



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

Stock Code : 00270

INTERIM REPORT

2019



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Corporate Information

as at 28 August 2019

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. CAI Yong
 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

Mr. WU Ting Yuk, Anthony (*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

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. HOU Wailin (*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

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
 China CITIC Bank, Guangzhou Branch
 China Merchants Bank
 Chong Hing Bank
 Dah Sing 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
 OCBC Wing Hang Bank Limited
 Standard Chartered Bank
 The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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 Guangdong Investment Tower
 148 Connaught Road Central
 Hong Kong

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 Website : <http://www.gdi.com.hk>

SHARE REGISTRAR

Tricor Tengis Limited
 Level 54, 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 : 00270
 Board Lot : 2,000 shares
 Financial Year End : 31 December

SHAREHOLDERS' CALENDAR

Closure of Register of Members : 8 October 2019
 Interim Dividend : HK17.3 cents per ordinary share
 Payable on or about : 24 October 2019

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 43, which comprises the condensed consolidated statement of financial position of Guangdong Investment Limited (the "Company") and its subsidiaries as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other 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 "HKICPA"). 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 HKICPA. 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 respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

28 August 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

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

Condensed Consolidated Statement of Financial Position

30 June 2019

	<i>Notes</i>	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,024,310	7,017,886
Investment properties		17,767,326	16,949,174
Right-of-use assets		726,769	–
Prepaid land lease payments		–	306,824
Goodwill		579,897	301,883
Investments in associates		3,623,733	3,676,701
Operating concession rights		14,280,843	13,047,462
Receivables under service concession arrangements	10	2,286,216	1,451,496
Receivables under a cooperative arrangement		612,443	414,701
Equity investment designated at fair value through other comprehensive income		10,151	10,191
Prepayments and other receivables	11	161,977	137,905
Deferred tax assets		307,676	252,019
Total non-current assets		47,381,341	43,566,242
CURRENT ASSETS			
Properties held for sale under development		6,051,161	5,831,502
Completed properties held for sale		4,669,868	5,053,081
Financial assets at fair value through profit or loss		4,629,318	7,399,210
Other financial assets at amortised cost		1,421,000	1,597,820
Tax recoverable		79,928	26,053
Inventories		331,213	180,939
Receivables under service concession arrangements	10	31,030	13,223
Receivables, prepayments and other receivables	11	2,023,156	1,118,991
Due from non-controlling equity holders of subsidiaries		65,971	66,670
Pledged bank deposits		42,112	42,278
Restricted bank balances		1,347,431	641,314
Cash and cash equivalents		9,770,487	7,645,121
Total current assets – page 7		30,462,675	29,616,202

Condensed Consolidated Statement of Financial Position

30 June 2019

	<i>Notes</i>	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Total current assets – page 6		30,462,675	29,616,202
CURRENT LIABILITIES			
Payables, accruals and other liabilities	14, 16	(4,910,107)	(5,055,827)
Contract liabilities		(2,666,877)	(1,637,277)
Tax payables		(878,106)	(803,482)
Due to non-controlling equity holders of subsidiaries		(167,497)	(159,000)
Bank and other borrowings	15	(909,887)	(1,567,092)
Lease liabilities		(40,700)	–
Dividend payables		(2,451,683)	–
Total current liabilities		(12,024,857)	(9,222,678)
NET CURRENT ASSETS		18,437,818	20,393,524
TOTAL ASSETS LESS CURRENT LIABILITIES		65,819,159	63,959,766
NON-CURRENT LIABILITIES			
Bank and other borrowings	15	(7,302,424)	(7,289,915)
Lease liabilities		(653,181)	–
Other liabilities	14, 16	(1,590,851)	(937,138)
Deferred tax liabilities		(6,631,826)	(6,272,264)
Total non-current liabilities		(16,178,282)	(14,499,317)
Net assets		49,640,877	49,460,449
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	8,966,177	8,966,177
Reserves	19	31,446,745	31,406,078
		40,412,922	40,372,255
Non-controlling interests		9,227,955	9,088,194
Total equity		49,640,877	49,460,449

