

**2017**  
INTERIM REPORT



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## Corporate Information

as at 29 August 2017

### BOARD OF DIRECTORS

#### Executive Directors

Mr. HUANG Xiaofeng (*Chairman*)  
 Mr. WEN Yinheng (*Managing Director*)  
 Mrs. HO LAM Lai Ping, Theresa (*Company Secretary*)  
 Mr. TSANG Hon Nam (*Chief Financial Officer*)

#### Non-Executive Directors

Mr. CAI Yong  
 Mr. ZHANG Hui  
 Ms. ZHAO Chunxiao  
 Mr. LAN Runing  
 Mr. LI Wai Keung

#### Independent Non-Executive Directors

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### COMPANY SECRETARY

Mrs. HO LAM Lai Ping, Theresa

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
 China CITIC Bank, Guangzhou Branch  
 China Merchants Bank  
 Chong Hing Bank  
 DBS Bank Ltd., Hong Kong Branch  
 Hang Seng Bank  
 Industrial and Commercial Bank of China (Asia) Limited  
 Industrial and Commercial Bank of China,  
 Shenzhen Branch  
 Malayan Banking Berhad  
 Standard Chartered Bank  
 The Hongkong and Shanghai Banking  
 Corporation Limited  
 OCBC Wing Hang Bank Limited

### REGISTERED OFFICE

28th and 29th Floors  
 Guangdong Investment Tower  
 148 Connaught Road Central  
 Hong Kong  
 Telephone : (852) 2860 4368  
 Facsimile : (852) 2528 4386  
 Email : [ir@gdi.com.hk](mailto:ir@gdi.com.hk)  
 Website : [www.gdi.com.hk](http://www.gdi.com.hk)

### SHARE REGISTRAR

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

### SHARE INFORMATION

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

### SHAREHOLDERS' CALENDAR

Closure of Register of Members	12 October 2017
Interim Dividend Payable on or about	HK14.5 cents per ordinary share 27 October 2017

# Report on Review of Interim Financial Information



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## To the board of directors of Guangdong Investment Limited

*(Incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 38, which comprises the condensed consolidated statement of financial position of Guangdong Investment Limited (the “Company”) and its subsidiaries as at 30 June 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with HKAS 34.

**Ernst & Young**  
Certified Public Accountants  
Hong Kong

29 August 2017

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	3	5,919,914	5,319,514
Cost of sales		(2,155,179)	(1,706,863)
Gross profit		3,764,735	3,612,651
Other income		287,221	281,413
Gain on bargain purchase	19	1,212,514	–
Changes in fair value of investment properties		446,547	83,700
Selling and distribution expenses		(105,408)	(108,914)
Administrative expenses		(696,428)	(632,273)
Exchange differences, net		(5,945)	(145,045)
Other operating income, net		29,113	711
Finance costs	4	(50,735)	(62,621)
Share of profits less losses of associates		35,378	121,479
PROFIT BEFORE TAX	5	4,916,992	3,151,101
Income tax expense	6	(910,947)	(647,999)
PROFIT FOR THE PERIOD		4,006,045	2,503,102
Attributable to:			
Owners of the Company		3,785,856	2,275,104
Non-controlling interests		220,189	227,998
		4,006,045	2,503,102
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK59.37 cents	HK36.33 cents
Diluted		HK59.33 cents	HK36.30 cents



## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

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

## Condensed Consolidated Statement of Financial Position

30 June 2017

	<i>Notes</i>	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		7,510,563	6,691,743
Investment properties		15,367,962	12,561,194
Prepaid land lease payments		266,516	264,498
Goodwill		302,224	301,150
Investments in associates		1,671,145	1,716,163
Operating concession rights		14,343,783	14,140,407
Receivables under service concession arrangements	9	563,971	417,289
Available-for-sale financial assets		5,350	5,191
Prepayments and deposits	10	86,743	64,167
Deferred tax assets		154,539	61,507
Pledged bank deposits		23,044	22,358
<b>Total non-current assets</b>		<b>40,295,840</b>	36,245,667
<b>CURRENT ASSETS</b>			
Properties under development		5,258,456	–
Completed properties held for sale		527,325	–
Available-for-sale financial assets		6,059,693	7,623,090
Tax recoverable		1,969	5,996
Inventories		164,535	126,209
Receivables under service concession arrangements	9	10,561	10,247
Receivables, prepayments and deposits	10	1,420,410	803,200
Due from non-controlling shareholders of subsidiaries		93,908	93,548
Pledged bank deposits		28,805	27,948
Restricted bank balances		179,904	–
Cash and bank balances		11,610,916	7,194,452
<b>Total current assets</b>		<b>25,356,482</b>	15,884,690
<b>CURRENT LIABILITIES</b>			
Payables and accruals	13	(4,230,888)	(3,642,799)
Tax payable		(942,520)	(718,108)
Due to non-controlling shareholders of subsidiaries		(199,007)	(199,673)
Bank and other borrowings	14	(3,525,409)	(1,012,138)
Dividend payable		(1,961,346)	–
<b>Total current liabilities</b>		<b>(10,859,170)</b>	(5,572,718)
<b>NET CURRENT ASSETS</b>		<b>14,497,312</b>	10,311,972

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## Condensed Consolidated Statement of Financial Position

30 June 2017

	<i>Notes</i>	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
NET CURRENT ASSETS – page 6		<b>14,497,312</b>	10,311,972
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>54,793,152</b>	46,557,639
NON-CURRENT LIABILITIES			
Bank and other borrowings	14	<b>(1,956,426)</b>	(4,415,680)
Other liabilities	13	<b>(1,414,465)</b>	(1,389,413)
Deferred tax liabilities		<b>(4,665,169)</b>	(2,513,860)
Total non-current liabilities		<b>(8,036,060)</b>	(8,318,953)
Net assets		<b>46,757,092</b>	38,238,686
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	<b>8,966,177</b>	5,789,737
Reserves	18	<b>29,099,532</b>	26,432,231
Non-controlling interests		<b>38,065,709</b> <b>8,691,383</b>	32,221,968 6,016,718
Total equity		<b>46,757,092</b>	38,238,686



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company												
	Share capital (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Available-	Expansion fund reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
					for-sale financial assets revaluation reserve (Unaudited) HK\$'000								
At 1 January 2017	5,789,737	15,318*	44,958*	1,729,874*	13,818*	2,305,342*	(836,567)*	(8,085)*	80,852*	23,086,721*	32,221,968	6,016,718	38,238,686
Profit for the period	-	-	-	-	-	-	-	-	-	3,785,856	3,785,856	220,189	4,006,045
Other comprehensive income/(loss) for the period:													
Exchange differences on translation of foreign operations													
– Subsidiaries	-	-	-	-	-	-	816,257	-	-	-	816,257	255,927	1,072,184
– Associates	-	-	-	-	-	-	34,906	-	-	-	34,906	-	34,906
Net loss on available-for-sale financial assets	-	-	-	-	(10,733)	-	-	-	-	-	(10,733)	-	(10,733)
Total comprehensive income/(loss) for the period	-	-	-	-	(10,733)	-	851,163	-	-	3,785,856	4,626,286	476,116	5,102,402
Issue of shares (note 16)	3,176,440	-	-	-	-	-	-	-	-	-	3,176,440	-	3,176,440
Change in ownership interests in subsidiaries	-	-	-	-	-	-	-	2,028	-	-	2,028	(1,143)	885
Capital injection of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	119,192	119,192
Equity-settled share option arrangements	-	333	-	-	-	-	-	-	-	-	333	-	333
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(79,478)	(79,478)
Transfer to retained profits	-	-	-	-	-	(1,381)	-	-	-	1,381	-	-	-
Final 2016 dividends	-	-	-	-	-	-	-	-	-	(1,961,346)	(1,961,346)	-	(1,961,346)
Acquisition of subsidiaries (note 19)	-	-	-	-	-	-	-	-	-	-	-	2,159,978	2,159,978
Transfer from retained profits in accordance with the Undertaking (note 18)	-	-	-	-	-	-	-	-	25,934	(25,934)	-	-	-
Transfer to retained profits upon issue of new ordinary shares (note 18)	-	-	-	-	-	-	-	-	(106,786)	106,786	-	-	-
At 30 June 2017	8,966,177	15,651*	44,958*	1,729,874*	3,085*	2,303,961*	14,596*	(6,057)*	-*	24,993,464*	38,065,709	8,691,383	46,757,092

\* These reserve accounts comprise the consolidated reserves of HK\$29,099,532,000 (31 December 2016: HK\$26,432,231,000) in the condensed consolidated statement of financial position.

