391,825
Receivables under a cooperative arrangement		2,092,640	1,899,957
Equity investments designated at fair value through other comprehensive income		33,831	15,031
Prepayments and other receivables		574,148	533,271
Deferred tax assets		<u>787,701</u>	<u>684,334</u>
<b>Total non-current assets</b>		<u>72,763,505</u>	<u>62,250,760</u>
<b>CURRENT ASSETS</b>			
Properties held for sale under development		18,342,550	6,213,674
Completed properties held for sale		2,835,432	4,258,089
Tax recoverable		253,520	7,695
Inventories		315,953	223,280
Receivables under service concession arrangements		158,075	155,694
Receivables, prepayments and other assets	10	4,811,364	5,190,380
Due from non-controlling equity holders of subsidiaries		825,977	816,232
Restricted bank balances		805,088	117,254
Cash and cash equivalents		<u>11,637,184</u>	<u>10,367,484</u>
<b>Total current assets – page 5</b>		<u>39,985,143</u>	<u>27,349,782</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**30 June 2021**

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Total current assets – page 4		<u>39,985,143</u>	<u>27,349,782</u>
<b>CURRENT LIABILITIES</b>			
Payables, accruals and other liabilities	11	(11,759,684)	(6,881,504)
Contract liabilities		(4,560,038)	(3,381,512)
Tax payables		(2,660,631)	(2,577,480)
Due to non-controlling equity holders of subsidiaries		(1,325,857)	(1,180,059)
Bank and other borrowings		(5,079,718)	(5,690,306)
Lease liabilities		(77,333)	(56,073)
Dividend payables		<u>(2,700,120)</u>	<u>-</u>
Total current liabilities		<u>(28,163,381)</u>	<u>(19,766,934)</u>
NET CURRENT ASSETS		<u>11,821,762</u>	<u>7,582,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>84,585,267</u>	<u>69,833,608</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		(15,594,066)	(5,511,539)
Lease liabilities		(970,079)	(473,140)
Due to a non-controlling equity holder of a subsidiary		(12,750)	-
Other liabilities and contract liabilities		(1,788,441)	(1,927,114)
Deferred tax liabilities		<u>(6,377,553)</u>	<u>(5,965,854)</u>
Total non-current liabilities		<u>(24,742,889)</u>	<u>(13,877,647)</u>
Net assets		<u>59,842,378</u>	<u>55,955,961</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		8,966,177	8,966,177
Reserves		<u>35,754,332</u>	<u>35,261,621</u>
		44,720,509	44,227,798
<b>Non-controlling interests</b>		<u>15,121,869</u>	<u>11,728,163</u>
Total equity		<u>59,842,378</u>	<u>55,955,961</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 2021 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 2020.

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 2020, 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 2020 included in this unaudited interim financial information for the six months ended 30 June 2021 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 2020 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 2020. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(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 2020, 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.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 16

*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the RMB benchmark lending rate per annum announced by the People's Bank of China as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendments did not have any material impact on the financial position and performance of the Group.



### 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 and water pipeline installation 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, and management and sub-letting of operating area, 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, dividends received from equity investment designated at fair value through other comprehensive income, 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, cash and cash equivalents, restricted bank balances, equity investments 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, 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	8,021,854	5,584,431	3,299,321	2,907,864	339,008	219,723
Intersegment sales	-	-	48,761	41,729	-	-
Other income and gains from external sources	7,374	28,076	4,060	1,549	10,657	26,606
Other income from intersegment transactions	-	-	-	3,439	-	-
<b>Total</b>	<u>8,029,228</u>	<u>5,612,507</u>	<u>3,352,142</u>	<u>2,954,581</u>	<u>349,665</u>	<u>246,329</u>
<b>Segment results</b>	<u>2,940,757</u>	<u>2,568,340</u>	<u>1,298,805</u>	<u>1,054,882</u>	<u>81,917</u>	<u>27,187</u>
Bank interest income						
Dividends received from equity investment designated at fair value through other comprehensive income	2	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	63,838	59,108	-	-	(10,267)	3,293
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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	723,918	499,389	179,222	102,064	1,088,436	172,051
Intersegment sales	154,791	109,296	-	-	-	-
Other income and gains from external sources	30,672	22,000	348	303	67,410	37,086
Other income from intersegment transactions	-	-	-	-	-	-
<b>Total</b>	<u>909,381</u>	<u>630,685</u>	<u>179,570</u>	<u>102,367</u>	<u>1,155,846</u>	<u>209,137</u>
<b>Segment results</b>	<u>77,462</u>	<u>120,440</u>	<u>(25,418)</u>	<u>(117,293)</u>	<u>232,101</u>	<u>94,722</u>
Bank interest income						
Dividends received from equity investment designated at fair value through other comprehensive income	-	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	16,404	60,867	-	116	-	-
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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	-	-	-	-	13,651,759	9,485,522
Intersegment sales	-	-	(203,552)	(151,025)	-	-
Other income and gains from external sources	47	6,075	-	-	120,568	121,695
Other income from intersegment transactions	<u>12,115</u>	<u>2,214</u>	<u>(12,115)</u>	<u>(5,653)</u>	<u>-</u>	<u>-</u>
Total	<u>12,162</u>	<u>8,289</u>	<u>(215,667)</u>	<u>(156,678)</u>	<u>13,772,327</u>	<u>9,607,217</u>
<b>Segment results</b>	<u>(35,542)</u>	<u>(137,755)</u>	<u>(7,161)</u>	<u>2,246</u>	4,562,921	3,612,769
Bank interest income					104,030	194,753
Dividends received from equity investment designated at fair value through other comprehensive income	-	-	-	-	2	-
Finance costs					(212,133)	(125,098)
Share of profits less losses of associates	-	-	-	-	<u>69,975</u>	<u>123,384</u>
Profit before tax					4,524,795	3,805,808
Income tax expense					<u>(1,360,623)</u>	<u>(1,113,099)</u>
Profit for the period					<u>3,164,172</u>	<u>2,692,709</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Water resources		Property investment and development		Department store operation	
	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Segment assets	37,664,346	27,473,043	45,303,014	36,294,345	1,594,011	542,901
Investments in associates	3,190,044	3,067,803	-	-	170,926	179,171
Unallocated assets						
Total assets						
Segment liabilities	8,578,616	5,782,699	8,145,212	5,113,616	2,196,430	1,428,769
Unallocated liabilities						
Total liabilities						
Other segment information:						
	For the six months ended 30 June 2021 (Unaudited) HK\$'000		For the six months ended 30 June 2020 (Unaudited) HK\$'000		For the six months ended 30 June 2021 (Unaudited) HK\$'000	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Exchange gains/(losses), net	(38,568)	59,300	(34,562)	51,966	5,539	(3,854)

