

GDH  粤海

粤海投资有限公司  
GUANGDONG INVESTMENT LIMITED

Stock Code : 0270



2018

INTERIM REPORT

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# CORPORATE INFORMATION

as at 27 August 2018

## BOARD OF DIRECTORS

### Executive Directors

Mr. HUANG Xiaofeng (*Chairman*)  
Mr. WEN Yin heng (*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

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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	10 October 2018
Interim Dividend Payable on or about	HK16.0 cents per ordinary share 26 October 2018

# 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 45, which comprises the condensed consolidated statement of financial position of Guangdong Investment Limited (the "Company") and its subsidiaries as at 30 June 2018 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

27 August 2018

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
	Notes		
REVENUE	4	6,581,180	5,919,914
Cost of sales		<u>(2,523,198)</u>	<u>(2,155,179)</u>
Gross profit		4,057,982	3,764,735
Other income		353,670	287,221
Gain on bargain purchase	20	—	1,212,514
Changes in fair value of investment properties		115,608	446,547
Selling and distribution expenses		(147,072)	(105,408)
Administrative expenses		(821,958)	(696,428)
Exchange differences, net		39,083	(5,945)
Other operating income, net		6,044	29,113
Finance costs	5	(54,408)	(50,735)
Share of profits less losses of associates		<u>80,128</u>	<u>35,378</u>
PROFIT BEFORE TAX	6	3,629,077	4,916,992
Income tax expense	7	<u>(720,851)</u>	<u>(910,947)</u>
PROFIT FOR THE PERIOD		<u>2,908,226</u>	<u>4,006,045</u>
Attributable to:			
Owners of the Company		2,671,854	3,785,856
Non-controlling interests		<u>236,372</u>	<u>220,189</u>
		<u>2,908,226</u>	<u>4,006,045</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u>HK40.87 cents</u>	<u>HK59.37 cents</u>
Diluted		<u>HK40.84 cents</u>	<u>HK59.33 cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

For the six months ended  
30 June

	<b>2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2017 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>2,908,226</u>	<u>4,006,045</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
— Subsidiaries	<b>(400,512)</b>	1,072,184
— Associates	<b>(12,949)</b>	34,906
Net loss on available-for-sale financial assets, net of tax	<u>—</u>	<u>( 10,733)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u><b>(413,461)</b></u>	<u>1,096,357</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Fair value gains on property, plant and equipment, net of tax	<u><b>42,196</b></u>	<u>—</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u><b>(371,265)</b></u>	<u>1,096,357</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><b>2,536,961</b></u>	<u>5,102,402</u>
Attributable to:		
Owners of the Company	<u><b>2,377,306</b></u>	<u>4,626,286</u>
Non-controlling interests	<u><b>159,655</b></u>	<u>476,116</u>
	<u><b>2,536,961</b></u>	<u>5,102,402</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	<i>Notes</i>	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>7,244,408</b>	7,484,561
Investment properties		<b>16,232,066</b>	16,037,772
Prepaid land lease payments		<b>326,386</b>	275,582
Goodwill		<b>303,286</b>	303,605
Investments in associates		<b>3,685,270</b>	3,679,684
Operating concession rights		<b>13,623,283</b>	14,113,313
Receivables under service concession arrangements	10	<b>1,084,736</b>	922,320
Receivables under a cooperative arrangement		<b>215,663</b>	—
Available-for-sale financial assets		—	5,555
Financial assets at fair value through other comprehensive income		<b>5,508</b>	—
Prepayments, deposits and other receivables	11	<b>160,071</b>	175,291
Deferred tax assets		<b>154,813</b>	158,733
<b>Total non-current assets</b>		<b>43,035,490</b>	43,156,416
<b>CURRENT ASSETS</b>			
Properties under development		<b>5,821,229</b>	5,748,595
Completed properties held for sale		<b>407,261</b>	417,595
Available-for-sale financial assets		—	8,093,040
Financial assets at fair value through profit or loss		<b>5,308,290</b>	—
Other financial assets at amortised cost		<b>1,245,405</b>	—
Tax recoverable		<b>6,467</b>	1,852
Inventories		<b>202,684</b>	172,741
Receivables under service concession arrangements	10	<b>12,339</b>	12,445
Receivables, prepayments and deposits	11	<b>1,639,636</b>	1,099,700
Due from non-controlling equity holders of subsidiaries		<b>65,483</b>	66,113
Pledged bank deposits		<b>67,660</b>	68,242
Restricted bank balances		<b>26,395</b>	136,989
Cash and cash equivalents		<b>10,277,623</b>	7,565,286
<b>Total current assets — page 7</b>		<b>25,080,472</b>	23,382,598

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

		<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
	<i>Notes</i>		
Total current assets — page 6		<u>25,080,472</u>	<u>23,382,598</u>
<b>CURRENT LIABILITIES</b>			
Payables and accruals	14, 16	<b>(3,864,388)</b>	(4,666,903)
Contract liabilities		<b>(548,751)</b>	—
Tax payables		<b>(646,593)</b>	(970,074)
Due to non-controlling equity holders of subsidiaries		<b>(174,500)</b>	(174,886)
Bank and other borrowings	15	<b>(2,900,188)</b>	(5,176,434)
Dividend payable		<b>(2,222,859)</b>	—
Total current liabilities		<u><b>(10,357,279)</b></u>	<u>(10,988,297)</u>
<b>NET CURRENT ASSETS</b>		<u><b>14,723,193</b></u>	<u>12,394,301</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>57,758,683</b></u>	<u>55,550,717</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	15	<b>(2,145,542)</b>	(152,686)
Other liabilities	14, 16	<b>(1,397,390)</b>	(1,385,917)
Deferred tax liabilities		<b>(4,774,946)</b>	(4,848,546)
Total non-current liabilities		<u><b>(8,317,878)</b></u>	<u>(6,387,149)</u>
Net assets		<u><b>49,440,805</b></u>	<u>49,163,568</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	<b>8,966,177</b>	8,966,177
Reserves	19	<b>31,403,074</b>	31,248,282
		<u><b>40,369,251</b></u>	<u>40,214,459</u>
Non-controlling interests		<b>9,071,554</b>	8,949,109
Total equity		<u><b>49,440,805</b></u>	<u>49,163,568</u>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2018 (as previously reported)	8,966,177	15,134*	52,531*	1,729,874*	6,553*	2,654,980*	1,200,414*	(6,057)*	25,594,853*	40,214,459	8,949,109	49,163,568
Effect on adoption of HKFRS 9 (note 2(a))	—	—	—	—	(6,553)	—	—	—	6,553	—	—	—
At 1 January 2018 (restated)	8,966,177	15,134	52,531	1,729,874	—	2,654,980	1,200,414	(6,057)	25,601,406	40,214,459	8,949,109	49,163,568
Profit for the period	—	—	—	—	—	—	—	—	2,671,854	2,671,854	236,372	2,908,226
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations												
— Subsidiaries	—	—	—	—	—	—	(313,676)	—	—	(313,676)	(86,836)	(400,512)
— Associates	—	—	—	—	—	—	(12,949)	—	—	(12,949)	—	(12,949)
Fair value gains on property, plant and equipment, net of tax	—	—	32,077	—	—	—	—	—	—	32,077	10,119	42,196
Total comprehensive income/(loss) for the period	—	—	32,077	—	—	—	(326,625)	—	2,671,854	2,377,306	159,655	2,536,961
Acquisition of non-controlling interest in a subsidiary	—	—	—	—	—	—	—	236	—	236	(891)	(655)
Capital contribution from a non-controlling equity holder of a subsidiary	—	—	—	—	—	—	—	—	—	—	700	700
Equity-settled share option arrangements	—	109	—	—	—	—	—	—	—	109	—	109
Dividends paid to non-controlling equity holders	—	—	—	—	—	—	—	—	—	—	(37,019)	(37,019)
Transfer from retained profits	—	—	—	—	—	2,363	—	—	(2,363)	—	—	—
Final 2017 dividend	—	—	—	—	—	—	—	—	(2,222,859)	(2,222,859)	—	(2,222,859)
At 30 June 2018	8,966,177	15,243*	84,608*	1,729,874*	—*	2,657,343*	873,789*	(5,821)*	26,048,038*	40,369,251	9,071,554	49,440,805

\* These reserve accounts comprise the consolidated reserves of HK\$31,403,074,000 (31 December 2017: HK\$31,248,282,000) in the condensed consolidated statement of financial position as at 30 June 2018.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