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company												
	Share capital (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Available-for-sale financial assets revaluation reserve (Unaudited) HK\$'000	Expansion fund reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2016	5,711,660	29,029	44,958	1,495,954	21,148	2,064,766	544,495	97,046	128,207	21,334,881	31,472,144	5,795,281	37,267,425
Profit for the period	-	-	-	-	-	-	-	-	-	2,275,104	2,275,104	227,998	2,503,102
Other comprehensive income/(loss) for the period:													
Exchange differences on translation of foreign operations													
- Subsidiaries	-	-	-	-	-	-	(307,694)	-	-	-	(307,694)	(120,409)	(428,103)
- Associates	-	-	-	-	-	-	(26,681)	-	-	-	(26,681)	(779)	(27,460)
Net loss on available-for-sale financial assets	-	-	-	-	(2,074)	-	-	-	-	-	(2,074)	-	(2,074)
Total comprehensive income/(loss) for the period	-	-	-	-	(2,074)	-	(334,375)	-	-	2,275,104	1,938,655	106,810	2,045,465
Capital injection of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	144,117	144,117
Share options exercised, net of share issue expenses	75,953	(16,344)	-	-	-	-	-	-	-	-	59,609	-	59,609
Equity-settled share option arrangements	-	1,277	-	-	-	-	-	-	-	-	1,277	-	1,277
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(178,950)	(178,950)
Transfer to retained profits	-	-	-	-	-	(1,140)	-	-	-	1,140	-	-	-
Final 2015 dividends	-	-	-	-	-	-	-	-	-	(1,503,519)	(1,503,519)	-	(1,503,519)
Transfer to retained profits upon issue of new ordinary shares (note 18)	-	-	-	-	-	-	-	-	(59,609)	59,609	-	-	-
At 30 June 2016	5,787,613	13,962	44,958	1,495,954	19,074	2,063,626	210,120	97,046	68,598	22,167,215	31,968,166	5,867,258	37,835,424

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,070,924	2,718,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Net movement in available-for-sale financial assets	3,022,416	1,360,542
Purchases of items of property, plant and equipment	(237,289)	(440,057)
Additions to investment properties	(525,111)	(319,565)
Additions to operating concession rights	(91,536)	(13,478)
Acquisition of subsidiaries	108,137	–
Increase in investment in an associate	–	(7,075)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	(627,862)	63,636
Settlement of consideration payable for the acquisition of subsidiaries in the prior years	(48,975)	(209,937)
Net movement in changes of non-controlling interests	885	–
Net cash flows from investing activities	1,600,665	434,066
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of new ordinary shares	–	59,609
New bank and other loans	–	135,656
Repayments of bank and other loans	–	(758,126)
Repayment of loan from a fellow subsidiary	(3,395)	–
New loan from a fellow subsidiary	–	35,670
New loan from the ultimate holding company	–	85,228
Capital injection from non-controlling shareholders of subsidiaries	81,627	144,117
Dividends paid to non-controlling shareholders	(114,290)	(198,732)
Dividends paid to shareholders	–	(1,503,519)
Cash flow used in other financing activities, net	(45,322)	(68,490)
Net cash flows used in financing activities	(81,380)	(2,068,587)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,590,209	1,083,782
Cash and cash equivalents at beginning of period	6,411,042	8,095,092
Effect of foreign exchange rate changes, net	168,360	(171,638)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,169,611	9,007,236
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,485,031	5,463,711
Non-pledged bank deposits with original maturity of less than three months when acquired	6,684,580	3,543,525
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	10,169,611	9,007,236
Non-pledged time deposits with original maturity of more than three months when acquired	1,441,305	1,115,551
Cash and bank balances as stated in the condensed consolidated statement of financial position	11,610,916	10,122,787

## Notes to Interim Financial Information

30 June 2017

### 1. GENERAL INFORMATION, KEY EVENTS AND ACCOUNTING POLICIES

Guangdong Investment Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong whose shares are publicly traded. The principal activities of the Company and its subsidiaries (collectively known as the “Group”) are described in note 3.

The unaudited interim financial information of the Group for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and 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”). The 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 as at 31 December 2016.

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 2016, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards and Interpretations) effective as at 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

## Notes to Interim Financial Information

30 June 2017

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

- (i) The water resources segment operates water distribution and sewage treatment in the mainland of the People's Republic of China (the "PRC" or "Mainland China") and Hong Kong;
- (ii) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development of properties in Mainland China. This segment also provides property management services to certain commercial properties;
- (iii) The department store segment operates department stores in Mainland China;
- (iv) The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province, Mainland China;
- (v) The hotel operation and management segment operates the Group's hotels and manages third parties' hotels in Hong Kong and Mainland China;
- (vi) The road and bridge segment invests in road and bridge projects; and
- (vii) The "others" segment provides treasury services in Hong Kong and Mainland China and engages in the provision of corporate services to other segments.

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

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

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

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

Intersegment sales are eliminated in full on consolidation.

## Notes to Interim Financial Information

30 June 2017

### 3. OPERATING SEGMENT INFORMATION (continued)

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



## Notes to Interim Financial Information

30 June 2017

### 3. OPERATING SEGMENT INFORMATION (continued)

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

## Notes to Interim Financial Information

30 June 2017

### 3. OPERATING SEGMENT INFORMATION (continued)

	Others		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	–	–	–	–	5,919,914	5,319,514
Intersegment sales	–	–	(151,980)	(70,107)	–	–
Other income from external sources	570	955	–	–	58,008	53,207
Other income from intersegment transactions	2,553	4,431	(4,034)	(4,431)	–	–
<b>Total</b>	<b>3,123</b>	<b>5,386</b>	<b>(156,014)</b>	<b>(74,538)</b>	<b>5,977,922</b>	<b>5,372,721</b>
<b>Segment results</b>	<b>40,412</b>	<b>(106,927)</b>	<b>–</b>	<b>24</b>	<b>3,490,622</b>	<b>2,864,037</b>
Interest income					136,069	97,393
Interest income from available-for-sale financial assets					58,640	89,554
Investment income from available-for-sale financial assets					34,504	41,259
Gain on bargain purchase					1,212,514	–
Finance costs					(50,735)	(62,621)
Share of profits less losses of associates	–	–	–	–	35,378	121,479
Profit before tax					4,916,992	3,151,101
Income tax expense					(910,947)	(647,999)
Profit for the period					4,006,045	2,503,102

## Notes to Interim Financial Information

30 June 2017

### 3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Water resources		Property investment and development		Department store		Electric power generation		Hotel operation and management	
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Segment assets	15,862,156	14,860,658	22,263,817	12,971,657	167,113	165,253	2,773,058	2,648,973	1,948,276	1,907,356
Investments in associates	459,539	441,437	-	-	166,243	159,032	1,041,967	1,112,390	3,396	3,304
Unallocated assets										
Total assets										
Segment liabilities	2,026,090	1,942,085	1,576,869	1,066,167	705,676	859,401	796,035	657,125	131,518	146,477
Unallocated liabilities										
Total liabilities										

Other segment information:

	For the six months ended 30 June 2017 (Unaudited) HK\$'000		For the six months ended 30 June 2016 (Unaudited) HK\$'000		For the six months ended 30 June 2017 (Unaudited) HK\$'000		For the six months ended 30 June 2016 (Unaudited) HK\$'000		For the six months ended 30 June 2017 (Unaudited) HK\$'000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Exchange differences, net	(18,219)	(131,819)	(61,999)	35,888	3,718	(1,693)	(23,278)	17,111	4,463	(3,141)

## Notes to Interim Financial Information

30 June 2017

### 3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Road and bridge		Others		Eliminations		Consolidated	
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Segment assets	2,870,478	2,880,264	10,161	26,962	-	-	45,895,059	35,461,123
Investments in associates	-	-	-	-	-	-	1,671,145	1,716,163
Unallocated assets							18,086,118	14,953,071
Total assets							65,652,322	52,130,357
Segment liabilities	102,593	82,046	84,319	68,053	-	-	5,423,100	4,821,354
Unallocated liabilities							13,472,130	9,070,317
Total liabilities							18,895,230	13,891,671

Other segment information:

	For the six months ended 30 June 2017 (Unaudited) HK\$'000		For the six months ended 30 June 2016 (Unaudited) HK\$'000		For the six months ended 30 June 2017 (Unaudited) HK\$'000		For the six months ended 30 June 2016 (Unaudited) HK\$'000	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Exchange differences, net	(11,647)	7,177	101,017	(68,568)	-	-	(5,945)	(145,045)

### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June 2017 (Unaudited) HK\$'000		For the six months ended 30 June 2016 (Unaudited) HK\$'000	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank and other borrowings	41,539			52,378
Interest on loans from the ultimate holding company and a fellow subsidiary (note 23(a)(v))	9,196			10,243
Total finance costs for the period	50,735			62,621

## Notes to Interim Financial Information

30 June 2017

### 5. PROFIT BEFORE TAX

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

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

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

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

### 6. INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

### 7. DIVIDENDS

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interim – HK14.5 cents (2016: HK12.0 cents) per ordinary share	947,984	751,760

At a meeting of the board of directors held on 29 August 2017 (2016: 24 August 2016), the directors resolved to pay to shareholders an interim dividend of HK14.5 cents (2016: HK12.0 cents) per ordinary share for the six months ended 30 June 2017.