### 3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities: (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Segment assets	2,556,587	2,500,857	2,146,022	2,138,052	5,997,934	5,026,837
Investments in associates	1,110,848	1,210,639	-	-	-	-
Unallocated assets						
Total assets						
Segment liabilities	656,477	477,736	162,599	210,382	923,922	728,595
Unallocated liabilities						
Total liabilities						

Other segment information: (continued)

	For the six months ended 30 June 2021 (Unaudited) HK\$'000		For the six months ended 30 June 2020 (Unaudited) HK\$'000		For the six months ended 30 June 2021 (Unaudited) HK\$'000		For the six months ended 30 June 2020 (Unaudited) HK\$'000	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Exchange gains/(losses), net	(6,639)	14,115	1,805	(2,823)	5,946	8,167		

### 3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities: (continued)

	Others		Eliminations		Consolidated	
	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Segment assets	21,629	19,727	(594,153)	(100,315)	94,689,390	73,895,447
Investments in associates	-	-	-	-	4,471,818	4,457,613
Unallocated assets					<u>13,587,440</u>	<u>11,247,482</u>
Total assets					<u>112,748,648</u>	<u>89,600,542</u>
Segment liabilities	149,616	141,747	(374,310)	-	20,438,562	13,883,544
Unallocated liabilities					<u>32,467,708</u>	<u>19,761,037</u>
Total liabilities					<u>52,906,270</u>	<u>33,644,581</u>

Other segment information: (continued)

	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Exchange gains/(losses), net	35,175	(77,629)	2,069	2,245	(29,235)	51,487

#### 4. REVENUE

Revenue represents income from water distribution, sewage treatment, construction services, water pipeline installation and consultancy services and sale of machineries; 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; management fee income; revenue from hotel operation; rental income; toll revenue; management and maintenance fee income; finance income from service concession arrangements 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>(a) Types of goods or services:</b>		
<u>Water resources segment</u>		
Income from water distribution - Hong Kong	2,664,835	2,629,860
Income from water distribution - the PRC	1,576,522	1,024,364
Income from sewage treatment services	386,435	130,253
Income from construction services	2,570,826	1,348,805
Income from water pipeline installation and consultancy services	493,846	283,606
Sale of machineries	87,760	39,710
<u>Property investment and development segment</u>		
Sale of properties	2,564,304	2,298,898
Management fee income	79,233	84,028
<u>Department store operation segment</u>		
Commissions income from concessionaire sales	260,523	181,540
Sale of goods	43,901	38,183
Management fee income	5,132	-
<u>Electric power generation segment</u>		
Sale of electricity and steam	723,918	499,389
<u>Hotel operation and management segment</u>		
Hotel income	152,324	84,081
Management fee income	7,734	4,913
<u>Road and bridge segment</u>		
Toll revenue	277,451	168,483
Income from construction services	799,754	-
Management and maintenance fee income	11,231	3,568
<i>Revenue from contracts with customers</i>	12,705,729	8,819,681



4. REVENUE (continued)

Disaggregation of revenue is analysed as follows: (continued)

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>(a) Types of goods or services: (continued)</b>		
<i>Revenue from other sources</i>		
<u>Water resources segment</u>		
Finance income from service concession arrangements	241,630	127,833
<u>Property investment and development segment</u>		
Rental income	655,784	524,938
<u>Department store operation segment</u>		
Rental income	29,452	-
<u>Hotel operation and management segment</u>		
Rental income	19,164	13,070
Total revenue	<u>13,651,759</u>	<u>9,485,522</u>
<b>(b) Geographical locations*:</b>		
<u>Mainland China</u>		
Water resources segment	7,780,224	5,456,598
Property investment and development segment	2,643,537	2,382,926
Department store operation segment	309,556	219,723
Electric power generation segment	723,918	499,389
Hotel operation and management segment	118,259	63,787
Road and bridge segment	1,088,436	172,051
	<u>12,663,930</u>	<u>8,794,474</u>
<u>Hong Kong</u>		
Hotel operation and management segment	41,799	25,207
<i>Revenue from contracts with customers</i>	12,705,729	8,819,681
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	241,630	127,833
Rental income	704,400	538,008
Total revenue	<u>13,651,759</u>	<u>9,485,522</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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on bank and other borrowings	276,978	144,364
Interest on a loan from Guangdong Holdings Limited (the Company's ultimate holding company)	42,695	-
Interest on loans from fellow subsidiaries	26,485	6,771
Interest on lease liabilities	<u>12,648</u>	<u>16,240</u>
Finance costs incurred	358,806	167,375
Less: Interest capitalised	<u>(134,107)</u>	<u>(26,169)</u>
Finance costs charged for the period	<u><u>224,699</u></u>	<u><u>141,206</u></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 1.99% and 6.50% per annum for the six months ended 30 June 2021 (2020: between 4.45% and 4.90%).

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Bank interest income**	(104,030)	(194,753)
Interest income from receivables under a cooperative arrangement**	(65,791)	(35,042)
Cost of inventories sold*	755,965	451,586
Cost of services rendered*	4,989,609	2,517,727
Cost of properties sold*	1,502,545	1,330,400
Depreciation of property, plant and equipment	280,580	223,845
Depreciation of right-of-use assets	39,788	27,298
Government subsidies***^	(16,856)	(23,622)
Amortisation of operating concession rights*	611,333	537,506
Amortisation of other intangible assets	<u>2,128</u>	<u>-</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	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current - Hong Kong		
Charge for the period	4,566	5,418
Current - Mainland China		
Charge for the period	1,610,609	1,393,963
Underprovision in prior years	3,615	7,337
Deferred tax	<u>(258,167)</u>	<u>(293,619)</u>
Total tax charge for the period	<u>1,360,623</u>	<u>1,113,099</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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, which became effective from 1 January 2018, enterprises are subject to corporate income tax at a rate of 25% (2020: 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	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interim – HK 18.17 cents (2020: HK 17.64 cents) per ordinary share	<u>1,187,922</u>	<u>1,153,272</u>

At a meeting of the board of directors held on 30 August 2021 (2020: 25 August 2020), the directors resolved to pay to shareholders of the Company an interim dividend of HK 18.17 cents (2020: HK 17.64 cents) per ordinary share for the six months ended 30 June 2021.