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 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, net of tax	—	—	—	—	(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 17)	3,176,440	—	—	—	—	—	—	—	—	—	3,176,440	—	3,176,440
Change in ownership interests in subsidiaries	—	—	—	—	—	—	—	2,028	—	—	2,028	(1,143)	885
Capital contribution from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	119,192	119,192
Equity-settled share option arrangements	—	333	—	—	—	—	—	—	—	—	333	—	333
Dividends paid to non-controlling equity holders	—	—	—	—	—	—	—	—	—	—	—	(79,478)	(79,478)
Transfer to retained profits	—	—	—	—	—	(1,381)	—	—	—	1,381	—	—	—
Final 2016 dividend	—	—	—	—	—	—	—	—	—	(1,961,346)	(1,961,346)	—	(1,961,346)
Acquisition of subsidiaries (note 20)	—	—	—	—	—	—	—	—	—	—	—	2,159,978	2,159,978
Transfer from retained profits in accordance with the Undertaking (note 19)	—	—	—	—	—	—	—	—	25,934	(25,934)	—	—	—
Transfer to retained profits upon issue of new ordinary shares (note 19)	—	—	—	—	—	—	—	—	(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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,375,312	2,070,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	844	—
Net movement in available-for-sale financial assets	—	3,022,416
Net movement in receivables under a cooperative arrangement	(222,427)	—
Net movement in financial assets at fair value through profit or loss	1,416,391	—
Net movement in other financial assets at amortised cost	155,621	—
Purchases of items of property, plant and equipment	(261,209)	(237,289)
Additions to investment properties	(104,350)	(525,111)
Additions to operating concession rights	(71,071)	(91,536)
Acquisition of subsidiaries	—	108,137
Increase in investment in an associate	(15,419)	—
Increase in non-pledged time deposits with original maturity of more than three months when acquired	(2,981,550)	(627,862)
Settlement of consideration payable for the acquisition of subsidiaries in the prior years	(14,660)	(48,975)
Net movement in changes of non-controlling interests	(655)	885
Net cash flows from/(used in) investing activities	(2,098,485)	1,600,665
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other loans	3,097,941	—
Repayments of bank and other loans	(3,379,448)	—
Repayment of a loan from a fellow subsidiary	(3,792)	(3,395)
Capital contribution from non-controlling equity holders of subsidiaries	700	81,627
Dividends paid to non-controlling equity holders	(85,103)	(114,290)
Cash flow used in other financing activities, net	(54,408)	(45,322)
Net cash flows used in financing activities	(424,110)	(81,380)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(147,283)	3,590,209
Cash and cash equivalents at beginning of period	6,519,825	6,411,042
Effect of foreign exchange rate changes, net	11,539	168,360
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,384,081	10,169,611
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,770,362	3,485,031
Non-pledged time deposits with original maturity of less than three months when acquired	2,613,719	6,684,580
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	6,384,081	10,169,611
Non-pledged time deposits with original maturity of more than three months when acquired	3,893,542	1,441,305
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	10,277,623	11,610,916

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 1. GENERAL INFORMATION AND ACCOUNTING POLICIES

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

This unaudited interim financial information of the Group for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). This unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

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 2017, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards and Interpretations) for the first time for the current period’s unaudited interim financial information, as further detailed in note 2 below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial information relating to the year ended 31 December 2017 included in this unaudited interim financial information for the six months ended 30 June 2018 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 consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622). The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements</i> <i>2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than as further explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the new and revised HKFRSs has had no material impact on this unaudited interim financial information of the Group. The principal effects for adopting HKFRS 9 and HKFRS 15 are as follows:

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) HKFRS 9 *Financial Instruments*

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 is reported under HKAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained profits as of 1 January 2018.

#### **Classification and measurement**

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets is as follows:

- Debt instruments at amortised cost are financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's receivables under service concession arrangements, receivables under a cooperative arrangement, other financial assets at amortised cost, financial assets included in receivables, prepayments and deposits, amounts due from non-controlling equity holders of subsidiaries, amounts due from associates, pledged bank deposits, restricted bank balances and cash and cash equivalents.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes unlisted equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unlisted equity instruments were classified as available-for-sale ("AFS") financial assets.
- Financial assets at FVPL comprise derivative instruments and unlisted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's unlisted wealth management products, which were classified as AFS financial assets, are reclassified to financial assets at FVPL under HKFRS 9. Upon transition, the AFS financial assets revaluation reserve relating to unlisted wealth management products, which had been previously recognised under accumulated other comprehensive income, was reclassified to retained profits.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and applied to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) HKFRS 9 *Financial Instruments* (continued)

#### **Classification and measurement** (continued)

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The following summarises the changes in classification for the Group's financial assets on 1 January 2018, the date of initial application of HKFRS 9:

Notes	AFS financial assets HK\$'000	Financial assets at amortised cost HK\$'000	Financial assets at FVOCI HK\$'000	Financial assets at FVPL HK\$'000
At 1 January 2018 (as previously reported)	8,098,595	—	—	—
Reclassification from AFS financial assets to financial assets at FVOCI (unaudited) (i)	(5,555)	—	5,555	—
Reclassification from AFS financial assets to financial assets at FVPL (unaudited) (ii)	(6,684,739)	—	—	6,684,739
Reclassification from AFS financial assets to financial assets at amortised cost (unaudited) (iii)	(1,408,301)	1,408,301	—	—
At 1 January 2018 (restated) (unaudited)	—	1,408,301	5,555	6,684,739

The impact on the Group's reserves as at 1 January 2018 as a result of the initial application of HKFRS 9 is as follows:

Note	AFS financial assets revaluation reserve HK\$'000	Retained profits HK\$'000
At 1 January 2018 (as previously reported)	6,553	25,594,853
Reclassification upon initial application of HKFRS 9 (unaudited) (ii)	(6,553)	6,553
At 1 January 2018 (restated) (unaudited)	—	25,601,406

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) HKFRS 9 *Financial Instruments* (continued) *Classification and measurement* (continued)

Notes:

- (i) It is an unlisted equity investment. The Group elected to present changes in the fair value of this unlisted equity investment previously classified as an AFS financial asset in other comprehensive income as it is not held for trading. As a result, this AFS financial asset was reclassified to equity instrument at FVOCI as at 1 January 2018.
- (ii) These are unlisted wealth management products at fair value. They were reclassified from AFS financial assets to financial assets at FVPL. They do not meet the HKFRS 9 criterion for classification at amortised cost and FVOCI because their contractual cash flows do not represent solely payments of principal and interest. The cumulative fair value gain of HK\$6,553,000 was transferred from the AFS financial assets revaluation reserve to retained profits on 1 January 2018.
- (iii) These are unlisted wealth management products at fair value. They were reclassified from AFS financial assets to financial assets at amortised cost. They meet the HKFRS 9 criterion for classification at amortised cost because their contractual cash flows represent solely payments of principal and interest.

### **Impairment**

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

The ECL allowance is based on difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Assessment is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other financial assets at amortised cost are assessed for impairment based on 12-month ECLs. The 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of HKFRS 9 does not have a material impact on the financial position and/or financial performance of the Group.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has elected to apply the modified retrospective approach for transition to the new revenue standard. Under this transition approach, comparative information for prior periods is not restated, the Group recognises the cumulative effect of initially applying this as adjustments to the opening balance of retained profits (or other component of equity, as appropriate) on 1 January 2018, and the Group applies the new requirements only to contracts that are not yet completed on that date.

The adoption from 1 January 2018 resulted in changes in accounting policies for revenue recognition as detailed below.

Under HKFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. This may be at a single point in time or over time.

Upon the adoption of HKFRS 15, the Group satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (i) When the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- (ii) When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (iii) When the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognises revenue at a single point in time at which the performance obligation is satisfied for the sale of that good or service when control has been passed.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

### **Construction service income**

Revenue from construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.



# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (b) HKFRS 15 Revenue from Contracts with Customers (continued)

#### **Water distribution income**

Revenue is recognised either when the water is supplied to customers or over the service period, depending on the terms of the contracts and the laws that apply to the contracts.

With respect to the water distribution to Hong Kong, the amount of revenue recognised is based on a fixed amount for the supply of a target volume of water; and with respect to the water distribution to the mainland of the People's Republic of China (the "PRC" or "Mainland China"), the amount of revenue recognised is determined based on the volume of water supplied.

#### **Income from sewage treatment and related service, hotel operation, toll road operation and management services**

The Group recognised revenue from these operations over the period when the related services are rendered.

#### **Income from sale of properties, goods and electricity**

Revenue is recognised at the point in time when the control of the asset is transferred to the customer which generally coincides with delivery and acceptance of the asset sold.

#### **Commission income from concessionaire sales**

Commission income is recognised at the point in time when the control of goods is passed to customers by department stores.

#### **Contract assets and contract liabilities**

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

#### **Loyalty points programme**

Prior to adoption of HKFRS 15, the loyalty programme offered by the Group resulted in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred income in relation to points issued but not yet redeemed or expired. The Group concluded that under HKFRS 15 the loyalty points gives rise to a separate performance obligation because they provide a material right to the customer and a portion of the transaction price should be allocated to the loyalty points awarded to customers based on the relative stand-alone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty programme has no material change compared to the amount under previous accounting policy. The deferred income related to this loyalty points programme was reclassified to contract liabilities.

#### **Advances received from customers**

Generally, the Group receives advances from its customers which are short-term in nature. The advances previously included in payables and accruals are reclassified to contract liabilities.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (b) HKFRS 15 Revenue from Contracts with Customers (continued)

#### *Presentation of contract assets and liabilities*

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Advances received from customers and deferred income related to loyalty points programme of HK\$549,399,000 in total as at 1 January 2018, which were previously included as payables and accruals, are reclassified to contract liabilities which have been separately disclosed.
- Receivables under service concession arrangements represent contract assets.