## Notes to Interim Financial Information

30 June 2017

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

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

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	<b>3,785,856</b>	2,275,104

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>Number of shares</b>	
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>6,376,499,716</b>	6,261,831,845
Effect of dilution – weighted average number of ordinary shares assumed to have been issued:		
Share options	<b>4,333,620</b>	5,503,208
For the purpose of the diluted earnings per share calculation	<b>6,380,833,336</b>	6,267,335,053

### 9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

	<b>30 June 2017</b>	31 December 2016
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Receivables under service concession arrangements wholly attributable to sewage treatment operations	<b>574,532</b>	427,536
Less: Portion classified as current assets	<b>(10,561)</b>	(10,247)
Non-current portion	<b>563,971</b>	417,289

Receivables under service concession arrangements were neither past due nor impaired. Such receivables were due mainly from certain government authorities in Mainland China in respect of the Group's sewage treatment operations. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.



## Notes to Interim Financial Information

30 June 2017

### 10. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<i>Notes</i>	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Trade receivables, net of impairment		979,898	450,296
Other receivables, prepayments and deposits		523,954	412,833
Due from the ultimate holding company	23(d)	–	83
Due from the immediate holding company	23(d)	288	–
Due from fellow subsidiaries	23(d)	3,013	4,155
		<b>1,507,153</b>	867,367
Less: Portion classified as non-current assets		<b>(86,743)</b>	(64,167)
Current portion		<b>1,420,410</b>	803,200

Except for trade receivables as detailed below, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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

An aging analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 3 months	921,459	422,881
3 months to 6 months	22,868	11,034
6 months to 1 year	25,054	761
More than 1 year	15,193	20,758
	<b>984,574</b>	455,434
Less: Impairment	<b>(4,676)</b>	(5,138)
	<b>979,898</b>	450,296

## Notes to Interim Financial Information

30 June 2017

### 10. RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The aging analysis of the trade receivables that are not considered to be impaired is as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Neither past due nor impaired	<b>858,164</b>	297,832
Less than 3 months past due	<b>62,172</b>	123,543
3 months to 6 months past due	<b>22,769</b>	10,906
6 months to 1 year past due	<b>24,730</b>	758
More than 1 year past due	<b>12,063</b>	17,257
	<b>979,898</b>	450,296

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

### 11. FINANCIAL INSTRUMENTS BY CATEGORY

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

#### *Financial assets*

30 June 2017

	<b>Loans and receivables (Unaudited) HK\$'000</b>	<b>Available- for-sale financial assets (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
Available-for-sale financial assets	–	<b>6,065,043</b>	<b>6,065,043</b>
Receivables under service concession arrangements	<b>574,532</b>	–	<b>574,532</b>
Financial assets included in receivables, prepayments and deposits	<b>1,227,450</b>	–	<b>1,227,450</b>
Due from non-controlling shareholders of subsidiaries	<b>93,908</b>	–	<b>93,908</b>
Pledged bank deposits	<b>51,849</b>	–	<b>51,849</b>
Restricted bank balances	<b>179,904</b>	–	<b>179,904</b>
Cash and bank balances	<b>11,610,916</b>	–	<b>11,610,916</b>
	<b>13,738,559</b>	<b>6,065,043</b>	<b>19,803,602</b>

## Notes to Interim Financial Information

30 June 2017

### 11. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

*Financial assets (continued)*

31 December 2016

	Loans and receivables (Audited) HK\$'000	Available- for-sale financial assets (Audited) HK\$'000	Total (Audited) HK\$'000
Available-for-sale financial assets	–	7,628,281	7,628,281
Receivables under service concession arrangements	427,536	–	427,536
Financial assets included in receivables, prepayments and deposits	700,215	–	700,215
Due from non-controlling shareholders of subsidiaries	93,548	–	93,548
Pledged bank deposits	50,306	–	50,306
Cash and bank balances	7,194,452	–	7,194,452
	8,466,057	7,628,281	16,094,338

*Financial liabilities*

	Financial liabilities at amortised cost	
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Financial liabilities included in payables, accruals and other liabilities	3,176,042	3,395,038
Due to non-controlling shareholders of subsidiaries	199,007	199,673
Bank and other borrowings	5,481,835	5,427,818
Dividend payable	1,961,346	–
	10,818,230	9,022,529

## Notes to Interim Financial Information

30 June 2017

### 12. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<b>Financial assets</b>				
Available-for-sale financial assets	6,059,693	7,623,090	6,059,693	7,623,090

Aside from the non-current portion of receivables under service concession arrangements and bank and other borrowings, management has assessed that the fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts as at 30 June 2017 and 31 December 2016 because of the immediate or short term maturity of these financial instruments.

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

The fair values of the non-current portion of receivables under service concession arrangements and bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other borrowings as at 30 June 2017 and 31 December 2016 was assessed to be insignificant. The carrying amounts of the non-current portion of receivables under service concession arrangements and bank and other borrowings approximate their fair values.

#### Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>As at 30 June 2017 (Unaudited)</i>				
Available-for-sale financial assets	–	6,059,693	–	6,059,693
<i>As at 31 December 2016 (Audited)</i>				
Available-for-sale financial assets	–	7,623,090	–	7,623,090

During the period, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets (2016: Nil).

## Notes to Interim Financial Information

30 June 2017

### 13. PAYABLES AND ACCRUALS

	<i>Notes</i>	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Trade payables		652,053	578,166
Accruals, other payables and other liabilities		4,211,562	3,688,626
Deferred income		214,766	213,842
Due to the immediate holding company	23(d)	41,966	43,262
Due to the ultimate holding company	23(d)	3,176	3,011
Due to fellow subsidiaries	23(d)	112,085	104,292
Loan from a fellow subsidiary	23(d)	409,745	401,013
		<b>5,645,353</b>	5,032,212
Less: Portion classified as non-current liabilities		<b>(1,414,465)</b>	(1,389,413)
Current portion		<b>4,230,888</b>	3,642,799

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 3 months	651,374	577,896
3 months to 6 months	571	183
6 months to 1 year	108	87
	<b>652,053</b>	578,166

The Group's payables and accruals are non-interest-bearing and are normally settled on 60-day terms.

## Notes to Interim Financial Information

30 June 2017

### 14. BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	30 June 2017 (Unaudited) HK\$'000
<b>Current</b>			
Bank loans – unsecured	1.31% to 4.90%	2017-2018	3,278,815
Bank loans – secured	1.37% to 1.59%	2017	160,000
Other loans – unsecured	1.80% to 3.84%	2017	55,893
Other loans – unsecured	–	2017	30,701
			<b>3,525,409</b>
<b>Non-current</b>			
Bank loans – unsecured	1.31% to 7.20%	2018-2020	1,823,334
Other loans – unsecured	1.80% to 6.55%	2018-2024	133,092
			<b>1,956,426</b>
Total bank and other borrowings			<b>5,481,835</b>
	Effective interest rate	Maturity	31 December 2016 (Audited) HK\$'000
<b>Current</b>			
Bank loans – unsecured	1.15% to 1.70%	2017	768,122
Bank loans – secured	0.99% to 1.19%	2017	160,000
Other loans – unsecured	1.80% to 3.84%	2017	54,230
Other loans – unsecured	–	2017	29,786
			<b>1,012,138</b>
<b>Non-current</b>			
Bank loans – unsecured	1.10% to 1.70%	2018	4,286,551
Other loans – unsecured	1.80% to 6.55%	2018-2024	129,129
			<b>4,415,680</b>
Total bank and other borrowings			<b>5,427,818</b>



## Notes to Interim Financial Information

30 June 2017

### 15. OTHER LIABILITIES

As at 30 June 2017, included in other liabilities was a non-interest bearing receipt in advance of HK\$709,200,000 (31 December 2016: HK\$709,200,000), in which HK\$591,000,000 (31 December 2016: HK\$591,000,000) was grouped in non-current liabilities.

In prior years, the Government of the Hong Kong Special Administrative Region ("HKSAR") granted a loan facility with a principal amount of HK\$2,364 million (the "Loan Facility") to the Guangdong Provincial Government ("GPG") for the purpose of the Dongshen Water Supply Phase IV Renovation Project (the "Phase IV Renovation Project"). Pursuant to the concession agreement related to the Phase IV Renovation Project, the Loan Facility was utilised for the construction of the Phase IV Renovation Project. Upon the completion of the Phase IV Renovation Project during the year ended 31 December 2003, the Group acquired and recorded the assets of the Phase IV Renovation Project and assumed the repayment obligations of the Loan Facility from the GPG as a non-interest-bearing receipt in advance. The outstanding Loan Facility is settled through the deduction of future water revenue to be received by the Group from the Government of the HKSAR, by an annual amount of HK\$118,200,000 for 20 years commencing from December 2003.