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

The calculations of the basic earnings per share amounts for the six months ended 30 June 2021 and 2020 are based on:

	For the six months ended 30 June	
	2021	2020
	(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>2,762,835</u>	<u>2,369,219</u>
	For the six months ended 30 June	
	2021	2020
	(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 2021 and 2020 in the calculation of diluted earnings per share as there were no dilutive potential ordinary shares during the periods ended 30 June 2021 and 2020.

## 10. RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

Included in the Group's receivables, prepayments and other assets as at 30 June 2021 are trade and bills receivables of HK\$2,342,329,000 (31 December 2020: HK\$1,097,927,000), 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 and bills receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has certain concentration of credit risk whereby 19% (31 December 2020: Nil) and 6% (31 December 2020: 11%) of the total trade and bills receivables were due from each of the two customers (31 December 2020: one customer). The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest bearing.

An ageing analysis of the Group's trade and bills 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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current or less than 3 months past due	1,863,833	967,479
3 months to 6 months past due	96,719	5,706
6 months to 1 year past due	86,800	52,748
More than 1 year past due	<u>357,100</u>	<u>99,255</u>
	2,404,452	1,125,188
Less: Loss allowance	<u>(62,123)</u>	<u>(27,261)</u>
	<u>2,342,329</u>	<u>1,097,927</u>

## 11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

The Group's payables, accruals and other liabilities are non-interest-bearing except certain bills payables and are normally settled on 60-day terms. Included in the Group's payables, accruals and other liabilities as at 30 June 2021 are trade and bills payables of HK\$2,263,406,000 (31 December 2020: HK\$1,330,800,000). An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 3 months	1,748,031	1,260,388
3 months to 6 months	288,462	67,009
6 months to 1 year	<u>226,913</u>	<u>3,403</u>
	<u>2,263,406</u>	<u>1,330,800</u>

## 12. CONTINGENT LIABILITIES

As at 30 June 2021, 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 2021, the Group's outstanding guarantees amounted to HK\$1,261,514,000 (31 December 2020: HK\$1,284,465,000) for these guarantees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

The Board hereby reports the results of the Group for the six months ended 30 June 2021 (the “Period”). The Group’s unaudited consolidated profit attributable to owners of the Company amounted to HK\$2,763 million (2020: HK\$2,369 million), an increase of 16.6% as compared with the same period last year. Basic earnings per share increased by 16.6% over the same period last year to HK 42.26 cents (2020: HK 36.24 cents).

## INTERIM DIVIDEND

The Board declares an interim dividend of HK 18.17 cents per ordinary share for the Period (2020: HK 17.64 cents).

## FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$13,652 million (2020: HK\$9,486 million), an increase of 43.9% as compared with the same period last year. The increase in revenue was mainly attributable to a better performance in water resources business, infrastructure business and property investment and development business during the Period.

The unaudited consolidated profit before tax for the Period increased by 18.9% or HK\$719 million to HK\$4,525 million (2020: HK\$3,806 million), which was mainly due to a better performance in property investment and development business and water resources business during the Period. Furthermore, the performance in infrastructure business, department store operation business and hotel operation and management business for the Period had various degree of recovery as compared to the outbreak of COVID-19 pandemic (the “Pandemic”) in 2020. The net gain arising from fair value adjustments for investment properties was HK\$101 million (2020: net deficit of HK\$306 million), causing an addition in profit before tax by HK\$407 million for the Period. The net exchange loss of the Group for the Period amounted to HK\$29 million (2020: net exchange gain of HK\$51 million). Net finance costs of the Group for the Period was HK\$108 million (2020: net interest income of HK\$70 million). The unaudited consolidated profit attributable to owners of the Company for the Period increased by 16.6% to HK\$2,763 million (2020: HK\$2,369 million).

As at 30 June 2021, the unaudited equity attributable to owners of the Company was HK\$44,721 million (31 December 2020: HK\$44,228 million (audited)), increased by approximately HK\$493 million during the Period. The changes for the Period mainly represented the unaudited consolidated profit for the Period attributable to owners of the Company of HK\$2,763 million, dividends distributed during the Period of HK\$2,700 million and the other comprehensive gain of HK\$498 million in relation to the exchange differences on translation of foreign operations as a result of Renminbi appreciation.



## **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 2021, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (31 December 2020: 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 1.294 billion tons (2020: 1.056 billion tons), an increase of 22.5%, which generated a revenue of HK\$3,539 million (2020: HK\$3,233 million), an increase of 9.5% over the same period last year.

The Hong Kong Water Supply Agreement for 2021 to 2023 between the Government of the Hong Kong Special Administrative Region and the Guangdong Provincial Government was signed on 28 December 2020. Pursuant to the new Hong Kong Water Supply Agreement, the annual basic water prices for the three years of 2021, 2022 and 2023 are HK\$4,885.53 million, HK\$4,950.51 million and HK\$5,016.35 million, respectively. The actual water price for 2021 is to be frozen at the 2020 level (i.e. HK\$4,821.41 million), which is a special arrangement of the Guangdong Provincial Government in consideration of the impact of the Pandemic in Hong Kong.

According to a water price deduction mechanism newly adopted and applicable for the years from 2021 to 2029, the annual basic water price shall be deducted basing on the quantity of water supplied to Hong Kong which is conserved (i.e. the difference between the annual supply ceiling of 820 million tons and the actual quantity of water imported, with a minimum annual water supply quantity of 615 million tons from 2021 to 2023) in a particular year using a unit rate. The unit rates for each cubic metre of water supplied to Hong Kong which is conserved for the three years of 2021, 2022 and 2023 are HK\$0.300, HK\$0.304 and HK\$0.308, respectively.