Apart from the above, the adoption of HKFRS 15 has had no significant impact on the financial position and/or financial performance of the Group.

## 3. OPERATING SEGMENT INFORMATION

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

- The water resources segment engages in water distribution, sewage treatment, and construction of water supply and sewage treatment infrastructure for customers in Mainland China and Hong Kong;
- The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development and sale of properties in Mainland China. This segment also provides property management services to certain commercial properties;
- The department store segment operates department stores, which engages in sale of goods and concessionaire sales, in Mainland China;
- The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province, Mainland China;
- The hotel operation and management segment operates the Group's hotels and provides hotel management services to certain third parties' hotels in Hong Kong and Mainland China;
- The road and bridge segment invests in road and bridge projects, which engages in toll road operation and road management; and
- 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 AFS financial assets, gain on bargain purchase, interest income from financial assets at FVPL and other financial assets at amortised cost, fair value gains on financial assets at FVPL, finance costs and share of profits less losses of associates are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged bank deposits, cash and cash equivalents, restricted bank balances, financial assets at FVPL, financial assets at FVOCI, other financial assets at amortised cost and other unallocated assets as these assets are managed on a group basis.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 3. OPERATING SEGMENT INFORMATION (continued)

Segment liabilities exclude bank and other borrowings, loan from a fellow subsidiary, tax payables, 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.

	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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	4,114,002	3,819,567	681,569	548,400	417,186	386,934
Intersegment sales	—	—	67,321	55,908	—	—
Other income from external sources	6,274	12,220	806	2,488	34,996	26,514
Other income from intersegment transactions	1,568	1,450	—	31	—	—
Total	<u>4,121,844</u>	<u>3,833,237</u>	<u>749,696</u>	<u>606,827</u>	<u>452,182</u>	<u>413,448</u>
<b>Segment results</b>	<u>2,306,747</u>	<u>2,208,610</u>	<u>551,930</u>	<u>763,569</u>	<u>145,658</u>	<u>148,186</u>
Interest income						
Interest income from financial assets at FVPL and other financial assets at amortised cost						
Fair value gains on financial assets at FVPL						
Interest income from AFS financial assets						
Investment income from AFS financial assets						
Gain on bargain purchase						
Finance costs						
Share of profits less losses of associates	50,790	28,950	—	—	4,959	2,289
Profit before tax						
Income tax expense						
Profit for the period						

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	649,513	529,825	338,389	303,822	380,521	331,366
Intersegment sales	120,229	96,072	—	—	—	—
Other income from external sources	16,799	13,045	229	211	8,506	2,960
Other income from intersegment transactions	—	—	—	—	—	—
Total	<b>786,541</b>	638,942	<b>338,618</b>	304,033	<b>389,027</b>	334,326
<b>Segment results</b>	<b>82,003</b>	75,420	<b>76,947</b>	70,011	<b>238,567</b>	184,414
Interest income						
Interest income from financial assets at FVPL and other financial assets at amortised cost						
Fair value gains on financial assets at FVPL						
Interest income from AFS financial assets						
Investment income from AFS financial assets						
Gain on bargain purchase						
Finance costs						
Share of profits less losses of associates	24,329	4,147	50	(8)	—	—
Profit before tax						
Income tax expense						
Profit for the period						

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	—	—	—	—	<b>6,581,180</b>	5,919,914
Intersegment sales	—	—	<b>(187,550)</b>	(151,980)	—	—
Other income from external sources	<b>570</b>	570	—	—	<b>68,180</b>	58,008
Other income from intersegment transactions	<b>2,992</b>	2,553	<b>(4,560)</b>	(4,034)	—	—
Total	<b>3,562</b>	3,123	<b>(192,110)</b>	(156,014)	<b>6,649,360</b>	5,977,922
<b>Segment results</b>	<b>(83,985)</b>	40,412	—	—	<b>3,317,867</b>	3,490,622
Interest income					<b>108,666</b>	136,069
Interest income from financial assets at FVPL and other financial assets at amortised cost					<b>121,268</b>	—
Fair value gains on financial assets at FVPL					<b>55,556</b>	—
Interest income from AFS financial assets					—	58,640
Investment income from AFS financial assets					—	34,504
Gain on bargain purchase					—	1,212,514
Finance costs					<b>(54,408)</b>	(50,735)
Share of profits less losses of associates	—	—	—	—	<b>80,128</b>	35,378
Profit before tax					<b>3,629,077</b>	4,916,992
Income tax expense					<b>(720,851)</b>	(910,947)
Profit for the period					<b>2,908,226</b>	4,006,045

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 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 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	15,880,934	15,666,149	23,553,389	23,353,269	156,304	179,666	2,753,859	2,721,281	1,903,321	1,948,195
Investments in associates	2,436,536	2,386,302	—	—	153,050	149,515	1,092,155	1,140,356	3,529	3,511
Unallocated assets										
Total assets										
Segment liabilities	1,953,877	2,127,696	1,718,995	1,778,459	737,116	921,422	695,615	624,825	145,842	166,927
Unallocated liabilities										
Total liabilities										

Other segment information:

	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(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	(Unaudited) HK\$'000
Exchange gains/(losses), net	34,917	(18,219)	23,536	(61,999)	(1,361)	3,718	7,333	(23,278)	174	4,463

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Road and bridge		Others		Eliminations		Consolidated	
	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Segment assets	3,036,566	2,935,623	9,786	10,673	—	—	47,294,159	46,814,856
Investments in associates	—	—	—	—	—	—	3,685,270	3,679,684
Unallocated assets							<u>17,136,533</u>	<u>16,044,474</u>
Total assets							<u><u>68,115,962</u></u>	<u><u>66,539,014</u></u>
Segment liabilities	156,432	88,143	149,434	87,486	—	—	5,557,311	5,794,958
Unallocated liabilities							<u>13,117,846</u>	<u>11,580,488</u>
Total liabilities							<u><u>18,675,157</u></u>	<u><u>17,375,446</u></u>

Other segment information:

	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Exchange gains/(losses), net	3,614	(11,647)	(29,130)	101,017	—	—	39,083	(5,945)

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 4. REVENUE

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

Disaggregation of revenue is analysed as follows:

	For the six months ended 30 June 2018 (Unaudited) HK\$'000
<b>(a) Types of goods or services:</b>	
<u>Water resources segment</u>	
Income from water distribution – Hong Kong	2,614,140
Income from water distribution – the PRC	1,087,816
Income from sewage treatment services	69,899
Income from construction services	342,147
<u>Property investment and development segment</u>	
Property management	106,127
Sale of properties	8,873
<u>Department store segment</u>	
Commissions from concessionaire sales	378,609
Sale of goods	38,577
<u>Electric power generation segment</u>	
Sale of electricity	649,513
<u>Hotel operation and management segment</u>	
Hotel income and management fee income	338,389
<u>Road and bridge segment</u>	
Toll revenue	380,521
Revenue from contracts with customers	6,014,611
Rental income	566,569
	<hr/>
	6,581,180
	<hr/> <hr/>



# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 4. REVENUE (continued)

Disaggregation of revenue is analysed as follows: (continued)

### (b) Geographical locations\*:

#### Mainland China

Water resources segment

Property investment and development segment

Department store segment

Electric power generation segment

Hotel operation and management segment

Road and bridge segment

#### Hong Kong

Hotel operation and management segment

Revenue from contracts with customers

Rental income

For the  
six months ended  
30 June 2018  
(Unaudited)  
HK\$'000

4,114,002

115,000

417,186

649,513

226,568

380,521

5,902,790

111,821

6,014,611

566,569

6,581,180

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

For the six months ended 30 June

	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on bank and other borrowings	44,687	41,539
Interest on loans from a fellow subsidiary (note 24(a)(vi))	9,721	9,196
Total finance costs for the period	54,408	50,735

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest income**	(108,666)	(136,069)
Interest income from AFS financial assets**	—	(58,640)
Interest income from financial assets at FVPL and other financial assets at amortised cost**	(121,268)	—
Fair value gains on financial assets at FVPL**	(55,556)	—
Investment income from AFS financial assets**	—	(34,504)
Cost of inventories sold*	650,501	491,190
Cost of services rendered*	1,338,230	1,182,165
Cost of properties sold*	7,178	—
Depreciation	262,702	230,358
Recognition of prepaid land lease payments	6,994	5,103
Government subsidies***^	(8,528)	(12,588)
Amortisation of operating concession rights*	527,289	481,824
	<b>527,289</b>	<b>481,824</b>

\* 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.

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

^ The government subsidies recognised during the period mainly represented subsidies received by the Group from certain government authorities which have become unconditional.

## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current — Hong Kong Charge for the period	11,202	10,378
Current — Mainland China Charge for the period	830,771	740,684
Underprovision/(overprovision) in prior years	(76,166)	10
Deferred tax	(44,956)	159,875
	<b>720,851</b>	<b>910,947</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 Mainland China in which the Group operates.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 8. DIVIDENDS

Interim — HK16.0 cents (2017: HK14.5 cents) per ordinary share

For the six months ended 30 June

2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>1,046,051</b>	947,984

At a meeting of the board of directors held on 27 August 2018 (2017: 29 August 2017), the directors resolved to pay to shareholders of the Company an interim dividend of HK16.0 cents (2017: HK14.5 cents) per ordinary share for the six months ended 30 June 2018.