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share capital	Asset revaluation reserve	Capital reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserve	Fair value reserve	Defined benefit plan reserve	Retained profits	Total	Non-controlling interests	Total equity
	(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	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 31 December 2018 (as previously reported)	8,966,177	97,420*	1,762,504*	2,962,610*	(459,224)*	(5,821)*	3,807*	(10,446)*	27,055,228*	40,372,255	9,088,194	49,460,449
Effect on adoption of HKFRS 16 (note 2)	-	-	-	-	-	-	-	-	(81,406)	(81,406)	(14,147)	(95,553)
At 1 January 2019 (restated)	8,966,177	97,420	1,762,504	2,962,610	(459,224)	(5,821)	3,807	(10,446)	26,973,822	40,290,849	9,074,047	49,364,896
Profit for the period	-	-	-	-	-	-	-	-	2,700,961	2,700,961	269,387	2,970,348
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations												
- Subsidiaries	-	-	-	-	(169,784)	-	-	-	-	(169,784)	(58,511)	(228,295)
- Associates	-	-	-	-	(50,146)	-	-	-	-	(50,146)	-	(50,146)
Fair value gains of property, plant and equipment, net of tax	-	204,511	-	-	-	-	-	-	-	204,511	64,517	269,028
Total comprehensive income/(loss) for the period	-	204,511	-	-	(219,930)	-	-	-	2,700,961	2,685,542	275,393	2,960,935
Put option on non-controlling interests in a subsidiary (note 14)	-	-	-	-	-	(111,786)	-	-	-	(111,786)	(430,222)	(542,008)
Acquisition of subsidiaries (note 20)	-	-	-	-	-	-	-	-	-	-	488,162	488,162
Capital injection of subsidiaries by non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	24,168	24,168
Dividends paid and payable to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(203,593)	(203,593)
Final 2018 dividend	-	-	-	-	-	-	-	-	(2,451,683)	(2,451,683)	-	(2,451,683)
At 30 June 2019	8,966,177	301,931*	1,762,504*	2,962,610*	(679,154)*	(117,607)*	3,807*	(10,446)*	27,223,100*	40,412,922	9,227,955	49,640,877

* These reserve accounts comprise the consolidated reserves of HK\$31,446,745,000 (31 December 2018: HK\$31,406,078,000) in the condensed consolidated statement of financial position as at 30 June 2019.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	Share capital	Share option reserve	Asset revaluation reserve	Capital reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	(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	(Unaudited) HK\$'000
At 1 January 2018	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 of 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 of subsidiaries	-	-	-	-	-	-	-	-	-	(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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

		For the six months ended 30 June	
	<i>Note</i>	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,739,502	2,375,312
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		3,279	844
Net movement in receivables under a cooperative arrangement		(188,013)	(222,427)
Net movement in financial assets at fair value through profit or loss		2,920,893	1,416,391
Net movement in other financial assets at amortised cost		210,923	155,621
Purchases of items of property, plant and equipment		(322,436)	(261,209)
Additions to investment properties		(104,645)	(104,350)
Additions to service concession arrangements		(396,117)	(71,071)
Additions to right-of-use assets		(887)	–
Acquisition of subsidiaries	20	(1,617,012)	–
Increase in investment in an associate		(5,460)	(15,419)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		(1,265,219)	(2,981,550)
Settlement of consideration payable for the acquisitions of subsidiaries in the prior years		–	(14,660)
Net movement in changes of non-controlling interests		–	(655)
Net cash flows used in investing activities		(764,694)	(2,098,485)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other loans		830,505	3,097,941
Repayments of bank and other loans		(1,671,594)	(3,379,448)
Repayment of a loan from a fellow subsidiary		(3,583)	(3,792)
Capital contribution from non-controlling equity holders of subsidiaries		24,168	700
Principal portion of lease payments		(25,863)	–
Dividends paid to non-controlling equity holders of subsidiaries		(116,146)	(85,103)
Interest paid		(142,907)	(54,408)
Net cash flows used in financing activities		(1,105,420)	(424,110)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		869,388	(147,283)
Cash and cash equivalents at beginning of period		6,887,014	6,519,825
Effect of foreign exchange rate changes, net		(8,004)	11,539
CASH AND CASH EQUIVALENTS AT END OF PERIOD		7,748,398	6,384,081
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,207,371	3,770,362
Non-pledged time deposits with original maturity of less than three months when acquired		3,541,027	2,613,719
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		7,748,398	6,384,081
Non-pledged time deposits with original maturity of more than three months when acquired		2,022,089	3,893,542
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		9,770,487	10,277,623