The revenue from water sales to Hong Kong for the Period increased by 1.3% to HK\$2,665 million (2020: HK\$2,630 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period increased by 44.9% to HK\$874 million (2020: HK\$603 million). The profit before tax for the Period, excluding net exchange differences and net finance costs, of the Dongshen Water Supply Project was HK\$2,360 million (2020: HK\$2,181 million), 8.2% 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 People's Republic of China (the "PRC").

On 20 April 2021, the Group completed the acquisition of 53% equity interest of 嘉誠環保工程有限公司 (Jiacheng Environmental Engineering Company Limited<sup>▲</sup>) ("Jiacheng Environmental Engineering") and its subsidiaries ("Jiacheng Environmental Engineering Group"). Jiacheng Environmental Engineering Group is mainly engaged in environmental engineering works in Henan Province and Hebei Province, the PRC. Pursuant to the share transfer agreements, an aggregate amount of no more than RMB3,970 million (equivalent to approximately HK\$4,771 million), comprising share transfer considerations, guarantee for bank refinancing and commitments to provide financial assistance to existing and new water investment projects, is contemplated to be provided by the Group. The total designed water supply capacity and designed waste water processing capacity of its existing water projects are 50,000 tons per day and 468,000 tons per day, respectively. In addition, Jiacheng Environmental Engineering has successfully bid for certain water resources projects and the total designed waste water processing capacity of these potential projects is 320,000 tons per day. Further details of the transaction are set out in the Company's announcement dated 19 April 2021. Other than the above investment, the Group also successfully bid/contracted for six new water resources projects respectively located in Jieyang City and Yunfu City of Guangdong Province, Pizhou City and Xuyi County of Jiangsu Province, Nanchang County of Jiangxi Province and Danzhou City of Hainan Province, the PRC, with total designed water supply capacity and waste water processing capacity of 517,000 tons per day and 83,000 tons per day, respectively. The expected total investment amount of these projects is approximately RMB2,351 million (equivalent to approximately HK\$2,825 million).

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 as at 30 June 2021 are 12,929,000 tons per day (31 December 2020: 12,412,000 tons per day) and 2,610,200 tons per day (31 December 2020: 1,739,200 tons per day), respectively.

## Capacity of Water Resources Projects in Operation

The water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries and associates of the Company are as follows:

<u>Name of subsidiaries of the Company</u>	<u>Water supply capacity (tons per day)</u>	<u>Waste water processing capacity (tons per day)</u>
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd. ▲)	290,000	-
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd. ▲)	310,000	250,000
Yizheng Yuehai Water Supply Co., Ltd.	150,000	-
Gaoyou GDH Water Co., Ltd.	150,000	-
Baoying GDH Water Co., Ltd.	130,000	-
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd. ▲)	100,000	-
梧州粵海江河水務有限公司 (Wuzhou Guangdong Jianghe Water Co., Ltd. ▲)	355,000	-
Zhaoqing HZ GDH Water Co., Ltd.	120,000	-
遂溪粵海水務有限公司 (Suixi Guangdong Water Co., Ltd. ▲)	70,000	-
海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd. ▲)	100,000	20,000
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd. ▲)	73,500	-
盱眙粵海水務有限公司 (Xuyi Guangdong Water Co., Ltd. ▲)	100,000	-
Wuzhou GDH Environmental Protection Development Co., Ltd.	-	140,000
東莞市常平粵海環保有限公司 (Dongguan Changping Guangdong Huanbao Co., Ltd. ▲)	-	70,000
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd. ▲)	-	50,000
五華粵海環保有限公司 (Wuhua Guangdong Huanbao Co., Ltd. ▲)	-	40,000
東莞市道滘粵海環保有限公司 (Dongguan Daojiao Guangdong Huanbao Co., Ltd. ▲)	-	40,000
興寧粵海環保有限公司 (Xingning Guangdong Huanbao Co., Ltd. ▲)	-	3,000
開平粵海污水處理有限公司 (Kaiping Guangdong Sewage Treatment Co., Ltd. ▲)	-	25,000
五華粵海清源環保有限公司 (Wuhua Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	15,000
汕尾粵海環保有限公司 (Shanwei Guangdong Huanbao Co., Ltd. ▲)	-	30,000
高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd. ▲)	100,000	-
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd. ▲) and its subsidiaries	742,000	81,000
五華粵海綠源環保有限公司 (Wuhua Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	11,000
六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Co., Ltd. ▲)	-	115,000
昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd. ▲)	24,000	20,000
雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd. ▲)	50,000	-
大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd. ▲)	-	21,500
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	28,500
陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd. ▲)	-	11,300
雲浮市自來水有限公司 (Yunfu City Water Supply Co., Ltd. ▲)	105,000	-
雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Co., Ltd. ▲)	-	60,000
雲浮市雲安區怡源環保有限公司 (Yunfu City Yunan District Yiyuan Huanbao Co., Ltd. ▲)	-	10,000
雲浮市粵海清源環保有限公司 (Yunfu City Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	15,000
郁南縣粵海環保有限公司 (Yunan County Guangdong Huanbao Co., Ltd. ▲)	-	20,000
陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd. ▲)	-	20,000
揭陽粵海水務有限公司 (Jieyang Guangdong Water Co., Ltd. ▲)	460,000	-
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd. ▲)	370,000	-
潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd. ▲)	-	20,000
廣東粵海韶投水務有限責任公司 (Guangdong Shaotou Water Co., Ltd. ▲)	674,000	-
吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd. ▲)	-	25,000
南昌縣贛渤水務有限公司 (Nanchang County Ganbo Water Co., Ltd. ▲)	39,500	-
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd. ▲)	20,000	-
Jiacheng Environmental Engineering Group	10,000	403,000
Total as at 30 June 2021	<u>4,543,000</u>	<u>1,544,300</u>
Total as at 30 June 2020	<u>2,698,500</u>	<u>819,300</u>

<u>Name of associates of the Company</u>	<u>Water supply capacity (tons per day)</u>
Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd	600,000
Guangzhou Nansha GDH Water Co., Ltd.	430,000
汕頭市粵海水務有限公司 (Shantou Guangdong Water Co., Ltd. ▲)	920,000
Total as at 30 June 2021	<u>1,950,000</u>
Total as at 30 June 2020	<u>1,920,000</u>