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

The calculations of the basic and diluted earnings per share amounts for the six months ended 30 June 2018 and 2017 are based on:

For the six months ended 30 June

2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>2,671,854</b>	3,785,856

Earnings:

Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations

For the six months ended 30 June

2018 (Unaudited) Number of shares	2017 (Unaudited) Number of shares
<b>6,537,821,440</b>	6,376,499,716
<b>4,370,819</b>	4,333,620
<b>6,542,192,259</b>	6,380,833,336

Shares:

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation

Effect of dilution of share options — weighted average number of ordinary shares assumed to have been issued at nil consideration

Weighted average number of ordinary shares during the period used in the diluted earnings per share calculation

# NOTES TO INTERIM FINANCIAL INFORMATION

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## 10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Receivables under service concession arrangements wholly attributable to sewage treatment operations	<b>1,097,075</b>	934,765
Less: Portion classified as current assets	<b>(12,339)</b>	(12,445)
	<b>1,084,736</b>	922,320
Non-current portion	<b>1,084,736</b>	922,320

Receivables under service concession arrangements are contract assets and 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.

## 11. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Trade receivables, net of impairment	<b>1,058,741</b>	596,435
Other receivables, prepayments and deposits	<b>723,173</b>	660,417
Due from fellow subsidiaries	<i>24(d)</i> <b>4,948</b>	5,580
Due from associates	<i>24(d)</i> <b>12,845</b>	12,559
	<b>1,799,707</b>	1,274,991
Less: Portion classified as non-current assets	<b>(160,071)</b>	(175,291)
Current portion	<b>1,639,636</b>	1,099,700

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 certain concentration of credit risk whereby 41% (31 December 2017: Nil) and 13% (31 December 2017: 16%) of the total trade receivables were due from two customers (31 December 2017: one customer). The Group does not hold any collateral or other credit enhancements over these balances.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

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

An ageing 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 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Within 3 months	<b>993,007</b>	515,375
3 months to 6 months	<b>24,905</b>	45,956
6 months to 1 year	<b>29,839</b>	29,435
More than 1 year	<b>18,605</b>	13,204
	<hr/>	<hr/>
Less: Impairment	<b>1,066,356 (7,615)</b>	603,970 (7,535)
	<hr/>	<hr/>
	<b>1,058,741</b>	596,435
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Neither past due nor impaired	<b>965,309</b>	391,658
Less than 3 months past due	<b>26,493</b>	120,845
3 months to 6 months past due	<b>24,815</b>	45,691
6 months to 1 year past due	<b>28,231</b>	28,385
More than 1 year past due	<b>13,893</b>	9,856
	<hr/>	<hr/>
	<b>1,058,741</b>	596,435
	<hr/> <hr/>	<hr/> <hr/>

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.

# NOTES TO INTERIM FINANCIAL INFORMATION

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## 12. 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 2018

	Financial assets at amortised cost (Unaudited) HK\$'000	Financial assets at FVPL (Unaudited) HK\$'000	Financial assets at FVOCI (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Receivables under a cooperative arrangement	215,663	—	—	215,663
Other financial assets at amortised cost	1,245,405	—	—	1,245,405
Financial assets at FVPL	—	5,308,290	—	5,308,290
Financial assets at FVOCI	—	—	5,508	5,508
Receivables under service concession arrangements	1,097,075	—	—	1,097,075
Financial assets included in receivables, prepayments and deposits	1,437,094	—	—	1,437,094
Due from an associate	12,845	—	—	12,845
Due from non-controlling equity holders of subsidiaries	65,483	—	—	65,483
Pledged bank deposits	67,660	—	—	67,660
Restricted bank balances	26,395	—	—	26,395
Cash and cash equivalents	10,277,623	—	—	10,277,623
	<b>14,445,243</b>	<b>5,308,290</b>	<b>5,508</b>	<b>19,759,041</b>

31 December 2017

	Loans and receivables (Audited) HK\$'000	AFS financial assets (Audited) HK\$'000	Total (Audited) HK\$'000
AFS financial assets	—	8,098,595	8,098,595
Receivables under service concession arrangements	934,765	—	934,765
Financial assets included in receivables, prepayments and deposits	928,446	—	928,446
Due from associates	12,559	—	12,559
Due from non-controlling equity holders of subsidiaries	66,113	—	66,113
Pledged bank deposits	68,242	—	68,242
Restricted bank balances	136,989	—	136,989
Cash and cash equivalents	7,565,286	—	7,565,286
	<b>9,712,400</b>	<b>8,098,595</b>	<b>17,810,995</b>

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 12. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Financial liabilities included in payables, accruals and other liabilities	3,543,524	4,213,168
Due to non-controlling equity holders of subsidiaries	174,500	174,886
Bank and other borrowings	5,045,730	5,329,120
Dividend payable	2,222,859	—
	<b>10,986,613</b>	<b>9,717,174</b>

## 13. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Aside from receivables under a cooperative arrangement, the non-current portion of receivables under service concession arrangements, financial assets included in receivables, prepayments and deposits and bank and other borrowings, AFS financial assets, financial assets at FVPL and financial assets at FVOCI, 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 2018 and 31 December 2017 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 receivables under a cooperative arrangement, the non-current portion of receivables under service concession arrangements, financial assets included in receivables, prepayments and deposits and bank and other borrowings, AFS financial assets, financial assets at FVPL and financial assets at FVOCI 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 2018 and 31 December 2017 was assessed to be insignificant. The carrying amounts of receivables under a cooperative arrangement, the non-current portion of receivables under service concession arrangements, financial assets included in receivables, prepayments and deposits and bank and other borrowings, AFS financial assets, financial assets at FVPL and financial assets at FVOCI approximate their fair values.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 13. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### 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 2018 (Unaudited)</i>				
Financial assets at FVPL	—	5,308,290	—	5,308,290
Financial assets at FVOCI	—	5,508	—	5,508
	—	5,313,798	—	5,313,798

*As at 31 December 2017 (Audited)*

AFS financial assets	—	8,093,040	—	8,093,040
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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 (31 December 2017: Nil).

## 14. PAYABLES AND ACCRUALS

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Trade payables		696,469	729,197
Accruals, other payables and other liabilities		3,738,233	4,470,817
Deferred income		222,617	247,453
Due to the immediate holding company	24(d)	12,727	48,827
Due to the ultimate holding company	24(d)	37,021	3,289
Due to fellow subsidiaries	24(d)	93,188	131,517
Due to an associate	24(d)	47,076	—
Loans from a fellow subsidiary	24(d)	414,447	421,720
		5,261,778	6,052,820
Less: Portion classified as non-current liabilities		(1,397,390)	(1,385,917)
Current portion		3,864,388	4,666,903



# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 14. PAYABLES AND ACCRUALS (continued)

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Within 3 months	<b>693,528</b>	728,708
3 months to 6 months	<b>350</b>	385
6 months to 1 year	<b>2,591</b>	104
	<b>696,469</b>	729,197

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

## 15. BANK AND OTHER BORROWINGS

	30 June 2018			31 December 2017		
	Effective interest rate	Maturity	(Unaudited) HK\$'000	Effective interest rate	Maturity	(Audited) HK\$'000
<b>Current</b>						
Bank loans — unsecured	0.65% – 7.20%	2018	2,813,741	1.29% – 7.20%	2018	5,085,111
Other loans — unsecured	2.33% – 3.84%	2018	54,843	1.80% – 3.84%	2018	59,447
Other loans — unsecured	—	2018	31,604	—	2018	31,876
			<b>2,900,188</b>			5,176,434
<b>Non-current</b>						
Bank loans — unsecured	1.56% – 4.90%	2019 – 2021	2,002,352	4.90%	2019 – 2020	11,963
Other loans — unsecured	1.80% – 6.55%	2021 – 2035	143,190	1.80% – 6.55%	2019 – 2024	140,723
			<b>2,145,542</b>			152,686
Total bank and other borrowings			<b>5,045,730</b>			5,329,120

## 16. OTHER LIABILITIES

As at 30 June 2018, included in other liabilities was a non-interest bearing receipt in advance of HK\$591,000,000 (31 December 2017: HK\$591,000,000), of which HK\$472,800,000 (31 December 2017: HK\$472,800,000) 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, 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.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 17. SHARE CAPITAL

Issued and fully paid:

6,537,821,440 (31 December 2017: 6,537,821,440) ordinary shares

<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
<b>8,966,177</b>	8,966,177

During the six months ended 30 June 2017, 272,890,019 shares (the "Consideration Share(s)") 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 20(a) to the unaudited interim financial information.

## 18. 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:

	2018		2017	
	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	8,966,030	6.20	10,432,560
Forfeited/lapsed during the period	6.20	—	6.20	(541,380)
At 30 June	6.20	8,966,030	6.20	9,891,180

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

### 30 June 2018

Number of share options	Exercise price* HK\$ per share	Exercise period** (dd.mm.yyyy)
570,830	6.20	22-01-2016 to 21-07-2018
2,798,400	6.20	22-01-2017 to 21-07-2018
5,596,800	6.20	22-01-2018 to 21-07-2018
<b>8,966,030</b>		

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 18. SHARE OPTION SCHEME (continued)

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
<u>6,102,720</u>	6.20	22-01-2018 to 21-07-2018
<u><u>9,891,180</u></u>		

\* 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 56 and 57; and (ii) the "Share Options of the Company" section of the interim report on page 60.