### 16. SHARE CAPITAL

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Issued and fully paid: 6,537,821,440 (31 December 2016: 6,264,931,421) ordinary shares	<b>8,966,177</b>	5,789,737

A summary of the movements of the Company's share capital during the period is as follows:

	<b>Number of ordinary shares in issue (Unaudited)</b>	<b>Share capital (Unaudited) HK\$'000</b>
At 1 January 2017	<b>6,264,931,421</b>	<b>5,789,737</b>
Issue of new shares	<b>272,890,019</b>	<b>3,176,440</b>
At 30 June 2017	<b>6,537,821,440</b>	<b>8,966,177</b>

During the six months ended 30 June 2017, 272,890,019 shares (the "Consideration Share(s)") (31 December 2016: Nil) were issued to GDH Limited ("GDH"), the immediate holding company of the Company, as part of the consideration for acquisition of approximately 73.82% of the issued share capital of Guangdong Land Holdings Limited ("GD Land"), an entity listed on The Stock Exchange of Hong Kong Limited, at a price of HK\$10.39 per Consideration Share pursuant to the sale and purchase agreement dated 19 January 2017. Since the quoted closing price of one Consideration Share was HK\$11.64 upon completion of the acquisition on 18 April 2017, the issued share capital of the Company was increased by approximately HK\$3,176,440,000. Further details are set out in note 19(a) to the unaudited interim financial information.

## Notes to Interim Financial Information

30 June 2017

### 17. SHARE OPTION SCHEME

On 24 October 2008, the Company adopted a new share option scheme (the “2008 Scheme”). The purpose of the 2008 Scheme is to provide incentives to selected employees, officers and directors to contribute to the Group and to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to such employees, officers and directors or to serve such other purposes as the board of directors of the Company may approve from time to time. Eligible participants of the 2008 Scheme include the employees, officers or directors of a member of the Group. The 2008 Scheme unless otherwise terminated or amended, will remain in force for 10 years from 24 October 2008.

Movements in share options under the Company’s 2008 Scheme during the period are as follows:

	2017		2016	
	Weighted average exercise price HK\$ per share	Number of share options	Weighted average exercise price HK\$ per share	Number of share options
At 1 January	6.20	10,432,560	6.20	21,069,600
Forfeited during the period	6.20	(541,380)	6.20	(753,960)
Exercised during the period	6.20	–	6.20	(9,614,280)
At 30 June	6.20	9,891,180	6.20	10,701,360

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2016 was HK\$10.26 per share.

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

#### 30 June 2017

Number of share options	Exercise price* HK\$ per share	Exercise period** (dd.mm.yyyy)
669,060	6.20	22-01-2016 to 21-07-2018
3,119,400	6.20	22-01-2017 to 21-07-2018
6,102,720	6.20	22-01-2018 to 21-07-2018
9,891,180		

## Notes to Interim Financial Information

30 June 2017

### 17. SHARE OPTION SCHEME (continued)

30 June 2016

Number of share options	Exercise price* HK\$ per share	Exercise period** (dd.mm.yyyy)
153,600	6.20	22-01-2015 to 21-07-2018
784,260	6.20	22-01-2016 to 21-07-2018
3,254,500	6.20	22-01-2017 to 21-07-2018
6,509,000	6.20	22-01-2018 to 21-07-2018
10,701,360		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\* Further details regarding the share options granted under the 2008 Scheme are set out in (i) the "Share Option Scheme adopted on 24 October 2008" in the "Directors' Interests and Short Positions in Securities" section of the interim report on pages 48 and 49; and (ii) the "Share Options of the Company" section of the interim report on page 52.

### 18. RESERVES

One of the undertakings given to the High Court of the HKSAR by the Company in its capital reduction application in 2003 (the "Undertaking") relates to the setting up of a special reserve (the "Special Reserve") on the terms that for so long as there shall remain outstanding any debt of, or claim against the Company, which would be admissible to proof in a notional winding-up of the Company when the Undertaking became effective on 24 December 2003 (the "Effective Date") and the person entitled to the benefit thereof shall not have consented to the said reduction of capital or agreed otherwise, the Company shall credit to the Special Reserve: (a) any amount arising by reason of a release of any provision taken into account in establishing the accumulated losses of the Company as at 30 June 2003; or (b) any amount received by the Company as profit by way of distribution from a corporation which was a subsidiary of the Company at the Effective Date which is made by such subsidiary out of profit available for distribution prior to the Effective Date or any dividend paid to the Company in respect of any liquidation of a subsidiary commencing prior to that date.

During the six months ended 30 June 2017, the release of provision as determined above amounted to HK\$25,934,000 (six months ended 30 June 2016: Nil), and no profit (six months ended 30 June 2016: Nil) was distributed from the Company's subsidiary as determined above, which resulted in an aggregate transfer from retained profits to the Special Reserve of the Group and the Company of HK\$25,934,000 (six months ended 30 June 2016: Nil).

The Special Reserve shall not be treated as realised profits of the Company and shall, for so long as the Company shall remain a limited company, be treated as an undistributable reserve of the Company for the purpose of the Hong Kong Companies Ordinance; further, the amount standing to the credit of the Special Reserve may be reduced by an amount equal to any increase, after the Effective Date, in the paid-up share capital account of the Company which results from an issue of shares (other than for the purposes of any redemption or purchase by the Company of its own shares) for cash or other consideration or by way of the capitalisation of distributable profits or reserves. The Company shall be at liberty to transfer the amount so reduced to the general reserves of the Company and the same shall become available for distribution.

## Notes to Interim Financial Information

30 June 2017

### 18. RESERVES (continued)

During the six months ended 30 June 2017, the Company issued 272,890,019 new shares which has resulted in an increase in the paid-up share capital in the amount of approximately HK\$3,176,440,000 (before any share issue expenses) (six months ended 30 June 2016: HK\$59,608,536). As the increase in the paid-up share capital exceeds the amount standing to the credit of the Special Reserve, the entire amount of HK\$106,786,802 standing to the credit of the Special Reserve has been transferred to retained profits of the Company.

The amount credited to the Special Reserve shall not at any time exceed HK\$2,984,676,517 (the "Limit"). The Limit may be reduced by the amount of any increase, after the Effective Date, in the paid-up share capital account of the Company which results from the issue of shares as referred to above. The Limit may also be reduced by the amount of any non-permanent loss of the Company as at 30 June 2003 which subsequently turns into a permanent loss. During the six months ended 30 June 2017, the Limit of the Group's Special Reserve was reduced by (i) an increase in paid-up share capital of approximately HK\$3,176,440,000 due to issue of the Company's ordinary shares (six months ended 30 June 2016: HK\$59,608,536); and (ii) no non-permanent loss was turned into a permanent loss of the Group (six months ended 30 June 2016: Nil). As the increase in the paid-up share capital exceeds the Limit, the Limit has been reduced to zero.

In the event that the amount standing to the credit of the Special Reserve at any time exceeds the Limit, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution. All profits and write-backs of provisions made by the Company between 1 July 2003 and the Effective Date are subject to an undertaking in similar terms.

The Limit, as adjusted, was Nil as at 30 June 2017 (31 December 2016: HK\$450,523,436) and the amount standing to the credit of the Group's Special Reserve was Nil as at 30 June 2017 (31 December 2016: HK\$80,852,661).

### 19. BUSINESS COMBINATIONS

- (a) On 19 January 2017, the Company entered into a sale and purchase agreement with GDH, pursuant to which the Company conditionally agreed to acquire approximately 73.82% of the issued share capital of GD Land from GDH (the "GD Land Acquisition"). According to the agreement, the consideration of the GD Land Acquisition was to be settled as to (i) RMB839,500,000 in cash and (ii) issuance and allotment of 272,890,019 Consideration Shares at a price of HK\$10.39 per Consideration Share.

The GD Land Acquisition constituted a disclosable and connected transaction under the Listing Rules. Further details of the acquisition are set out in the circular of the Company dated 24 February 2017. The acquisition was completed on 18 April 2017. On the same date, the acquisition consideration was satisfied by cash of (i) RMB839,500,000 (equivalent to approximately HK\$945,847,000) and (ii) issuance and allotment of 272,890,019 Consideration Shares. Since the quoted closing price of one Consideration Share as at 18 April 2017 was HK\$11.64, the Consideration Shares amounted to approximately HK\$3,176,440,000. As such, total consideration for the GD Land Acquisition amounted to approximately HK\$4,122,287,000. Further details of the transaction are set out in note 23(b)(ii) to the unaudited interim financial information.

GD Land holds a number of subsidiaries (collectively, the "GD Land Group") which engage in property development and investment. The directors of the Company are of the opinion that the GD Land Acquisition was made as part of the Group's strategy to expand its property investment and development segment in geographical areas.

## Notes to Interim Financial Information

30 June 2017

### 19. BUSINESS COMBINATIONS (continued)

(a) (continued)

The Group has elected to measure the non-controlling interests in GD Land Group at the non-controlling interests' proportionate share of the entity's identifiable net assets.