### Capacity of Water Resources Projects under Construction

The water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants under construction by each of the subsidiaries and associate of the Company as at 30 June 2021 are as follows:

<u>Name of subsidiaries of the Company</u>	<u>Water supply capacity (tons per day)</u>	<u>Waste water processing capacity (tons per day)</u>
恩施粵海水務有限公司 (Enshi Guangdong Water Co., Ltd. ▲)	400,000	-
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd. ▲)	1,060,000	-
邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd. ▲)	250,000	-
荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd. ▲)	80,000	-
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd. ▲)	50,000	-
惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	8,500
惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	20,000
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	200,000
五華粵海碧源環保有限公司 (Wuhua Guangdong Biyuan Huanbao Co., Ltd. ▲)	-	40,000
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd. ▲)	200,000	-
揭陽粵海水務有限公司 (Jieyang Guangdong Water Co., Ltd. ▲)	100,000	-
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd. ▲)	100,000	-
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd. ▲)	-	3,500
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd. ▲)	20,000	-
揭陽粵海四航國業水務有限公司 (Jieyang Guangdong Sihang Guoye Water Co., Ltd. ▲)	220,000	-
邳州粵海環保有限公司 (Pizhou Guangdong Huanbao Co., Ltd. ▲)	-	35,000
Jiacheng Environmental Engineering Group	-	65,000
Total	<u>2,480,000</u>	<u>372,000</u>

<u>Name of associate of the Company</u>	<u>Water supply capacity (tons per day)</u>
興化粵海水務有限公司 (Xinghua Guangdong Water Co., Ltd. ▲)	<u>430,000</u>

Revenue of Other Water Resources Projects for the Period in aggregate increased by 90.5% to HK\$4,500,581,000 (2020: HK\$2,362,688,000), of which income from construction services amounted to HK\$2,570,826,000 (2020: HK\$1,348,805,000). The growth was mainly attributable to additional returns from those water resources projects newly acquired or launched as well as an 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\$681,987,000 (2020: HK\$384,157,000) in aggregate, 77.5% higher than that in the same period last year.

## Property Investment and Development

### *Mainland China*

#### *GDH Teem*

As at 30 June 2021, 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<sup>▲</sup>) (“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 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 3.2% to HK\$498,712,000 (2020: HK\$515,444,000), which was the result of mixed impacts of the drop in property management fee income following the disposal of 廣東粵海天河城商業管理有限公司 (GDH Teem Commercial Management Co., Ltd.<sup>▲</sup>) and the increase in the Hong Kong dollar equivalent of revenue from rental operation as a result of increase in average exchange rate of Renminbi by 8.5% compared with that in the same period last year. Since the real estate tax exemption policy introduced in the same period last year ceased to exist, the profit before tax for the Period, excluding changes in fair value of investment properties and net interest income, decreased by 2.6% to HK\$363,625,000 (2020: HK\$373,339,000).

The shopping mall of Teem Plaza, known as the Teemall, had an average occupancy rate of nearly 99.9% during the Period (2020: 99.9%). The mall is successful in retaining existing brand-name tenants and attracting new ones.

The office building of Teem Plaza, known as Teem Tower, with an average occupancy rate of 94.1% (2020: 96.7%) during the Period, had a total revenue for the Period of HK\$109,550,000 (2020: HK\$100,057,000), increasing by 9.5%. The profit before tax for the Period, excluding changes in fair value of investment properties, increased by 2.3% to HK\$92,050,000 (2020: HK\$90,000,000).

### *Panyu GDH Plaza*

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<sup>▲</sup>) ("Wanye") is 31.06%. 廣州粵海天河城投資有限公司 (Guangzhou YueHai Tianhecheng Investment Co., Ltd. <sup>▲</sup>), a 60%-owned subsidiary of GDH Teem, directly holds 68% interest in Wanye.

Wanye owns a parcel of land in Panyu Wanbo Central Business District, which has been developed into a large-scale integrated commercial project with a total gross floor area ("GFA") of approximately 383,000 sq.m. (including car-parking spaces) and is now known as Panyu GDH Plaza. As at 30 June 2021, the cumulative land and development cost incurred by the Group for Panyu GDH Plaza amounted to approximately HK\$3,749 million (31 December 2020: approximately HK\$3,706 million).

The development of the commercial residential units and offices of Panyu GDH Plaza with a total GFA of approximately 166,000 sq.m. (including car-parking spaces) had been completed and are available for sale, of which properties with GFA of approximately 109,700 sq.m. are held for sale. As at 30 June 2021, sales contracts for accumulated GFA of approximately 108,900 sq.m. (31 December 2020: approximately 102,800 sq.m.) had been signed, in which properties with accumulated GFA of approximately 107,300 sq.m. (31 December 2020: approximately 99,000 sq.m.) had been delivered, representing 97.8% (31 December 2020: approximately 90.2%) of available completed properties held for sale.

The shopping mall complex of Panyu GDH Plaza, known as Panyu Teemall, comprises two connected shopping areas and it was opened on 25 December 2020 with an occupancy rate of 84.0%. Panyu Teemall has a total GFA of approximately 217,000 sq.m. (including car-parking spaces), of which the commercial area for lease is approximately 144,000 sq.m.. Panyu Teemall had an average occupancy rate of 87.8% (2020: Nil) during the Period.

Revenue of Panyu GDH Plaza for the Period was HK\$428,937,000 (2020: HK\$408,195,000), of which income from sales of properties and revenue of Panyu Teemall amounted to HK\$290,400,000 (2020: HK\$408,195,000) and HK\$138,537,000 (2020: Nil), respectively. Profit before tax of Panyu GDH Plaza for the Period, excluding changes in fair value of investment properties and net interest income, amounted to HK\$241,382,000 (2020: HK\$262,460,000).

### *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, had an average occupancy rate of 92.5% (2020: 90.9%) during the Period. Revenue of Tianjin Teem Shopping Mall for the Period was HK\$96,064,000 (2020: HK\$85,438,000), increasing by 12.4%. 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\$35,340,000 (2020: HK\$43,246,000), decreasing by 18.3%.