## 19. 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, and no profit 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.

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.

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). 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.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 19. RESERVES (continued)

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; and (ii) no non-permanent loss was turned into a permanent loss of the Group. 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 and the amount standing to the credit of the Group's Special Reserve was Nil as at 30 June 2017. The Undertaking ceased to have the effect as the Limit and the Special Reserve were reduced to Nil as at 30 June 2017 and no further amount can or should be credited to the Special Reserve.

## 20. 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 24(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.

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

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 20. BUSINESS COMBINATIONS (continued)

(a) (continued)

The fair values of the identifiable assets and liabilities of the 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
AFS financial assets	1,232,758
Cash and cash equivalents	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 equity holders of a subsidiary	(28,223)
Deferred tax liabilities	(1,819,898)
	<hr/>
Total identifiable net assets at fair values	7,378,704
Non-controlling interests	(151,935)
	<hr/>
	7,226,769
Percentage of equity interest acquired	73.82%
	<hr/>
	5,334,801
Gain on bargain purchase recognised in the consolidated statement of profit or loss	(1,212,514)
	<hr/>
	4,122,287
	<hr/> <hr/>
Satisfied by:	
Cash consideration	945,847
Issuance of Consideration Shares	3,176,440
	<hr/>
	4,122,287
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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 was 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.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 20. BUSINESS COMBINATIONS (continued)

(a) (continued)

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

	HK\$'000
Cash consideration	(945,847)
Cash and cash equivalents acquired	<u>1,168,843</u>
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	<u>(12,490)</u>
	<u><u>210,506</u></u>

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 period ended 30 June 2017, the revenue and the profit of the Group for the period ended 30 June 2017 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 City, the PRC, were acquired by Fengshun Water Co from its non-controlling equity holder. 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 equity holder. These two acquisitions were referred to as the "Fengshun Acquisition". The aggregate consideration for the Fengshun Acquisition amounted to RMB75,250,000 (equivalent to approximately HK\$84,950,000) in cash. The directors of the Company were 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").

The Group had 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.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 20. BUSINESS COMBINATIONS (continued)

(b) (continued)

The fair values of the identifiable assets and liabilities acquired as at the respective dates 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 cash equivalents	40,676
Payables and accruals	(60,299)
Due to non-controlling equity holders of subsidiaries	(5,307)
Tax payable	(10,686)
Bank and other borrowings	(41,387)
Deferred tax liabilities	(41,759)
	<hr/>
Total identifiable net assets at fair values	385,173
Non-controlling interests	(116,075)
	<hr/>
	269,098
	<hr/> <hr/>
Satisfied by:	
Cash consideration	269,098
	<hr/> <hr/>

As at the respective dates of acquisitions, 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 cash equivalents acquired	40,676
Acquisition consideration payable	113,563
	<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(114,859)
Transaction costs for the acquisitions included in cash flows from operating activities	(908)
	<hr/>
	(115,767)
	<hr/> <hr/>

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 20. BUSINESS COMBINATIONS (continued)

(b) (continued)

As of 30 June 2017, the purchase price allocation process of the Fengshun Acquisition and the Zhaoqing Acquisition were under progress. The purchase price allocation to the acquired assets and assumed liabilities of these acquisitions in the unaudited consolidated interim financial information were determined on a provisional basis and were adjusted in the Group's consolidated financial statements for the year ended 31 December 2017 when the purchase price finalised. The provisional values were determined based on the best estimate of the directors of the Company.

Since the acquisitions, these 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 was impractical to provide the information as if the above combinations had taken place at the beginning of the period ended 30 June 2017, 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.

## 21. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold properties under operating lease arrangements. Leases for properties are negotiated for terms of six months to twenty years (31 December 2017: six months 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 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Within one year	<b>101,750</b>	100,389
In the second to fifth years, inclusive	<b>13,864</b>	11,984
After five years	<b>422</b>	620
	<b>116,036</b>	112,993

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 2018 of HK\$56,485,000 (six months ended 30 June 2017: HK\$49,468,000) was calculated with reference to the revenue generated by the Group.



# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 22. COMMITMENTS

- (a) In addition to the operating lease commitments detailed in note 21 above, the Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Capital commitments in respect of property, plant and equipment, investment properties, intangible assets and properties under development expenditure: Contracted for	<b><u>2,889,852</u></b>	<u>2,968,413</u>
Capital commitments in respect of capital contribution payable to associates: Contracted for	<b><u>189,804</u></b>	<u>34,482</u>

- (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 is 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\$5.639 billion), and project management and maintenance of the Project Roads. At the end of the reporting period, an amount of RMB190,607,000 (equivalent to approximately HK\$226,079,000) (31 December 2017: Nil) has been paid or payable 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.

- (c) On 8 June 2018, the Group entered into an agreement to acquire 30% of equity interest of a subsidiary from the non-controlling equity holder of that subsidiary at a cash consideration of RMB81,000,000 (equivalent to approximately HK\$96,074,000). At the end of the reporting period, the Group had a commitment of RMB40,500,000 (equivalent to approximately HK\$48,037,000) in respect of the transaction.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 23. 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 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
The Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate	<b>58,119</b>	58,619

As at 30 June 2018, the banking facilities granted to an associate subject to guarantees given to a bank by the Group and the other equity holders of the associate were in accordance with the equity holding ratio of each party. The facilities granted to the associate by bank was utilised to the extent of approximately HK\$118,610,000 (31 December 2017: HK\$119,630,000).

- (b) As at 30 June 2018, 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 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 2018, the Group's outstanding guarantees amounted to HK\$660,937,000 (31 December 2017: HK\$782,654,000) for 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, among others, taxes, government levies, 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 arrangement is not disclosed as the estimate of which is not practicable to do so.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 24. 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	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Hotel management fees received from fellow subsidiaries	(i)	(2,612)	(2,558)
Rental income received from Guangdong Holdings Limited ("Guangdong Holdings"), GDH and certain fellow subsidiaries	(ii)	(13,730)	(14,023)
Water distribution income received from a fellow subsidiary	(iii)	(18,158)	(15,776)
Sale of electricity to a fellow subsidiary	(iv)	(12,289)	—
Dividends paid and payable to GDH and certain of its subsidiaries by GH Water Supply (Holdings) Limited	(v)	—	77,090
Dividends paid and payable to Guangdong Holdings by Guangdong Yue Gang Water Supply Company Limited	(v)	34,451	—
Dividends paid and payable to GDH and certain of its subsidiaries by the Company	(v)	1,255,774	1,108,036
Interest expenses charged by a fellow subsidiary	(vi)	9,721	9,196
Consultancy service fees paid to a fellow subsidiary	(vii)	3,462	—

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) Rental income received were charged in accordance with the respective tenancy agreements.
- (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) Income received from the sale of electricity was in accordance with the terms of the agreement.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 24. RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with related parties (continued)

Notes: (continued)

- (v) Dividends paid and payable were made pursuant to the dividend rates proposed and declared at the respective boards of directors and shareholders' meetings.
- (vi) 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 2018 and 2017.
- (vii) The consultancy service fee was charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.

### (b) Other transactions with related parties

- (i) On 1 February 2018, the Company, 廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited▲), an indirect wholly-owned subsidiary of Guangdong Holdings, and China First Metallurgical Group Co. Ltd., an independent third party, successfully bid for the water resources project in Yangjiang, Guangdong Province (the "Project"). The Company will make capital contribution of RMB131 million (equivalent to approximately HK\$156 million) to a joint venture company to be set up for the Project. The transaction also constituted a connected transaction as defined in Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 1 February 2018.
- (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 and 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 24(a)(ii) 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 2018

	Year ending 30 June 2019 HK\$'000 (Unaudited)	Year ending 30 June 2020 HK\$'000 (Unaudited)	Year ending 30 June 2021 and onwards HK\$'000 (Unaudited)
Guangdong Holdings	16,409	16,151	5,617
GDH	952	—	—
Guangdong Tannery Limited	534	319	—

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 24. RELATED PARTY TRANSACTIONS (continued)

### (c) Commitments with related parties (continued)

As at 31 December 2017

	Year ending 31 December 2018 HK\$'000 (Audited)	Year ending 31 December 2019 HK\$'000 (Audited)	Year ending 31 December 2020 HK\$'000 (Audited)
Guangdong Holdings	13,990	12,707	9,530
GDH	6,661	—	—
Guangdong Tannery Limited	534	534	52

### (d) Outstanding balances with related parties

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Balances with related parties included in receivables, prepayments and deposits:			
Due from fellow subsidiaries	(i)	1,684	2,503
Due from a fellow subsidiary	(ii)	3,264	3,077
Due from associates	(v)	12,845	12,559
Balances with related parties included in payables, accruals and other liabilities:			
Due to the immediate holding company	(i)	(12,727)	(48,827)
Due to the ultimate holding company	(iii)	(37,021)	(3,289)
Due to fellow subsidiaries	(i)	(93,188)	(131,517)
Due to an associate	(vi)	(47,076)	—
Loans from a fellow subsidiary	(iv)	(414,447)	(421,720)
Balances with related parties included in dividend payable:			
Due to the immediate holding company	(vii)	(1,059,797)	—
Due to fellow subsidiaries	(vii)	(195,977)	—

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\$2,971,000 (31 December 2017: HK\$2,997,000) 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.
- (iv) Included in the balance was a loan of HK\$17,792,000 (31 December 2017: HK\$21,534,000) from a fellow subsidiary, which was unsecured and interest-bearing at 94% of the RMB benchmark 5-year lending rate per annum announced by the People's Bank of China. The balance due is repayable semi-annually at HK\$3,558,000 (2017: HK\$3,589,000) for each of the years ending 31 December 2018, 2019 and 2020. The remaining balance due was HK\$396,655,000 (31 December 2017: HK\$400,186,000) which represented 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 due is repayable in 2019.