The fair values of the identifiable assets and liabilities of GD Land Group acquired as at the date of acquisition are set out as follows:

	HK\$'000
Property, plant and equipment	77,481
Investment properties	3,475,078
Deferred tax assets	72,287
Properties under development	3,676,741
Completed properties held for sale	508,795
Trade receivables	8
Receivables, prepayments and deposits	17,403
Available-for-sale financial assets	1,232,758
Cash and bank balances	1,168,843
Restricted bank balances	338,725
Trade payables	(927,176)
Payables and accruals	(72,511)
Tax payable	(341,607)
Due to non-controlling shareholders of a subsidiary	(28,223)
Deferred tax liabilities	(1,819,898)
<b>Total identifiable net assets at fair values</b>	<b>7,378,704</b>
Non-controlling interests	(151,935)
	7,226,769
Percentage of equity interest acquired	73.82%
	5,334,801
Gain on bargain purchase recognised in the consolidated statement of profit or loss	(1,212,514)
	4,122,287
Satisfied by:	
Cash consideration	945,847
Issuance of consideration shares	3,176,440
	4,122,287

## Notes to Interim Financial Information

30 June 2017

### 19. BUSINESS COMBINATIONS (continued)

(a) (continued)

As at the date of acquisition, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible. The gain on bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendor.

The Group incurred transaction costs of HK\$12,490,000 in connection with the acquisition. The transaction costs have been included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the GD Land Acquisition is as follows:

	HK\$'000
Cash consideration	(945,847)
Cash and bank balances acquired	1,168,843
Net inflow of cash and cash equivalents included in cash flows from investing activities	222,996
Transaction costs for the acquisitions included in cash flows from operating activities	(12,490)
	210,506

Since the acquisition, the GD Land Acquisition contributed revenue of HK\$531,000 and loss of HK\$6,465,000 to the Group for the period ended 30 June 2017.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the period would have been HK\$5,947,181,000 and HK\$4,013,992,000, respectively.

- (b) During the period ended 30 June 2017, the Group acquired a number of subsidiaries and business operations which are principally engaged in water distribution business in Mainland China. The acquisitions were made as part of the Group's strategy to expand the water resources segment in the PRC. Details of these acquisitions are as follows:
- (i) In February 2017, the Group set up a company, 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.\*) ("Fengshun Water Co") with an independent third party, in which the Group has a 70% equity interest. Assets and liabilities of a water distribution operation in Fengshun, the PRC, were acquired by Fengshun Water Co from its non-controlling shareholder. Fengshun Water Co also acquired a 100% equity interest of a company which engages in hot spring water supply in Fengshun city, the PRC, from its non-controlling shareholder. These two acquisitions are referred to as the "Fengshun Acquisition". The aggregate consideration for the Fengshun Acquisition amounted to RMB75,250,000 (equivalent to HK\$84,950,000) in cash. The directors of the Company are of the opinion that these transactions constituted a business combination as defined in HKFRS 3 (Revised). Fengshun Water Co is principally engaged in the water distribution operations in the PRC;
  - (ii) In June 2017, the Group acquired a 63.07% equity interest in 盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited\*) ("Xuyi Water Company") from independent third parties at a cash consideration of approximately RMB119,833,000 (equivalent to approximately HK\$136,059,000). Xuyi Water Company is principally engaged in the water distribution operations in the PRC; and
  - (iii) In June 2017, the Group acquired a water distribution operation in Zhaoqing, the PRC, from an independent third party at a cash consideration of RMB42,500,000 (equivalent to approximately HK\$48,089,000 (the "Zhaoqing Acquisition").

## Notes to Interim Financial Information

30 June 2017

### 19. BUSINESS COMBINATIONS (continued)

(b) (continued)

The Group has elected to measure the non-controlling interests in Fengshun Water Co and Xuyi Water Company at the non-controlling interests' proportionate share of these entities' identifiable net assets.

The fair values of the identifiable assets and liabilities acquired as at the respective date of acquisitions are set out as follows:

	HK\$'000
Property, plant and equipment	49,425
Operating concession rights	444,710
Receivables, prepayment and deposits	6,509
Inventories	3,291
Cash and bank balances	40,676
Payables and accruals	(60,299)
Due to non-controlling shareholders of subsidiaries	(5,307)
Tax payable	(10,686)
Bank and other borrowings	(41,387)
Deferred tax liabilities	(41,759)
<b>Total identifiable net assets at fair values</b>	<b>385,173</b>
Non-controlling interests	(116,075)
	<b>269,098</b>
Satisfied by:	
Cash consideration	269,098

As at the date of acquisition, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible.

The Group incurred transaction costs of HK\$908,000 in connection with the acquisitions. The transaction costs have been included in administrative expenses in the consolidated statement of profit or loss.

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

	HK\$'000
Cash consideration	(269,098)
Cash and bank balances acquired	40,676
Acquisition consideration payable	113,563
<b>Net outflow of cash and cash equivalents included in cash flows from investing activities</b>	<b>(114,859)</b>
Transaction costs for the acquisitions included in cash flows from operating activities	(908)
	<b>(115,767)</b>



## Notes to Interim Financial Information

30 June 2017

### 19. BUSINESS COMBINATIONS (continued)

(b) (continued)

As of the date of the unaudited interim financial information, the purchase price allocation process of the Fengshun Acquisition and the Zhaoqing Acquisition are under progress. The purchase price allocation to the acquired assets and assumed liabilities of these acquisitions in the unaudited interim financial information have been determined on a provisional basis subject to finalisation of the valuation of identifiable assets and liabilities and may be adjusted in the Group's consolidated financial statements for the year ending 31 December 2017 when the purchase price allocation is expected to be finalised. The provisional values were determined based on the best estimate of the directors of the Company.

Since the acquisitions, the newly acquired businesses contributed revenue of HK\$4,749,000 and loss of HK\$406,000 to the Group for the period ended 30 June 2017.

It is impractical to provide the information as if the above combinations had taken place at the beginning of the period, since the Group was unable to obtain relevant financial information to quantify the operation results of the particular assets and liabilities acquired before the acquisitions.

### 20. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold properties under operating lease arrangements. Leases for properties are negotiated for terms of one to twenty years (31 December 2016: one to twenty years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within one year	102,831	76,355
In the second to fifth years, inclusive	43,411	70,858
After five years	5,583	8,161
	<b>151,825</b>	155,374

In addition to the operating lease arrangements disclosed above, the Group leases certain leasehold properties for the department store operations. The rental charge for the six months ended 30 June 2017 of HK\$49,468,000 (six months ended 30 June 2016: HK\$41,183,000) was calculated with reference to the revenue generated by the Group.

### 21. COMMITMENTS

(a) In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Capital commitments in respect of property, plant and equipment, investment properties, intangible assets and properties under development expenditure: Contracted for	<b>2,200,031</b>	1,248,697



## Notes to Interim Financial Information

30 June 2017

### 21. COMMITMENTS (continued)

- (b) On 8 June 2016, the Company entered into a cooperation agreement with 東莞市謝崗鎮人民政府 in respect of a public-private-partnership project (the "Yinping PPP Project") for the development of certain public roads which are not toll roads (the "Project Roads") in 銀瓶創新區 (Yinping Innovation Zone) in Dongguan, Guangdong, the PRC.

The Group shall be responsible for, inter alia, the provision of funding for the development of the Project Roads with the development costs not exceeding RMB4.754 billion (equivalent to approximately HK\$5.478 billion), and project management and maintenance of the Project Roads. At the end of the reporting period, no funding was provided in relation to the Yinping PPP Project.

Further details of the Yinping PPP Project are set out in the Company's announcement dated 8 June 2016.

### 22. CONTINGENT LIABILITIES

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

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

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

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

## Notes to Interim Financial Information

30 June 2017

### 23. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in this unaudited interim financial information, the Group had the following significant related party transactions during the period:

(a) *Transactions with related parties*

	Notes	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Hotel management fees received from fellow subsidiaries	(i)	(2,558)	(2,788)
Rental income received from Guangdong Holdings Limited ("Guangdong Holdings"), GDH and certain fellow subsidiaries	(ii)	(14,023)	(15,306)
Water distribution income received from a fellow subsidiary	(iii)	(15,776)	(13,468)
Dividends paid and payable to GDH and certain of its subsidiaries by GH Water Supply (Holdings) Limited	(iv)	77,090	42,399
Dividends paid and payable to GDH and certain of its subsidiaries by the Company	(iv)	1,108,036	820,935
Interest expenses charged by Guangdong Holdings and a fellow subsidiary	(v)	9,196	10,243

Notes:

- (i) Hotel management fees were charged in accordance with the terms of agreements entered into between the Group and the respective fellow subsidiaries.
- (ii) The Group received rental income and reimbursement of other expenses in accordance with the terms of respective tenancy agreements with these related parties which amount to HK\$15,462,000 (2016: HK\$17,259,000) in total, including rental income of HK\$14,023,000 (2016: HK\$15,306,000) for the period ended 30 June 2017.
- (iii) Income on the supply of untreated water was charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.
- (iv) Dividends paid and payable were made pursuant to the dividend rates proposed and declared at the respective boards of directors and shareholders' meetings.
- (v) The interest expense was charged by a fellow subsidiary on a loan balance at an interest rate of 95% of the RMB benchmark 3-year lending rate per annum announced by the People's Bank of China and on another loan balance at an interest rate of 94% of the RMB benchmark 5-year lending rate per annum announced by the People's Bank of China during the periods ended 30 June 2017 and 2016.