## Guangdong Land Holdings Limited (“GD Land”)

The Company’s effective interest in GD Land is approximately 73.82%.

On 29 October 2020, GD Land entered into agreements with certain subsidiaries of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited<sup>▲</sup>) (“Guangdong Holdings”), the ultimate holding company of the Company, to acquire 51% interest in 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.<sup>▲</sup>) and its 51% outstanding shareholder’s loan at a total consideration of approximately RMB954 million (equivalent to approximately HK\$1,143 million) and 100% interest in 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.<sup>▲</sup>) at a consideration of approximately RMB274 million (equivalent to approximately HK\$328 million). The two acquisitions were completed in January 2021.

Details of the completed properties held for sale, properties held for sale under development and investment properties under development of GD Land are listed below:

### Completed Properties Held for Sale

Property project	Location	Use	Interest held by GD Land	Approximate GFA of the project (sq.m.)	Accumulated GFA contracted (sq.m.)	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
						Period under review (sq.m.)	Accumulated (sq.m.)	
Northwestern Land of Shenzhen GDH City	Shenzhen City, the PRC	Business apartment/ Commercial	100%	114,654	81,839	19,874	42,033	36.7%
Guangzhou Laurel House	Guangzhou City, the PRC	Residential	100%	65,636	64,821	9,971	64,167	97.8%
Baohuaxuan	Guangzhou City, the PRC	Residential	100%	3,884	3,884	200	3,884	100.0%
Ruyingju	Guangzhou City, the PRC	Residential	80%	94,617	94,617	193	94,617	100.0%
Ruyingju	Guangzhou City, the PRC	Car-parking spaces	80%	8,052	5,254	267	5,246	65.2%

During the Period, GD Land’s properties recorded total contracted GFA (including completed properties held for sale and properties held for sale under development) and delivered GFA of approximately 85,000 sq.m. (2020: 16,000 sq.m.) and 31,000 sq.m. (2020: 29,000 sq.m.), respectively. Revenue of GD Land for the Period increased by 20.3% to HK\$2,283,775,000 (2020: HK\$1,898,483,000), of which income from sales of properties amounted to HK\$2,273,904,000 (2020: HK\$1,890,703,000). The profit before tax of GD Land for the Period, excluding changes in fair value of investment properties and net finance costs, was HK\$566,906,000 (2020: HK\$551,682,000).

Properties Held for Sale under Development and Investment Properties under Development

Property project	Location	Use	Interest held by GD Land	Approximate total site area (sq.m.)	Approximate GFA* (sq.m.)	Progress	Expected completion and filing date
Northern Land of Shenzhen GDH City Project	Shenzhen City, the PRC	Commercial/ Offices/Mall	100%	33,802	146,551	Commercial shopping building superstructure and tower superstructure topped out, and renovation works in progress	2nd half of 2022
Southern Land of Shenzhen GDH City Project	Shenzhen City, the PRC	Offices/Mall	100%	16,044	199,500	Construction works of tower superstructure and commercial shopping building structure in progress	2023
Chenyuan Road Project	Jiangmen City, the PRC	Residential/ Commercial service	100%	59,705	164,216	Superstructure of the first and second phases topped out, and superstructure construction works of the remaining properties in progress	2nd half of 2022
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential/ Commercial	100%	66,090	166,692	Superstructure construction works of the first phase properties in progress, and foundation piling works for other properties underway	2024
Foshan Laurel House Project	Foshan City, the PRC	Residential/ Commercial	100%	43,284	151,493	Superstructure construction works of the first phase properties in progress, and foundation piling works for other properties underway	2023
Zhongshan GDH City Project	Zhongshan City, the PRC	Residential	97.64%	98,811	247,028	Superstructure construction works of the first phase properties in progress, and construction works of foundation slab and piling works for other properties underway	2023
Jiangmen Ganhua Project (Jiangmen Land No. 3-5)	Jiangmen City, the PRC	Residential/ Commercial	51%	174,538	396,600	Superstructure of some properties on Land No.3 topped out, superstructure construction works of other properties in progress, and superstructure construction works of Land No.4 in progress	2026
Huizhou Dayawan Project	Huizhou City, the PRC	Residential/ Commercial	100%	30,698	92,094	Superstructure construction, foundation piling and earthworks in progress	2023

*\*Note: Including (1) underground commercial area of the Shenzhen GDH City Project with a GFA of 30,000 sq. m.; and (2) common area and area transfer to the government of each project.*



## Projects Which Pre-sale Has Commenced

Property project	Location	Use	Interest held by GD Land	Approximate	Approximate GFA		The proportion of accumulated GFA contracted to GFA available for sale (sq. m.)	Date of pre-sale
				included in calculation of plot ratio (sq. m.)	Period under review (sq. m.)	contracted Accumulated (sq. m.)		
Chenyuan Road Project	Jiangmen City, the PRC	Residential / Commercial service	100%	164,216	24,922	24,922	15.2%	January 2021
Jiangmen Ganhua Project (Jiangmen Land No. 3 - 5)	Jiangmen City, the PRC	Residential / Commercial	100%	396,600	15,055	15,055	3.8%	May 2021
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential / Commercial	100%	166,692	110	110	0.1%	June 2021

## **Hong Kong**

### *Guangdong Investment Tower*

The average occupancy rate of Guangdong Investment Tower for the Period was 85.5% (2020: 99.2%). The total revenue for the Period decreased by 14.5% to HK\$24,563,000 (2020: HK\$28,739,000).

## **Department Store Operation**

As at 30 June 2021, the Group operated six stores with a total leased area of approximately 126,600 sq. m. (31 December 2020: 125,800 sq. m.). The total revenue for the Period increased by 54.3% to HK\$339,008,000 (2020: HK\$219,723,000). The profit before tax for the Period increased by 63.0% to HK\$84,258,000 (2020: HK\$51,703,000). The increase in total revenue and profit before tax for the Period was mainly due to slight rebound in foot traffic and sales volume as compared to the outbreak of the Pandemic in 2020.