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2018

## 24. RELATED PARTY TRANSACTIONS (continued)

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

Notes: (continued)

- (v) Included in the balance was a dividend receivable of HK\$12,845,000 (31 December 2017: HK\$11,784,000) from an associate. The balance due is unsecured, non-interest-bearing and has no specific terms of repayment.
- (vi) As at 30 June 2018, the balance is unsecured, non-interest-bearing and has no specific terms of repayment.
- (vii) As at 30 June 2018, the balances are unsecured, non-interest-bearing and payable on 20 July 2018.

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

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Short-term employee benefits	4,888	4,809
Post-employment benefits	242	237
Equity-settled share option benefits	54	374
Total compensation paid to directors and key management personnel	<u>5,184</u>	<u>5,420</u>

## 25. CAPITAL EXPENDITURE

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment, operating concession rights and investment properties, in aggregate of approximately HK\$365,588,000 (2017: HK\$4,909,333,000).

## 26. EVENT AFTER THE REPORTING PERIOD

On 27 April 2018, the Group entered into an agreement with 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.▲) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.▲), fellow subsidiaries of the Company and connected persons of the Company under the Listing Rules, to acquire 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.▲), which principally engages in property development of Baohuaxuan Project and Zhuguanglu Project in the PRC, at a cash consideration of RMB1,200,490,000 (equivalent to approximately HK\$1,485,939,000) and to procure Guangdong Yuehai Property Development Co., Ltd. to repay outstanding loans, together with accrued interest up to 31 March 2018, with an aggregate amount of RMB842,139,000 (equivalent to approximately HK\$1,042,381,000). The transaction was completed on 11 July 2018. Management is in the process of assessing the financial impact of the transaction including but not limited to the purchase price allocation as required under HKFRS 3 (Revised) *Business Combinations* as at the approval date of the interim financial information.

## 27. 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 27 August 2018.

▲ The English name of the entity marked with "▲" is a translation of its Chinese name, and is included herein and in other sections of this Interim Report 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 2018 (the "Period"). The Group's unaudited consolidated profit attributable to owners of the Company amounted to HK\$2,672 million (2017: HK\$3,786 million), a decrease of 29.4% as compared with the same period last year. Basic earnings per share decreased by 31.2% over the same period last year to HK 40.87 cents (2017: HK 59.37 cents).

## INTERIM DIVIDEND

The Board declares an interim dividend of HK 16.0 cents per ordinary share for the Period (2017: HK 14.5 cents).

## FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$6,581 million (2017: HK\$5,920 million), an increase of 11.2% as compared with the same period last year. The growth in revenue was mainly attributable to a better performance in water resources business, electric power generation business and property investment and development business during the Period.

The unaudited consolidated profit before tax for the Period decreased by 26.2% or HK\$1,288 million to HK\$3,629 million (2017: HK\$4,917 million) and the unaudited consolidated profit attributable to owners of the Company for the Period decreased by 29.4% to HK\$2,672 million (2017: HK\$3,786 million). The decrease in the profit before tax and profit attributable to owners of the Company was mainly due to the absence of 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 Guangdong Land Holdings Limited ("GD Land") recognised in the same period last year. Furthermore, the net gain arising from fair value adjustments for investment properties for the Period was HK\$116 million (2017: HK\$447 million), HK\$331 million lower than that in the same period last year. Nevertheless, the decrease was partially offset by a better performance in water resources business and property investment and development business. Total interest income and finance costs of the Group for the Period amounted to HK\$230 million (2017: HK\$195 million) and HK\$54 million (2017: HK\$51 million), respectively. Total interest income net of finance costs of the Group increased by 22.2% to HK\$176 million (2017: HK\$144 million) for the Period.

Basic earnings per share decreased by 31.2% to HK 40.87 cents (2017: HK 59.37 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 2018, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (31 December 2017: 96.03%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.111 billion tons (2017: 0.961 billion tons), an increase of 15.6%, which generated a revenue of HK\$3,359 million (2017: HK\$3,193 million), an increase of 5.2% over the same period last year.

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

The revenue from water sales to Hong Kong for the Period increased by 0.3% to HK\$2,614 million (2017: HK\$2,606 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period increased by 26.9% to HK\$745 million (2017: HK\$587 million). The profit before tax for the Period, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project was HK\$2,182 million (2017: HK\$2,132 million), 2.3% higher than that in the same period last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Water Resources (continued)

#### Other Water Resources Projects

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

During the Period, the Group successfully bid for four new water resources projects in Yangjiang, Yangshan and Renhua in Guangdong Province and Enshi in Hubei Province, with total designed water supply capacity and total designed waste water processing capacity of 400,000 tons and 113,800 tons per day respectively. In addition, the Group successfully bid for a new water resources project in Yangjiang in Guangdong Province which is principally engaged in construction, operation and maintenance of certain water pipe networks and ancillary facilities for discharge of waste water and rainwater. The expected total investment amount of these projects are RMB2,789 million (equivalent to approximately HK\$3,308 million).

As at 30 June 2018, the total designed water supply capacity of the water supply plants and the total designed waste water processing capacity of the sewage treatment plants of the Group's Other Water Resources Projects are 6,004,000 tons per day and 850,000 tons per day, respectively.

#### Capacity of Water Resources Projects in Operation

- The water supply capacity of the water supply plants operated by each of the subsidiaries of the Company, namely, 東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd. ▲), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd. ▲), 儀征港儀供水有限公司 (Yizheng Gangyi Water Supply Company Limited ▲), 高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited ▲), 寶應粵海水務有限公司 (Baoying Yuehai Water Company Limited ▲), 海南儋州自來水有限公司 (Hainan Danzhou Tap Water Company Limited ▲), 梧州粵海江河水務有限公司 (Wuzhou Yuehai Jianghe Water Company Limited ▲), Zhaoqing HZ GDH Water Co., Ltd., 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited ▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited ▲), 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd. ▲) and 盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited ▲) is 290,000 tons, 310,000 tons, 150,000 tons, 145,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 150,000 tons, 50,000 tons, 50,000 tons, 73,500 tons and 150,000 tons per day, respectively, totaling 1,953,500 tons per day (2017: 1,530,000 tons per day).
- The waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries of the Company, namely, 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd. ▲), 梧州粵海環保發展有限公司 (Wuzhou Yuehai Huanbao Fazhan Company Limited ▲), 東莞市常平金勝水務有限公司 (Dongguan Changping Jinsheng Water Co., Ltd. ▲), 開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd. ▲), 五華粵海環保有限公司 (Wuhua Yuehai Huanbao Co., Ltd. ▲), 東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd. ▲), 興寧粵海環保有限公司 (Xingning Yuehai Huanbao Co., Ltd. ▲), 開平粵海污水處理有限公司 (Kaiping Yuehai Sewage Treatment Co., Ltd. ▲), 五華粵海清源環保有限公司 (Wuhua Yuehai Qingyuan Huanbao Co., Ltd. ▲) and 汕尾粵海環保有限公司 (Shanwei Yuehai Huanbao Co., Ltd. ▲) is 100,000 tons, 90,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons, 3,000 tons, 25,000 tons, 15,000 tons and 30,000 tons per day, respectively, totaling 463,000 tons per day (2017: 393,000 tons per day).
- The water supply capacity of the water supply plants operated by Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd., 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd. ▲) and 汕頭市粵海水務有限公司 (Shantou Guangdong Water Company Limited ▲), being associates of the Company, is 520,000 tons, 400,000 tons and 920,000 tons per day, respectively, totaling 1,840,000 tons per day (2017: 920,000 tons per day).



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Water Resources (continued)

#### Other Water Resources Projects (continued)

##### Capacity of Water Resources Projects under Construction

- The water supply capacity of the water supply plants under construction of each of the subsidiaries of the Company, namely, 高州粵海水務有限公司 (Gaozhou Guangdong 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 雲浮粵海水務有限公司 (Yunfu Guangdong Water Company Limited ▲) is 100,000 tons, 50,000 tons, 20,000 tons and 50,000 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, 五華粵海綠源環保有限公司 (Wuhua Yuehai Luyuan Huanbao Co., Ltd. ▲), 大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd. ▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited ▲) and 梧州粵海環保發展有限公司 (Wuzhou Yuehai Huanbao Fazhan Company Limited ▲) is 11,000 tons, 22,000 tons, 20,000 tons and 50,000 tons per day, respectively, totaling 103,000 tons per day.