Notes to Interim Financial Information

30 June 2019

1. GENERAL INFORMATION AND ACCOUNTING POLICIES

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

This unaudited interim financial information of the Group for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). This unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

The accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards and Interpretations) for the first time for the current period’s unaudited interim financial information, as further detailed in note 2 below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial information relating to the year ended 31 December 2018 included in this unaudited interim financial information for the six months ended 30 June 2019 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622). The Company’s auditor has reported on those consolidated financial statements for the year ended 31 December 2018. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Notes to Interim Financial Information

30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Notes to Interim Financial Information

30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Impacts on transition

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

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

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

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

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

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

Notes to Interim Financial Information

30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Impacts on transition (continued)

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

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

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

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

Notes to Interim Financial Information

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2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

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

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

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

Notes to Interim Financial Information

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2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amounts recognised in the interim condensed consolidated statement of financial position

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

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

3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost, changes in fair value of financial assets at fair value through profit or loss, finance costs and share of profits less losses of associates are excluded from such measurement.

Notes to Interim Financial Information

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3. OPERATING SEGMENT INFORMATION (continued)

Segment assets exclude deferred tax assets, tax recoverable, pledged bank deposits, cash and cash equivalents, restricted bank balances, financial assets at fair value through profit or loss, equity investment designated at fair value through other comprehensive income, other financial assets at amortised cost and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, tax payables, deferred tax liabilities, loans from a fellow subsidiary, dividend payables and other unallocated liabilities as these liabilities are managed on a group basis.

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

	Water resources		Property investment and development		Department store operation	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	4,379,338	4,114,002	1,146,177	681,569	377,107	417,186
Intersegment sales	–	–	53,685	67,321	–	–
Other income from external sources	1,632	6,274	2,801	806	33,280	34,996
Other income from intersegment transactions	1,481	1,568	3,610	–	–	–
Total	4,382,451	4,121,844	1,206,273	749,696	410,387	452,182
Segment results	2,341,262	2,306,747	733,262	551,930	155,296	145,658
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Changes in fair value of financial assets at fair value through profit or loss						
Finance costs						
Share of profits less losses of associates	47,428	50,790	–	–	1,149	4,959
Profit before tax						
Income tax expense						
Profit for the period						

Notes to Interim Financial Information

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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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	542,057	649,513	330,530	338,389	389,554	380,521
Intersegment sales	109,244	120,229	–	–	–	–
Other income from external sources	15,407	16,799	327	229	21,712	8,506
Other income from intersegment transactions	–	–	–	–	–	–
Total	666,708	786,541	330,857	338,618	411,266	389,027
Segment results	123,628	82,003	74,553	76,947	259,634	238,567
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Changes in fair value of financial assets at fair value through profit or loss						
Finance costs						
Share of profits less losses of associates	32,523	24,329	166	50	–	–
Profit before tax						
Income tax expense						
Profit for the period						

Notes to Interim Financial Information

30 June 2019

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

Notes to Interim Financial Information

30 June 2019

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Water resources		Property investment and development		Department store operation		Electric power generation		Hotel operation and management	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	(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	19,076,247	15,354,265	29,454,243	28,863,058	505,049	133,404	2,559,378	2,600,628	1,831,224	1,860,656
Investments in associates	2,414,674	2,465,918	-	-	151,007	150,469	1,054,541	1,056,953	3,511	3,361
Unallocated assets										
Total assets										
Segment liabilities	3,116,231	2,058,744	4,251,396	3,322,071	1,228,554	881,210	461,345	585,790	155,012	188,879
Unallocated liabilities										
Total liabilities										

Other segment information:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018		For the six months ended 30 June 2019		For the six months ended 30 June 2018		For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000										
Exchange gains/(losses), net	12,595	34,917	52,920	23,536	(700)	(1,361)	2,579	7,333	(638)			174

Notes to Interim Financial Information

30 June 2019

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Road and bridge		Others		Eliminations		Consolidated	
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000						
Segment assets	3,134,628	3,057,294	22,885	9,182	(745)	-	56,582,909	51,878,487
Investments in associates	-	-	-	-	-	-	3,623,733	3,676,701
Unallocated assets							17,637,374	17,627,256
Total assets							77,844,016	73,182,444
Segment liabilities	281,383	182,634	120,906	153,461	-	-	9,614,827	7,372,789
Unallocated liabilities							18,588,312	16,349,206
Total liabilities							28,203,139	23,721,995