The interest expense was charged by Guangdong Holdings on a loan balance at an interest rate of 81.3% of the RMB benchmark 3-year lending rate per annum announced by the People's Bank of China during the period ended 30 June 2016.

## Notes to Interim Financial Information

30 June 2017

### 23. RELATED PARTY TRANSACTIONS (continued)

(b) *Other transactions with related parties*

- (i) At 30 June 2017, a fellow subsidiary of the Group, which is also a shareholder of a non-wholly-owned subsidiary of the Group, has provided a guarantee for the obligation of the Group's non-wholly-owned subsidiary in proportion to its interest in that subsidiary on a several basis up to Nil (31 December 2016: RMB71,680,000).
- (ii) On 18 April 2017, the Company acquired approximately 73.82% equity interest in GD Land from GDH. The acquisition consideration was satisfied by cash of RMB839,500,000 (equivalent to approximately HK\$945,847,000) and issue and allotment of 272,890,019 Consideration Shares. The consideration was determined with reference to a valuation performed by independent professional valuers and a discount agreed by both parties. The transaction also constituted a disclosable transaction and a connected transaction as defined in Chapter 14 and Chapter 14A of the Listing Rules, respectively. Further details are set out in the circular of the Company dated 24 February 2017.

(c) *Commitments with related parties*

The Group entered into several tenancy agreements, as lessor, with Guangdong Holdings, GDH and certain fellow subsidiaries of the Group (collectively, the "GDH Group") for leasing out several units in Hong Kong and Mainland China as office premises. The total amounts received from the GDH Group for the period were included in note 23(a) to the unaudited interim financial information. Details of the Group's commitments with related parties at the end of the reporting period are as follows:

**As at 30 June 2017**

	Year ending 30 June 2018 HK\$'000 (Unaudited)	Year ending 30 June 2019 HK\$'000 (Unaudited)	Year ending 30 June 2020 HK\$'000 (Unaudited)
Guangdong Holdings	6,625	1,455	1,086
GDH	10,736	952	–
Guangdong Tannery Limited	534	534	319

As at 31 December 2016

	Year ending 31 December 2017 HK\$'000 (Audited)	Year ending 31 December 2018 HK\$'000 (Audited)	Year ending 31 December 2019 and onwards HK\$'000 (Audited)
Guangdong Holdings	11,070	1,198	–
GDH	8,757	4,785	–
Guangdong Tannery Limited	485	534	586
GD Land (became a subsidiary of the Group on 18 April 2017)	3,155	3,155	2,892

## Notes to Interim Financial Information

30 June 2017

### 23. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (d) Outstanding balances with related parties

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Balances with related parties included in receivables, prepayments and deposits:			
Due from the ultimate holding company	(i)	–	83
Due from the immediate holding company	(i)	288	–
Due from fellow subsidiaries	(i)	1,078	2,808
Due from a fellow subsidiary	(ii)	1,935	1,347
Balances with related parties included in payables, accruals and other liabilities:			
Due to the immediate holding company	(iii)	(41,966)	(43,262)
Due to the ultimate holding company	(iv)	(3,176)	(3,011)
Due to fellow subsidiaries	(i)	(112,085)	(104,292)
Loans from a fellow subsidiary	(v)	(409,745)	(401,013)
Balance with related parties included in dividend payable:			
Due to the immediate holding company	(vi)	(935,115)	–
Due to fellow subsidiaries	(vi)	(172,921)	–

#### Notes:

- (i) The balances are unsecured, non-interest-bearing and have no specific terms of repayment.
- (ii) The balance is unsecured, non-interest-bearing and repayable within 30 days.
- (iii) Included in the balance was HK\$3,170,000 (31 December 2016: HK\$3,170,000) which represented rental deposits received from the immediate holding company. The balance is unsecured, non-interest-bearing and repayable upon the expiry of the rental agreements. The remaining balance is unsecured, non-interest-bearing and has no specific term of repayment.
- (iv) Included in the balance was HK\$3,145,000 (31 December 2016: HK\$2,708,000) which represented rental deposits received from the ultimate holding company. The balance is unsecured, non-interest-bearing and repayable upon the expiry of the rental agreements. The remaining balance is unsecured, non-interest-bearing and has no specific term of repayment.
- (v) Included in the balance was a loan of HK\$24,196,000 (31 December 2016: HK\$26,828,000) from a fellow subsidiary, which is unsecured and interest-bearing at 94% of the RMB benchmark 5-year lending rate per annum announced by the People's Bank of China. Such balance was repayable in each semi-annual instalment of HK\$3,457,000 (31 December 2016: HK\$3,354,000) for the years ending 31 December 2017, 2018, 2019 and 2020.

The remaining balance was HK\$385,549,000 (31 December 2016: HK\$374,185,000) representing another loan from a fellow subsidiary, which is unsecured and interest-bearing at 95% of the RMB benchmark 3-year lending rate per annum announced by the People's Bank of China. The balance is repayable in 2019.

- (vi) As at 30 June 2017, the balances were unsecured, interest-free and payable on 20 July 2017.

## Notes to Interim Financial Information

30 June 2017

### 23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	4,809	4,801
Post-employment benefits	237	238
Equity-settled share option benefits	374	166
Total compensation paid to directors and key management personnel	5,420	5,205

### 24. CAPITAL EXPENDITURE

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment, operating concession rights and investment properties, which include assets acquired through the acquisitions of subsidiaries, in aggregate of approximately HK\$4,909,333,000 (2016: HK\$499,889,000).

### 25. EVENT AFTER THE REPORTING PERIOD

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

Upon completion of the abovementioned capital contribution, Water Group HK, Guangdong Water Co and Shantou Construction Development will hold 49%, 2% and 49% equity interest in Shantou Water Corporation, respectively. The transaction was not yet completed as at the issue date of the unaudited interim financial information. The capital injection constitutes a connected transaction under the Listing Rules. Further details of the transaction are set out in the announcement of the Company dated 7 July 2017.

### 26. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This unaudited interim financial information was approved and authorised for issue by the board of directors of the Company on 29 August 2017.

\* The English name of the entity marked with a "\*" is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

## Management Discussion and Analysis

### RESULTS

The Board is pleased to report the results of the Group for the six months ended 30 June 2017 (the "Period"). The Group's unaudited consolidated profit attributable to owners of the Company amounted to HK\$3,786 million (2016: HK\$2,275 million), an increase of 66.4% as compared with the same period last year. Basic earnings per share increased by 63.4% over the same period last year to HK59.37 cents (2016: HK36.33 cents).

### INTERIM DIVIDEND

The Board declares an interim dividend of HK14.5 cents per ordinary share for the Period (2016: HK12.0 cents).

### FINANCIAL REVIEW

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

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

Basic earnings per share increased by 63.4% to HK59.37 cents (2016: HK36.33 cents), as compared with the same period last year.

### BUSINESS REVIEW

A summary of the performance of the Group's major businesses during the Period is set out as follows:

#### *Water Resources*

##### *Dongshen Water Supply Project*

The profit contribution from the Dongshen Water Supply Project continued to form a significant part of the Group's profit. As at 30 June 2017, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.03% (31 December 2016: 96.0%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 0.961 billion tons (2016: 0.918 billion tons), an increase of 4.7%, which generated a revenue of HK\$3,193 million (2016: HK\$2,984 million), an increase of 7.0% over the same period last year.

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

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



## Management Discussion and Analysis

### *Other Water Resources Projects*

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

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

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

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

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

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

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

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

## Management Discussion and Analysis

### *New Water Resources Projects*

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

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

### *Property Investment and Development*

#### **Mainland China**

##### *Teem Plaza*

As at 30 June 2017, the Group held an effective interest of 76.13% in 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited\*) (“GD Teem”), the property owner of Teem Plaza. Teem Plaza comprises a shopping mall, an office building and a hotel. The shopping mall and the office building are held for investment purposes by the Group.

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

The shopping mall, known as the Teemall, is one of the most popular shopping malls in the prime area of Guangzhou and it has a total gross floor area (“GFA”) of approximately 160,000 square meters (“sq. m.”), of which 105,000 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 (2016: 99.7%).