Revenue of Other Water Resources Projects for the Period in aggregate amounted to HK\$771,232,000 (2017: HK\$637,424,000), increasing by 21.0% over the same period last year. The growth was mainly attributable to additional returns from those water resources projects newly acquired or launched. Profit before tax of Other Water Resources Projects for the Period, excluding the net exchange differences and net finance costs, amounted to HK\$140,795,000 (2017: HK\$123,844,000) in aggregate, 13.7% higher than that in the same period last year.

## Property Investment and Development

### Mainland China

#### Teem Plaza

As at 30 June 2018, 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 and property management fee income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building. During the Period, revenue of Teem Plaza increased by 11.6% to HK\$612,326,000 (2017: HK\$548,501,000). The profit before tax for the Period, excluding changes in fair value of investment properties and net interest income, increased by 10.5% to HK\$421,923,000 (2017: HK\$381,697,000).

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 (2017: 99.9%).

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 98.4% (2017: 90.1%), the revenue for the Period was HK\$107,644,000 (2017: HK\$96,769,000), increasing by 11.2%. The profit before tax for the Period, excluding changes in fair value of investment properties, increased by 12.2% to HK\$91,187,000 (2017: HK\$81,242,000).

#### 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Property Investment and Development (continued)

#### Mainland China (continued)

##### Tianjin Teem Shopping Mall (continued)

Tianjin Teem Shopping Mall opened in June 2017 and with encouraging response from tenants ranging from local enterprises to well-known multinationals, the mall had an average occupancy rate of 97.4% (2017: 95.5%) during the Period. Revenue of Tianjin Teem Shopping Mall for the Period was HK\$78,251,000 (including rentals from the department stores operated by the Group) (2017: HK\$4,488,000). The profit before tax of Tianjin Teem Shopping Mall for the Period, excluding changes in fair value of investment properties and net finance costs, was HK\$18,064,000 (2017: loss before tax of HK\$11,344,000).

##### Panyu Wanbo CBD Project

The Group's effective interest in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited ▲) ("Wanye") is 31.06%. 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd. ▲) ("Tianhecheng Investco"), a 60%-owned subsidiary of GD Teem, directly holds a 68% interest in Wanye.

Wanye owns a parcel of land in 番禺萬博中央商務區 (Panyu Wanbo Central Business District), which is designated to be a new commercial area in Guangzhou. Based on the Group's current development plan, this parcel of land is being developed into a large-scale integrated commercial project with a total GFA of approximately 385,000 sq. m. of which properties with GFA of approximately 152,000 sq. m. and 104,000 sq. m. will be held for sale and for rental purposes, respectively, upon their completion. As at 30 June 2018, the cumulative land and development cost incurred by the Group for Panyu Wanbo CBD Project amounted to approximately HK\$3,229 million (31 December 2017: HK\$3,196 million), of which approximately HK\$1,715 million and HK\$1,514 million were attributable to "Properties under development" under current assets and "Investment properties" under non-current assets, respectively.

##### GD Land

The Company's effective interest in GD Land is approximately 73.82%. GD Land holds a 100% interest in the Buxin Project, which is a multi-functional commercial complex with jewelry as the main theme, located in Buxin Area, Luohu, Shenzhen in the PRC. The total site area of the Buxin Project 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. could be developed for commercial use. The Buxin Project, which is in close proximity to the urban highway and subway station as well as adjoining Weiling Park, is surrounded by several municipal parks within a radius of 1.5 km, possessing convenient transportation and superb landscape resources.

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. Based on GD Land's current development plan, except for the underground car-parking spaces, properties built on the Northwestern Land under the first phase of development will be for sale upon completion. During the Period under review, construction of properties on the Northwestern Land was on track and the main structures of four buildings have been constructed up to 19-27 floors, respectively. The design plan for the Southern Land and the Northern Land under the second phase of the development of the Buxin Project has been completed. GD Land plans to build, among others, office buildings with a height of approximately 180 meters and 300 meters, respectively, as well as a shopping mall across the Southern Land and the Northern Land. It is expected that the second phase of development will commence in the latter half of 2018. During the period under review, the construction of the exhibition center of the Buxin Project was on schedule in accordance with the plan. Meanwhile, GD Land continued to visit potential customers and promoted the Buxin Project vigorously, and positive feedback has been received.

As at 30 June 2018, the cumulative land and development costs and fees incurred by the Group for the Buxin Project amounted to approximately HK\$7,763 million (31 December 2017: approximately HK\$7,723 million), of which approximately HK\$4,106 million and HK\$3,657 million were attributable to "Properties under development" under current assets and "Investment properties" under non-current assets, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Property Investment and Development (continued)

#### Mainland China (continued)

##### GD Land (continued)

Subsequent to the end of the reporting period, 粵海置地發展(深圳)有限公司 (Guangdong Land Development (Shenzhen) Limited ▲), an indirect wholly-owned subsidiary of GD Land, completed the acquisition of 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd. ▲) which is principally engaged in the construction and development of the Zhuguanglu Project and the Baohuaxuan Project in the PRC. Further details of the transaction are set out in the circular of GD Land dated 18 May 2018.

#### Hong Kong

##### Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 100% (2017: 100%). As a result of the increase in average rental, the total revenue for the Period was up by 0.7% to HK\$27,986,000 (2017: HK\$27,796,000).

#### Department Store Operation

As at 30 June 2018, 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 178,100 sq. m. (31 December 2017: 183,400 sq. m.) as at 30 June 2018. The total revenue for the Period increased by 7.8% to HK\$417,186,000 (2017: HK\$386,934,000). The profit before tax for the Period increased by 2.3% to HK\$168,703,000 (2017: HK\$164,962,000).

The revenue of the nine stores operated by the Group for the six months ended 30 June 2018 was as follows:

	Leased area sq. m.	Revenue for the six months ended 30 June		Changes %
		2018 HK\$'000	2017 HK\$'000	
Teemall Store	40,200	284,364	266,722	+6.6
Wan Bo Store	19,600	50,062	45,296	+10.5
Ming Sheng Store	13,300	23,648	25,118	-5.9
Dong Pu Store	28,300	28,418	25,830	+10.0
Ao Ti Store	21,500	23,551	19,054	+23.6
Dongguan Store	9,800	1,879	1,918	-2.0
Nanhai Store	28,400	1,671	1,972	-15.3
Yuehaiyangzhong Hui Store	7,500	1,330	898	+48.1
Tianjin Teem Store (opened in June 2017)	9,500	2,263	126	+1,696.0
	178,100	417,186	386,934	+7.8

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%. The Group's share of profits in GD Aeon Teem amounted to HK\$4,959,000 (2017: HK\$2,289,000) during the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Hotel Ownership, Operation and Management

As at 30 June 2018, the Group's hotel management team managed a total of 34 hotels (31 December 2017: 32 hotels), of which two were located in Hong Kong, one in Macau and 31 in Mainland China. As at 30 June 2018, five star-rated hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou and Zhuhai, were owned by the Group. Of these five hotels, four were managed by our hotel management team with the exception of the one located in Guangzhou, namely Sheraton Guangzhou Hotel, which was managed by Sheraton Overseas Management Corporation.

During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$1,319 (2017: HK\$1,204) whereas the average room rate of the remaining four star-rated hotels were HK\$750 (2017: HK\$649). The average occupancy rate of Sheraton Guangzhou Hotel was 92.4% (2017: 88.6%) and that of the other four star-rated hotels was 77.8% (2017: 78.0%) during the Period.

The revenue of hotel ownership, operation and management business for the Period increased by 11.4% to HK\$338,389,000 (2017: HK\$303,822,000). The profit before tax for the Period, excluding the net exchange differences, increased by 17.9% to HK\$81,916,000 (2017: HK\$69,498,000).

### Energy Projects

#### *Zhongshan Power Project*

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% equity interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.▲) ("ZTP"). ZTP has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the Period amounted to 1,349 million kwh (2017: 1,271 million kwh), increasing by 6.1%. As a result, revenue of Zhongshan Power Project (including intersegment sales) generated from electricity sales and related operations for the Period increased by 23.0% to HK\$769,742,000 (2017: HK\$625,897,000). However, due to the significant increase in coal price and other overheads, the profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$74,677,000 (2017: HK\$91,729,000), a decrease of 18.6%.

#### *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 2018, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the Period amounted to 7,021 million kwh (2017: 5,533 million kwh), an increase of 26.9%. Revenue for the Period increased by 34.9% to HK\$3,098,604,000 (2017: HK\$2,296,579,000).

The profit before tax of Yudean Jinghai Power for the Period was HK\$129,755,000 (2017: HK\$22,118,000). The Group's share of profit in Yudean Jinghai Power amounted to HK\$24,329,000 (2017: HK\$4,147,000) 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 approximately 100 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of approximately 53 km.