Other segment information:

	For the six months ended 30 June 2019 (Unaudited) HK\$'000		For the six months ended 30 June 2018 (Unaudited) HK\$'000		For the six months ended 30 June 2019 (Unaudited) HK\$'000		For the six months ended 30 June 2018 (Unaudited) HK\$'000	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Exchange gains/(losses), net	1,701	3,614	(15,368)	(29,130)	1,073	-	54,162	39,083

Notes to Interim Financial Information

30 June 2019

4. REVENUE

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

Disaggregation of revenue is analysed as follows:

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

Notes to Interim Financial Information

30 June 2019

4. REVENUE (continued)

Disaggregation of revenue is analysed as follows: (continued)

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
(b) Geographical locations*:		
<u>Mainland China</u>		
Water resources segment	4,361,285	4,098,896
Property investment and development segment	574,595	115,000
Department store operation segment	377,107	417,186
Electric power generation segment	542,057	649,513
Hotel operation and management segment	218,047	226,568
Road and bridge segment	389,554	380,521
	6,462,645	5,887,684
<u>Hong Kong</u>		
Hotel operation and management segment	112,483	111,821
<i>Revenue from contracts with customers</i>	6,575,128	5,999,505
<i>Revenue from other sources</i>		
Rental income	571,582	566,569
Finance income from service concession arrangements	18,053	15,106
Total revenue	7,164,763	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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on bank and other borrowings	136,979	44,687
Interest on loans from a fellow subsidiary (note 23(a)(vi))	9,072	9,721
Interest on lease liabilities	17,300	–
Finance costs incurred	163,351	54,408
Less: Amount capitalised in properties held for sale under development and investment properties under development	(24,442)	–
Finance costs charged for the period	138,909	54,408

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

Notes to Interim Financial Information

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6. PROFIT BEFORE TAX

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

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

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

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

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

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

7. INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC Corporate Income Tax Law, enterprises are subject to corporate income tax at a rate of 25% (2018: 25%). Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

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30 June 2019

8. DIVIDENDS

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

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

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

The calculations of the basic and diluted earnings per share amounts for the six months ended 30 June 2019 and 2018 are based on:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	2,700,961	2,671,854

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

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

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30 June 2019

10. SERVICE CONCESSION ARRANGEMENTS

(a) *Receivables under service concession arrangements*

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Receivables under service concession arrangements wholly attributable to sewage treatment operations	2,317,246	1,464,719
Less: Portion classified as current assets	(31,030)	(13,223)
Non-current portion	2,286,216	1,451,496

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

(b) *Contract assets*

As at 30 June 2019, contract assets which are presented as operating concession rights and receivables under service concession arrangements amounted to HK\$28,271,000 (31 December 2018: HK\$40,651,000) and HK\$710,674,000 (31 December 2018: HK\$700,719,000), respectively.

11. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
	1,252,228	616,140
Trade receivables, net of impairment	887,397	635,799
Other receivables, prepayments and deposits	5,432	4,209
Due from fellow subsidiaries	40,076	748
Due from associates		
	2,185,133	1,256,896
Less: Portion classified as non-current assets	(161,977)	(137,905)
Current portion	2,023,156	1,118,991

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

Notes to Interim Financial Information

30 June 2019

11. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The various group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has certain concentration of credit risk whereby 34% (31 December 2018: Nil) and 10% (31 December 2018: 14%) of the total trade receivables were due from two customers (31 December 2018: one customer). The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest bearing.