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

##### *Tianjin Teem Shopping Mall*

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

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



## Management Discussion and Analysis

### *Panyu Wanbo CBD Project*

The Group's effective interest in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited\*) ("Wanye") is 31.06%. 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.\*) ("Tianhecheng Investco"), a 60%-owned subsidiary of GD Teem, directly holds a 68% interest in Wanye. As at 30 June 2017, a total sum of approximately HK\$2,248 million had been invested by Tianhecheng Investco into Wanye in accordance with the cooperation agreement.

Wanye owns a parcel of land in 番禺萬博中央商務區 (Panyu Wanbo Central Business District), which is designated to be a new commercial area in Guangzhou. Based on the Group's current development plan, this parcel of land is being developed into a large-scale integrated commercial project of which properties with GFA of approximately 153,000 sq. m. and 187,000 sq. m. are being built and will be held for sale and for rental purposes respectively upon their completion. As at 30 June 2017, properties with amount of approximately HK\$1,488 million and HK\$1,443 million were attributable to "Properties under development" under the current assets and "Investment properties" under non-current assets, respectively.

### *GD Land*

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

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

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

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

### **Hong Kong**

#### *Guangdong Investment Tower*

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

## Management Discussion and Analysis

### Department Store Operation

As at 30 June 2017, the Group held an effective interest of approximately 85.2% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.\*) (“GDTDS”) and 廣州市天河城萬博百貨有限公司 (“天河城萬博”). GDTDS operates Teemall Store in Teem Plaza. GDTDS also operates Teemall Store – Beijing Road Branch (“Ming Sheng Store”), 奧體歐萊斯名牌折扣店 (“Ao Ti Store”), 東圃百貨店 (“Dong Pu Store”), 東莞第一國際百貨店 (“Dongguan Store”), 佛山南海百貨店 (“Nanhai Store”), 北京路粵海仰忠匯店 (“Yuehaiyangzhong Hui Store”) and 天津天河城百貨店 (“Tianjin Teem Store”). 天河城萬博 operates 天河城百貨歐萊斯折扣店 (“Wan Bo Store”).

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

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

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

The Group's effective interest in 廣東永旺天河城商業有限公司 (Guangdong Aeon Teem Co., Ltd.\*) (“GD Aeon Teem”) is 26.65%. Due to keen competition, the Group's share of profits in GD Aeon Teem amounted to HK\$2,289,000 (2016: HK\$3,940,000) during the Period, decreasing by 41.9%.

### Hotel Ownership, Operation and Management

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

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

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

## Management Discussion and Analysis

### Energy Projects

#### Zhongshan Power Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% equity interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.\*) ("ZTP"). ZTP has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the Period amounted to 1,271 million kwh (2016: 809 million kwh), increasing by 57.1%. As a result, revenue of Zhongshan Power Project generated from electricity sales and related operations for the Period increased by 56.5% to HK\$625,897,000 (2016: HK\$399,953,000). However, due to the significant increase in coal price, the profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$91,729,000 (2016: HK\$146,033,000), a decrease of 37.2%.

#### Guangdong Yudean Jinghai Power Generation Co., Ltd. ("Yudean Jinghai Power")

The Group's effective interest in Yudean Jinghai Power is 25%. As at 30 June 2017, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the Period amounted to 5,533 million kwh (2016: 4,871 million kwh), an increase of 13.6%. Revenue for the Period increased by 2.7% to HK\$2,296,579,000 (2016: HK\$2,235,857,000). As a result of the significant increase in coal price, the profit before tax of Yudean Jinghai Power for the Period was HK\$22,118,000 (2016: HK\$494,931,000), a decrease of 95.5%. The Group's share of profit in Yudean Jinghai Power amounted to HK\$4,147,000 (2016: HK\$88,737,000) during the Period.

### Road and Bridge

#### Xingliu Expressway

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

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

#### Yinping PPP Project

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

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

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

## Management Discussion and Analysis

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

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

### LIQUIDITY, GEARING AND FINANCIAL RESOURCES

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

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

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

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

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

### PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, except for bank deposits of HK\$51,849,000 (31 December 2016: HK\$50,306,000) pledged to secure performance obligations of certain service concession agreements, none of property, plant and equipment, concession rights for water distribution operation and sewage treatment operation, comprising operating concession rights and receivables under service concession agreements, were pledged to secure bank loans granted to the Group. Except for the Group's proportional share of guarantees given to banks in connection with facilities utilised by an associate of approximately HK\$65 million (31 December 2016: approximately HK\$93 million), the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK\$882 million (31 December 2016: Nil) and undertakings made in the master agreement relating to the disposal of brewery business by GD Land as disclosed in note 22 of this interim report, there was no other material contingent liability as at 30 June 2017 and 31 December 2016.

### CAPITAL EXPENDITURE

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

## Management Discussion and Analysis

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

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

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

#### *Principal Risks and Uncertainties*

##### *Macroeconomic Risk*

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

##### *Foreign Currency Risk*

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

##### *Market Competition Risk*

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

##### *Project Safety Management Risk*

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

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



## Management Discussion and Analysis

### EMPLOYEE AND REMUNERATION POLICY

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

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

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

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

### REVIEW

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

### PROSPECTS

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

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

\* The English name of the entity marked with a “\*” is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

## Directors' Interests and Short Positions in Securities

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

### INTERESTS AND SHORT POSITIONS IN THE COMPANY

#### (i) Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note)
Huang Xiaofeng	Personal	2,595,580	Long position	0.040%
Ho Lam Lai Ping, Theresa	Personal	879,200	Long position	0.013%
Tsang Hon Nam	Personal	879,200	Long position	0.013%
Zhang Hui	Personal	2,106,130	Long position	0.032%
Zhao Chunxiao	Personal	582,170	Long position	0.009%
Li Wai Keung	Personal	1,927,160	Long position	0.029%
Chan Cho Chak, John	Personal	5,450,000	Long position	0.083%
Li Kwok Po, David	Personal	12,000,000	Long position	0.184%
Cheng Mo Chi, Moses	Personal	2,268,000	Long position	0.035%

Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of the Company in issue as at 30 June 2017.

#### (ii) Interests in options relating to ordinary shares (Long positions)

##### (1) Share Option Scheme adopted on 24 October 2008 (the "2008 Scheme")

Name of Director	Date of grant of share options* (dd.mm.yyyy)	Number of share options					Total consideration paid for share options granted HK\$	Exercise price of share options** HK\$ (per share)	Price of ordinary share at date immediately before date of grant*** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date*** HK\$ (per share)
		At date of grant	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period				
Huang Xiaofeng	22.01.2013	2,693,000	877,420	-	-	-	877,420	6.20	6.30	-
Wen Yinheng	22.01.2013	1,395,000	454,330	-	-	-	454,330	6.20	6.30	-
Ho Lam Lai Ping, Theresa	22.01.2013	1,256,000	376,800	-	-	-	376,800	6.20	6.30	-
Tsang Hon Nam	22.01.2013	1,256,000	376,800	-	-	-	376,800	6.20	6.30	-
Zhang Hui	22.01.2013	2,268,000	770,870	-	-	-	770,870	6.20	6.30	-
Zhao Chunxiao	22.01.2013	2,268,000	778,630	-	-	-	778,630	6.20	6.30	-
Li Wai Keung	22.01.2013	2,243,000	815,840	-	-	-	815,840	6.20	6.30	-

## Directors' Interests and Short Positions In Securities

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

- (a) The option period of all the share options is five years and six months from the date of grant.
- (b) Any share option is only exercisable during the option period after it has become vested.
- (c) The normal vesting scale of the share options is as follows:

Date	Percentage Vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

- (d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the Board upon grant and stated in the offer of grant.
- (e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or which has lapsed) is as follows:

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

### (2) Notes to the reconciliation of share options outstanding during the period

- \* Details of the vesting period of the share options granted under the 2008 Scheme are set out in the "Share Option Scheme adopted on 24 October 2008" section of this report.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's ordinary share disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the share options were granted.

The price of the Company's ordinary share disclosed as "at date immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the Directors or all other participants as an aggregate whole.



## Directors' Interests and Short Positions in Securities

### INTERESTS AND SHORT POSITIONS IN GUANGDONG LAND HOLDINGS LIMITED

#### *Interests in ordinary shares*

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note)
Huang Xiaofeng	Personal	3,880,000	Long position	0.227%
Ho Lam Lai Ping, Theresa	Personal	398,000	Long position	0.023%
Cheng Mo Chi, Moses	Personal	600,000	Long position	0.035%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Guangdong Land Holdings Limited in issue as at 30 June 2017.

### INTERESTS AND SHORT POSITIONS IN GUANGNAN (HOLDINGS) LIMITED

#### *Interests in ordinary shares*

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note)
Tsang Hon Nam	Personal	300,000	Long position	0.033%
Li Kwok Po, David	Personal	15,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of Guangnan (Holdings) Limited in issue as at 30 June 2017.