The average daily traffic flow of the Xingliu Expressway was 27,514 vehicle trips during the Period (2017: 25,042 vehicle trips), increasing by 9.9%. The revenue of Xinchangjiang Company during the Period amounted to HK\$380,057,000 (2017: HK\$331,366,000), increasing by 14.7%. Profit before tax during the Period amounted to HK\$230,888,000 (2017: HK\$199,050,000), increasing by 16.0%.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Road and Bridge (continued)

#### Yinping PPP Project

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

During the period of construction of the Project Roads (the "Development Period"), the Group shall be responsible for providing funding for the development of the Project Roads (the "Development Costs") depending on the overall development plan and progress of Yinping Innovation Zone in phases with the total Development Costs not exceeding RMB4.754 billion (equivalent to approximately HK\$5.639 billion). The Xiegang Government shall pay the Development Costs by 10 annual instalments throughout the maintenance period, being ten years (the "Maintenance Period") from the acceptance of the Project Roads by the Xiegang Government.

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

As at 30 June 2018, two Project Roads were under construction. The Accrued Interest Amount and Management Fee of Yuehai Yinping recognised during the Period amounted to HK\$4,983,000 in total (2017: Nil) and loss before tax during the Period amounted to HK\$1,096,000 (2017: HK\$3,019,000).

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

As at 30 June 2018, the aggregate amount of financial assets at fair value through profit or loss and other financial assets at amortised cost of the Group decreased by HK\$1,539 million to HK\$6,554 million (31 December 2017: available-for-sale financial assets of HK\$8,093 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, financial assets at fair value through profit or loss and other financial assets at amortised cost in the amount of approximately HK\$2,500 million matured.

## LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2018, cash and cash equivalents of the Group increased by HK\$2,713 million to HK\$10,278 million (31 December 2017: HK\$7,565 million), of which 76.6% was denominated in Renminbi, 22.0% in Hong Kong dollars and 1.4% in United States dollars.

As at 30 June 2018, the Group's financial borrowings decreased by HK\$283 million to HK\$5,637 million (31 December 2017: HK\$5,920 million), of which 96% was denominated in Hong Kong dollars and 4% in Renminbi, including the non-interest-bearing receipt in advance of HK\$591 million. Of the Group's total financial borrowings, HK\$3,018 million was repayable within one year while the remaining balances of HK\$2,543 million and HK\$76 million are repayable within two to five years and beyond five years from the end of the reporting period, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, GEARING AND FINANCIAL RESOURCES (continued)

The Group maintained a credit facility of RMB500 million (equivalent to approximately HK\$593 million) as at 30 June 2018 (31 December 2017: Nil).

As at 30 June 2018 and 31 December 2017, 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 2018 was 80.88 times (31 December 2017: 82.39 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 2018 and 31 December 2017, except for bank deposits of HK\$67,660,000 (31 December 2017: HK\$68,242,000) pledged to secure performance obligations of certain service concession agreements and construction agreements, none of the property, plant and equipment, concession rights for water distribution operation and sewage treatment operation, comprising operating concession rights and receivables under service concession agreements, were pledged to secure bank loans granted to the Group.

Except for the Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate of approximately HK\$58 million (31 December 2017: approximately HK\$59 million), the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK\$661 million (31 December 2017: approximately HK\$783 million) and undertakings made in the master agreement relating to the disposal of brewery business by GD Land as disclosed in note 23 of this interim report, there was no other material contingent liability as at 30 June 2018 and 31 December 2017.

## CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$366 million which was principally related to the development cost for property development projects, construction cost for Zhongshan Power Plant and water supply and sewage treatment plants.

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

As at 30 June 2018, total Renminbi borrowings amounted to HK\$253 million (31 December 2017: HK\$264 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 30 June 2018, the Group's total floating rate borrowings amounted to HK\$4,855 million (31 December 2017: HK\$5,143 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 the global economic recovery maintains momentum, rising international trade tension could bring uncertainties to further progress. Domestically, the overall macro economy achieved growth while maintaining stability. However, due to the combined effects of ongoing economic structural adjustments, acceleration of replacement of old growth drivers with new initiatives, Renminbi exchange rate fluctuations and further energy saving and emission reduction efforts, economic fundamentals remain challenging. Macroeconomic development faces dilemmas such as de-leveraging while maintaining growth, which may cause uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange and interest rates. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to senior management according to existing company procedures in order to ensure effective implementation of the Company's development strategies and maintain its corporate competitiveness under such external economic environment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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

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

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of 6,908 employees, of which 1,446 were at the managerial level. Among the employees, 6,667 were employed by subsidiaries in Mainland China and 241 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$562,644,000 (2017: HK\$466,350,000).

In 2018, 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 responsibility, 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 encourages its employees to attend continuing education and training programmes by providing subsidies as well as providing professional training according to the Company's strategic objectives and working needs on a target-oriented basis.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW

In the first half of 2018, the global economic recovery maintained momentum, though rising international trade tension could bring uncertainties to further progress. China's economy achieved growth while maintaining stability. Faced with a mixture of new and old policy and market risks amid overall positive trend in global economic recovery, the Group continued to strengthen risk management control to ensure solid performance in its core businesses and actively seek new investment opportunities for business expansion, thereby promoting the Group's sustainable growth.

## PROSPECTS

In the second half of 2018, despite continuing global economic recovery, uncertainties such as financial market risks still linger. Economic growth in China is expected to remain stable. However, with domestic economic structural adjustment at a crucial stage, increasing external uncertainties such as geopolitical and economic policy adjustments may cause short-term volatilities in global foreign exchange and interest rates markets, posing potential risks to business operations. With a stringent set of risk management controls in place, the Group will closely monitor changes in macroeconomic policies and market conditions and expand its core businesses to ensure the sustainable and stable growth of the Company.

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



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2018, 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	821,200	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	15,000,000	Long position	0.229%
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 2018.

#### (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 At 30 June 2018 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 2018	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

## INTERESTS AND SHORT POSITIONS IN THE COMPANY (continued)

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

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

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 2018.

## 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 2018.

## 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 2018.

Save as disclosed above, as at 30 June 2018, 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 2018, 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 2018.
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 2018, 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 2018, 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 18 to the interim financial information.

Category of participants	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 (per share) HK\$	Price of ordinary share at date immediately before date of grant (per share) HK\$	Price of ordinary share at date immediately before the exercise date (per share) HK\$	
		At date of grant	At 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period					At 30 June 2018
Employees	22.01.2013	19,202,000	4,515,340	—	—	—	4,515,340	—	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 57.

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 “Director’s Interests and Short Positions in Securities” of this report on page 57.

# 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 2018 and, where appropriate, the applicable recommended best practices of the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code (the "Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers 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 Code throughout the six months ended 30 June 2018.

## CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information are set out below:

- (i) Dr. Chan Cho Chak, John was appointed a Board Member of the Community Chest of Hong Kong and a member of its Executive Committee with effect from 26 June 2018.
- (ii) The position of Mr. Li Wai Keung at the Hong Kong Business Accountants Association was changed from President to Honorary President with effect from 2 August 2018.
- (iii) Mr. Wu Ting Yuk, Anthony was appointed the Chairman and an Independent Non-Executive Director of China Resources Phoenix Healthcare Holdings Company Limited with effect from 7 August 2018.

Save for the above changes in Directors' information, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## 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 2018 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 2018, 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.

## DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

### 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 Limited ("GDH") ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; and
- (ii) the Guangdong Provincial People's Government of the People's Republic of China (the "Guangdong Provincial Government") ceases to beneficially own, directly and/or indirectly, 100% of the shareholding in GDH.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES (continued)

### Facility Agreement dated 22 May 2015 (continued)

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 should be repaid by the Company on the date 36 months from the date of the GDI May 2015 Facility Agreement. As at 30 June 2018, the GDI May 2015 Facility has been fully repaid by the Company.

### 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) 廣東粵海控股集團有限公司 (Guangdong Holdings Limited ▲) ("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 should be repaid by the Company on the date 36 months from the date of the GDI June 2015 Facility Agreement. As at 30 June 2018, the GDI June 2015 Facility has been fully repaid by the Company.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES (continued)

### 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 2018 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.

### Facility Agreement dated 21 June 2018

Pursuant to a facility agreement (the "GDI June 2018 Facility Agreement") entered into between the Company and a bank on 21 June 2018 in relation to a term loan facility (the "GDI June 2018 Facility") in the principal amount of HK\$2,000 million made available by the bank to the Company, it shall be an event of default if:

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

If an event of default under the GDI June 2018 Facility Agreement occurs, the bank may by notice to the Company:

- (i) cancel the GDI June 2018 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 2018 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 2018 Facility as at 30 June 2018 amounted to HK\$2,000 million. The GDI June 2018 Facility shall be repaid by the Company on the date 36 months from the date of the GDI June 2018 Facility Agreement.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK16.0 cents (2017: HK14.5 cents) per ordinary share for the six months ended 30 June 2018 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 10 October 2018. The interim dividend is expected to be paid on or about Friday, 26 October 2018.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 10 October 2018 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 Tuesday, 9 October 2018.

- ▲ 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, 27 August 2018

GDH  粤海

粤海投资有限公司  
GUANGDONG INVESTMENT LIMITED