The revenue of the stores operated by the Group for the six months ended 30 June 2021 was as follows:

	Leased area sq. m.	Revenue for the six months ended 30 June		Changes %
		2021 HK\$'000	2020 HK\$'000	
Teemall Store	39,800	221,274	140,454	+57.5
Wan Bo Store	20,100	32,396	23,966	+35.2
Ming Sheng Store	11,900	13,184	7,998	+64.8
Dong Pu Store	28,300	47,327	32,121	+47.3
Ao Ti Store	21,500	24,524	13,906	+76.4
Dongguan Store (closed in April 2020)	-	-	1,021	-100.0
Nanhai Store	5,000	303	257	+17.9
	<u>126,600</u>	<u>339,008</u>	<u>219,723</u>	<u>+54.3</u>

## Hotel Ownership, Operation and Management

As at 30 June 2021, the Group's hotel management team managed a total of 28 hotels (31 December 2020: 37 hotels), of which three were located in Hong Kong, one in Macau and 24 in Mainland China. As at 30 June 2021, 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 Sheraton Guangzhou Hotel in Guangzhou, which was managed by Sheraton Overseas Management Corporation. One new star-rated hotel situated in Zhuhai City was under construction by the Group as at 30 June 2021.

During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$937 (2020: HK\$852) whereas the average room rate of the remaining four star-rated hotels were HK\$356 (2020: HK\$365). The average occupancy rate of Sheraton Guangzhou Hotel was 69.3% (2020: 40.2%) and that of the other four star-rated hotels was 54.0% (2020: 27.4%) during the Period.

As compared to the outbreak of the Pandemic in 2020, the overall demand for accommodation has recovered slightly. Accordingly, the revenue of hotel ownership, operation and management business for the Period increased by 75.6% to HK\$179,222,000 (2020: HK\$102,064,000). The loss before tax for the Period, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$31,374,000 (2020: HK\$64,997,000).

## Energy Projects

### *GDH Energy Project*

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% interest in 中山粤海能源有限公司 (Zhongshan GDH Energy Co., Ltd.<sup>▲</sup>) ("GDH Energy"). GDH Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the Period amounted to 1,405 million kwh (2020: 1,257 million kwh), increasing by 11.8%. Due to increase in sales of electricity and electricity tariff, revenue of GDH Energy project (including intersegment sales) generated from electricity sales and related operations for the Period increased by 44.4% to HK\$878,709,000 (2020: HK\$608,685,000). Due to the significant increase in coal price, the profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$84,103,000 (2020: HK\$106,337,000), a decrease of 20.9%.

### *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 2021, 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 7,481 million kwh (2020: 5,573 million kwh), an increase of 34.2%. Revenue for the Period increased by 46.3% to HK\$3,385,508,000 (2020: HK\$2,314,358,000). As a result of the significant increase in coal price, the profit before tax of Yudean Jinghai Power for the Period was HK\$87,488,000 (2020: HK\$324,624,000), a decrease of 73.0%. The Group's share of profit in Yudean Jinghai Power amounted to HK\$16,404,000 (2020: HK\$60,867,000) during the Period, a decrease of 73.0%.

## 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. As at 30 June 2021, the main structural work of highway enhancement project of Xingliu Expressway has been completed with accumulated construction costs incurred of approximately RMB1,244 million (equivalent to approximately HK\$1,495 million) and it has been fully opened to traffic.

The average daily toll traffic flow of the Xingliu Expressway increased by 35.4% to 19,195 vehicle trips (2020: 14,176 vehicle trips) which was mainly due to the absence of the 79 days toll-free period as announced in the same period last year, the effect of which was partly offset by the impact of closed lanes caused by the highway enhancement project during the Period. The revenue of GDH Highway during the Period amounted to HK\$1,077,205,000 (2020: HK\$168,483,000), increasing by 5.39 times, which was due to the increase in revenue from construction services of HK\$799,754,000 (2020: Nil) arising from the highway enhancement project. Profit before tax during the Period, excluding net interest income, amounted to HK\$149,791,000 (2020: HK\$53,579,000), increasing by 1.80 times.

### *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\$5.713 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 2021, out of a total of eight Project Roads, three Project Roads (31 December 2020: two Project Roads) were completed and two Project Roads (31 December 2020: three Project Roads) were under construction. As at 30 June 2021, Development Costs amounting to approximately RMB1,573 million (equivalent to approximately HK\$1,890 million) (31 December 2020: approximately RMB1,453 million (equivalent to approximately HK\$1,726 million)) have been paid in relation to the Yinping PPP Project.

The total Accrued Interest Amount, Management Fee and maintenance fee of Yuehai Yinping recognised during the Period increased by 99.5% to HK\$77,022,000 (2020: HK\$38,609,000) and profit before tax increased by 129.1% to HK\$77,289,000 (2020: HK\$33,732,000) during the Period.

## **LIQUIDITY, GEARING AND FINANCIAL RESOURCES**

As at 30 June 2021, cash and cash equivalents of the Group increased by HK\$1,270 million to HK\$11,637 million (31 December 2020: HK\$10,367 million), of which 97.4% was denominated in Renminbi, 2.4% in Hong Kong dollars and 0.2% in United States dollars.

As at 30 June 2021, the Group's financial borrowings increased by HK\$9,472 million to HK\$20,910 million (31 December 2020: HK\$11,438 million), of which 16.1% was denominated in Hong Kong dollars and 83.9% in Renminbi, including the non-interest-bearing advance of HK\$236 million. Of the Group's total financial borrowings, HK\$5,198 million was repayable within one year while the remaining balances of HK\$10,233 million and HK\$5,479 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 96.0% floating rate borrowings, 2.6% fixed rate borrowings and 1.4% non-interest bearing borrowings as at 30 June 2021.

The Group maintained a credit facility of HK\$10,730 million as at 30 June 2021 (31 December 2020: HK\$5,591 million).

As at 30 June 2021, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was 28.2% (31 December 2020: 6.6%). The Group was in a healthy debt servicing position with the EBITDA/finance cost incurred as at 30 June 2021 being 15.6 times (31 December 2020: 28.9 times).