### INTERESTS AND SHORT POSITIONS IN GUANGDONG TANNERY LIMITED

#### *Interests in ordinary shares*

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note)
Ho Lam Lai Ping, Theresa	Personal	200,000	Long position	0.037%

Note: The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## Substantial Shareholders' and Other Persons' Interests

As at 30 June 2017, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note 1)
廣東粵海控股集團有限公司 (Guangdong Holdings Limited*) ("Guangdong Holdings") (Note 2)	Interest in controlled corporation	3,693,453,546	Long position	56.49%
GDH Limited ("GDH") (Note 3)	Beneficial owner/ Interest in controlled corporation	3,693,453,546	Long position	56.49%
Guangdong Trust Ltd.	Beneficial owner/ Interest in controlled corporation	576,404,918	Long position	8.82%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of the Company in issue as at 30 June 2017.
2. The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.
3. The interests of GDH set out above include attributable interest held through its wholly-owned subsidiary, Guangdong Trust Ltd.

Save as disclosed above, as at 30 June 2017, no other person (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

## Share Options of the Company

As at 30 June 2017, save as disclosed in the section of “Directors’ Interests and Short Positions in Securities” of this report, certain other eligible persons had the following interests in rights to subscribe for the ordinary shares of the Company granted under the 2008 Scheme. Each share option entitled the holder to subscribe for one ordinary share of the Company. Further details are set out in note 17 to the interim financial information.

Category of participant	Date of grant of share options (dd.mm.yyyy)	Number of share options					Total consideration paid for share options granted HK\$	Exercise price of share options HK\$ (per share)	Price of ordinary share at date immediately before date of grant HK\$ (per share)	Price of ordinary share at date immediately before the exercise date HK\$ (per share)	
		At date of grant	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period					At 30 June 2017
Employees	22.01.2013	19,202,000	5,203,240	-	-	(405,300)	4,797,940	-	6.20	6.30	-
Ex-Director	22.01.2013	2,268,000	778,630	-	-	(136,080)	642,550	-	6.20	6.30	-

Additional information regarding the above share options is set out in the “Notes to the above share options granted pursuant to the 2008 Scheme” in the section headed “Directors’ Interests and Short Positions in Securities” of this report on page 49.

Details regarding the reconciliation of share options outstanding during the period are set out in the “Notes to the reconciliation of share options outstanding during the period” in the section headed “Directors’ Interests and Short Positions in Securities” of this report on page 49.

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2017 and, where appropriate, the applicable recommended best practices of the CG Code.

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all Directors confirmed that they had complied with the required standards of dealings as set out in the Model Code throughout the six months ended 30 June 2017.

### CHANGES IN DIRECTORS’ INFORMATION

The changes in Directors’ information are set out below:

- (i) Mr. Wen Yinheng was appointed as a director of Guangdong Water Group (H.K.) Limited (“Water Group HK”) and ceased to be the chairman and a director of 北京粵海金信投資有限公司 (Beijing Yuehai Jinxin Investment Limited\*). Both companies are subsidiaries of the Company.
- (ii) Mrs. Ho Lam Lai Ping, Theresa was appointed as a director of Water Group HK and GH Water Supply (Holdings) Limited (“GH Water Holdings”). GH Water Holdings is a subsidiary of the Company.
- (iii) Mr. Tsang Hon Nam ceased to be a director of Water Group HK.
- (iv) Mr. Li Wai Keung ceased to be a director of Shenzhen City Airport (Group) Company Limited.
- (v) Dr. Chan Cho Chak, John ceased to be a Director of The Community Chest of Hong Kong and a Member of its Executive Committee.
- (vi) Dr. Cheng Mo Chi, Moses ceased to be an Independent Non-Executive Director of ARA Asset Management Limited.
- (vii) Mr. Wu Ting Yuk, Anthony was appointed as an Honorary Professor of the Peking Union Medical College Hospital and a member of the Task Force on Land Supply.

Save for the above changes, during the period from 1 January 2017 to the date of this report, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Corporate Governance and Other Information

### REVIEW OF INTERIM RESULTS

The unaudited interim financial information of the Group and the Company's interim report for the six months ended 30 June 2017 have been reviewed by the Audit Committee of the Company and Messrs. Ernst & Young, the auditors of the Company.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited.

### ISSUE OF LISTED SECURITIES

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

### DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

#### *Facility Agreement dated 23 October 2014*

Pursuant to a facility agreement (the "GDI 2014 Facility Agreement") entered into between the Company and a bank on 23 October 2014 in relation to a term loan facility (the "GDI 2014 Facility") in the principal amount of HK\$1,800 million made available by the bank to the Company, it shall be an event of default if:

- (i) 廣東粵海控股集團有限公司 (Guangdong Holdings Limited\*) ("Guangdong Holdings") ceases to beneficially own, directly or indirectly, at least 51% of the shareholding in the Company; or
- (ii) the Guangdong Provincial People's Government of the People's Republic of China (the "Guangdong Provincial Government") ceases to beneficially own, directly or indirectly, 100% of the shareholding in Guangdong Holdings.

On and at any time after the occurrence of any of the aforementioned events which is continuing, the bank may by notice to the Company:

- (i) cancel the GDI 2014 Facility whereupon they shall immediately be cancelled;
- (ii) declare that all or part of the principal amount outstanding, together with accrued interest, and all other amounts accrued or outstanding under the GDI 2014 Facility Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (iii) declare that all or part of the principal amount outstanding be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the GDI 2014 Facility as at 30 June 2017 amounted to HK\$770 million. The GDI 2014 Facility shall be repaid by the Company on the date 36 months from the date of the GDI 2014 Facility Agreement.

## Corporate Governance and Other Information

### *Facility Agreement dated 22 May 2015*

Pursuant to a facility agreement (the "GDI May 2015 Facility Agreement") entered into between the Company and a bank on 22 May 2015 in relation to a term loan facility (the "GDI May 2015 Facility") in the principal amount of HK\$1,500 million made available by the bank to the Company, it shall be an event of default if:

- (i) GDH ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; and
- (ii) the Guangdong Provincial Government ceases to beneficially own, directly and/or indirectly, 100% of the shareholding in GDH.

If an event of default under the GDI May 2015 Facility Agreement occurs, the bank may by notice to the Company:

- (i) cancel the GDI May 2015 Facility whereupon they shall immediately be cancelled;
- (ii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the GDI May 2015 Facility Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (iii) declare that all or part of the loans be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the GDI May 2015 Facility as at 30 June 2017 amounted to HK\$1,500 million. The GDI May 2015 Facility shall be repaid by the Company on the date 36 months from the date of the GDI May 2015 Facility Agreement.

### *Facility Agreement dated 23 June 2015*

Pursuant to a facility agreement (the "GDI June 2015 Facility Agreement") entered into between the Company and a bank on 23 June 2015 in relation to a term loan facility (the "GDI June 2015 Facility") in the principal amount of HK\$1,000 million made available by the bank to the Company, it shall be an event of default if:

- (i) Guangdong Holdings ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; and
- (ii) the Guangdong Provincial Government ceases to beneficially own, directly and/or indirectly, 100% of the shareholding in Guangdong Holdings.

If an event of default under the GDI June 2015 Facility Agreement occurs, the bank may by notice to the Company:

- (i) cancel the GDI June 2015 Facility whereupon they shall immediately be cancelled;
- (ii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the GDI June 2015 Facility Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (iii) declare that all or part of the loans be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the GDI June 2015 Facility as at 30 June 2017 amounted to HK\$1,000 million. The GDI June 2015 Facility shall be repaid by the Company on the date 36 months from the date of the GDI June 2015 Facility Agreement.

## Corporate Governance and Other Information

### *Facility Agreement dated 6 October 2015*

Pursuant to a facility agreement (the "GDI October 2015 Facility Agreement") entered into between the Company and a bank on 6 October 2015 in relation to a term loan facility (the "GDI October 2015 Facility") in the principal amount of HK\$1,800 million made available by the bank to the Company, it shall be an event of default if:

- (i) GDH ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; and
- (ii) the Guangdong Provincial Government ceases to beneficially own, directly and/or indirectly, 100% of the shareholding in GDH.

If an event of default under the GDI October 2015 Facility Agreement occurs, the bank may by notice to the Company:

- (i) cancel the GDI October 2015 Facility whereupon they shall immediately be cancelled;
- (ii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the GDI October 2015 Facility Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (iii) declare that all or part of the loans be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the GDI October 2015 Facility as at 30 June 2017 amounted to HK\$1,800 million. The GDI October 2015 Facility shall be repaid by the Company on the date 36 months from the date of the GDI October 2015 Facility Agreement.

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK14.5 cents (2016: HK12.0 cents) per ordinary share for the six months ended 30 June 2017 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 12 October 2017. The interim dividend is expected to be paid on or about Friday, 27 October 2017.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 12 October 2017 and no transfer of shares will be registered on that day. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 11 October 2017.

- \* The English name of the entity marked with a "\*" is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

By Order of the Board  
**HUANG Xiaofeng**  
Chairman

Hong Kong, 29 August 2017

**GDH** 粤海投资有限公司  
GUANGDONG INVESTMENT LIMITED