Net cash outflows from operating activities for the Period amounted to approximately HK\$1,871 million (2020: net cash inflows from operating activities of HK\$2,245 million), which was mainly due to completion of payment for the land parcels held by GD Land. GD Land recorded net cash outflows from operating activities for the Period which amounted to approximately HK\$4,129 million (2020: net cash inflows from operating activities of HK\$255 million). The Group's other segments continue to remain sound with consistent positive net operating cash inflows. 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 2021, except for (i) certain property assets of HK\$9,101 million (31 December 2020: property assets and leasehold land of HK\$5,780 million); (ii) certain revenue entitlement under service concession arrangements of water distribution, sewage treatment and toll road operations as security for bank and other loans of HK\$7,008 million (31 December 2020: HK\$2,957 million); (iii) equity interest in certain subsidiaries of the Group with total costs of approximately HK\$4,634 million (31 December 2020: HK\$1,391 million), which were pledged to secure certain bank and other loans, none of the property, plant and equipment, concession rights for water distribution, sewage treatment and toll road operations (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\$1,262 million (31 December 2020: approximately HK\$1,284 million) as disclosed in note 12 of this announcement, there was no other material contingent liability as at 30 June 2021 and 31 December 2020.

## **CAPITAL EXPENDITURE**

The Group's capital expenditure during the Period amounted to HK\$10,432 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, construction cost for the highway enhancement project and acquisitions of subsidiaries.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES**

As at 30 June 2021, total Renminbi borrowings amounted to HK\$17,535 million (31 December 2020: HK\$6,563 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 30 June 2021, the Group's total floating rate borrowings amounted to HK\$20,082 million (31 December 2020: HK\$11,103 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, global economic recovery has gained strength, but growth prospect varied greatly between developed countries and developing countries due to disparities in vaccine access and in economic structure. Domestically, the overall economic performance maintained a long-term stable and improving growth trend due to effective pandemic control measures. However, due to the combined effects of the novel coronavirus outbreak, acceleration of replacement of old growth drivers with new initiatives and Renminbi exchange rate fluctuations, economic fundamentals remain challenging. Macroeconomic development increasingly 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. 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 taking 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.

In regards to the risks from novel coronavirus epidemic, the Group will do the best to prevent and control by establishing and improving relevant management systems to guarantee safe and smooth production of different business segments and effectively minimize the product safety management risk as well as personnel safety management risk that come from the novel coronavirus.

### **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2021, the Group had a total of 10,038 employees, of which 1,991 were at the managerial level. Among the employees, 9,825 were employed by subsidiaries in Mainland China and 213 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$744,776,000 (2020: approximately HK\$586,858,000).

In 2021, the Group upheld its corporate culture with "responsibility, performance, teamwork and efficiency" as core values, encouraged its employees to work with diligence and commitment and exceed themselves. As part of its on-going efforts in building professional teams, the Group recruited more professionals and experts and talented university graduates that meet the needs of its business development, offered more training for employees with potential, and promoted the professional growth of its employees.

The remuneration policy of the Group is designed to ensure that the remuneration is competitive and in line with the development objectives and business performance of the Group. The remuneration package includes fixed salary, discretionary bonus, insurance and fringe benefits. The remuneration standards are based on factors such as qualifications, experience, job responsibility and performance of individual employees and market conditions. Discretionary bonus is subject to the performance-based incentive policy.

In order to enhance its employees' capabilities and skills, the Group encourages them to attend training and refresher programmes in their spare time for self-improvement, and provides targeted professional training sessions as per its business development requirements and on an as-needed basis.

## **REVIEW**

In the first half of 2021, global economic recovery has gained strength, with world merchandise trade, global industrial production, key raw material prices all showing significant recovery, but growth prospect varied greatly between developed countries and developing countries due to disparities in vaccine access and in economic structure. China's economy sustained a steady recovery with improvement in both production and demand. Faced with complex and challenging external environment and waves of novel coronavirus epidemic outbreaks, the Group adhered to the development strategy of "make progress while ensuring stability". On the one hand, the Group continued to strengthen operational efficiency of its core businesses while further optimizing its corporate governance and risk management mechanisms. On the other hand, the Group actively seized market opportunities and intensified efforts to expand its core business segments to safeguard the sustainable development of the Company.

## **PROSPECTS**

In the second half of 2021, divergence in world economic recovery is expected to continue, fueled by varying vaccine availability and fiscal support policies. The unprecedented global economic decline last year is expected to cause further aftershocks and supply-demand mismatches that could potentially hinder global economic recovery. China's economic recovery is expected to continue, though ongoing novel coronavirus 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. The Group will continue to implement its steady growth development strategy, maintain stable growth of its core businesses and strengthen its risk management capabilities in order to create long-term value for its stakeholders.

Looking ahead, the Group will continue its investments in water resources management, property investment and development as well as infrastructure segments, expanding its core business segments while optimizing its asset portfolio and resource allocation. 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 promote profit growth so as to further enhance the Company's financial performance and create long-term value.



## **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 2021 and, where appropriate, the applicable recommended best practices of the CG Code, save as disclosed below:

Due to travel restrictions as a result of the Pandemic, the Chairman of the board of Directors (the “Board”) was unable to attend the annual general meeting of the Company held on 22 June 2021 (the “2021 Annual General Meeting”) as required by Code Provision E.1.2. With the consent of the other Directors present, the Vice Chairman of the Board chaired the 2021 Annual General Meeting.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2021, 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 18.17 cents (2020: HK 17.64 cents) per ordinary share for the six months ended 30 June 2021 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 12 October 2021. The interim dividend is expected to be paid on or about Thursday, 28 October 2021.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed on Tuesday, 12 October 2021 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, 11 October 2021.

### **REVIEW OF INTERIM RESULTS**

The unaudited interim results of the Group for the six months ended 30 June 2021 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 2021 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, 30 August 2021

▲ *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 five Executive Directors, namely, Mr. HOU Wailin, Mr. LIN Tiejun, Mr. WEN Yinheng, Mr. TSANG Hon Nam and Ms. LIANG Yuanjuan; three Non-Executive Directors, namely, Mr. CAI Yong, Mr. LAN Runing and Mr. FENG Qingchun; and five Independent Non-Executive Directors, namely, Dr. CHAN Cho Chak, John, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses, Mr. WU Ting Yuk, Anthony and Mr. LI Man Bun, Brian David.*