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

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

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 2019

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition (Unaudited) HK\$'000	Equity investment (Unaudited) HK\$'000	Financial assets at amortised cost (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Receivables under a cooperative arrangement	-	-	612,443	612,443
Equity investment designated at fair value through other comprehensive income	-	10,151	-	10,151
Financial assets at fair value through profit or loss	4,629,318	-	-	4,629,318
Other financial assets at amortised cost	-	-	1,421,000	1,421,000
Financial assets included in receivables under service concession arrangements	-	-	1,606,572	1,606,572
Financial assets included in receivables, prepayments and other receivables	-	-	1,752,306	1,752,306
Due from non-controlling equity holders of subsidiaries	-	-	65,971	65,971
Pledged bank deposits	-	-	42,112	42,112
Restricted bank balances	-	-	1,347,431	1,347,431
Cash and cash equivalents	-	-	9,770,487	9,770,487
	4,629,318	10,151	16,618,322	21,257,791

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12. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Financial assets (continued)

31 December 2018

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total	
	Designated as such upon initial recognition (Audited) HK\$'000	Equity investment (Audited) HK\$'000	Financial assets at amortised cost (Audited) HK\$'000	(Audited) HK\$'000
Receivables under a cooperative arrangement	–	–	414,701	414,701
Equity investment designated at fair value through other comprehensive income	–	10,191	–	10,191
Financial assets at fair value through profit or loss	7,399,210	–	–	7,399,210
Other financial assets at amortised cost	–	–	1,597,820	1,597,820
Financial assets included in receivables under service concession arrangements	–	–	764,000	764,000
Financial assets included in receivables, prepayments and other receivables	–	–	969,855	969,855
Due from non-controlling equity holders of subsidiaries	–	–	66,670	66,670
Pledged bank deposits	–	–	42,278	42,278
Restricted bank balances	–	–	641,314	641,314
Cash and cash equivalents	–	–	7,645,121	7,645,121
	7,399,210	10,191	12,141,759	19,551,160

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Financial liabilities included in payables, accruals and other liabilities	4,941,883	4,324,754
Due to non-controlling equity holders of subsidiaries	167,497	159,000
Bank and other borrowings	8,212,311	8,857,007
Lease liabilities	693,881	–
Dividend payables	2,451,683	–
	16,467,255	13,340,761

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13. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Aside from receivables under a cooperative arrangement, the non-current portion of receivables under service concession arrangements, the non-current portion of financial assets included in receivables, prepayments and other receivables, the non-current portion of bank and other borrowings, the non-current portion of lease liabilities, financial assets at fair value through profit or loss and equity investment designated at fair value through other comprehensive income, 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 2019 and 31 December 2018 because of the immediate or short-term maturity of these financial instruments.

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

The fair values of the receivables under a cooperative arrangement, the non-current portion of receivables under service concession arrangements, the non-current portion of financial assets included in receivables, prepayments and other receivables, the non-current portion of bank and other borrowings and the non-current portion of lease liabilities 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 2019 and 31 December 2018 was assessed to be insignificant. The carrying amounts of these assets and liabilities approximate their fair values.

The Group invests unlisted wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of unlisted equity investment designated at fair value through other comprehensive income has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investment to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For financial instrument in Level 3, prices are determined using valuation technique such as market-based valuation technique. Categorisation of fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement.

Below is a summary of significant unobservable inputs to the valuation of financial instruments in Level 3 as at 30 June 2019 and 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Market multiples	Average P/E multiple of peers	2019: 26.35 (31 December 2018: 26.35)	The higher the multiple, the higher the fair value
		Discount for lack of marketability	2019: 30.84% (31 December 2018: 30.84%)	The higher the discount the lower the fair value

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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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 2019 (Unaudited)</i>				
Equity investment designated at fair value through other comprehensive income	–	–	10,151	10,151
Financial assets at fair value through profit or loss	–	4,629,318	–	4,629,318
	–	4,629,318	10,151	4,639,469
<i>As at 31 December 2018 (Audited)</i>				
Equity investment designated at fair value through other comprehensive income	–	–	10,191	10,191
Financial assets at fair value through profit or loss	–	7,399,210	–	7,399,210
	–	7,399,210	10,191	7,409,401

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 2018: Nil).

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14. PAYABLES, ACCRUALS AND OTHER LIABILITIES

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade payables	(i)	757,339	776,698
Accruals, other payables and other liabilities		3,821,951	3,952,833
Put option on non-controlling interests in a subsidiary	(ii)	533,098	–
Deferred revenue		303,358	241,813
Due to the immediate holding company	23(d)	84,600	29,102
Due to the ultimate holding company	23(d)	3,080	3,092
Due to fellow subsidiaries	23(d)	607,360	548,860
Due to an associate	23(d)	–	45,312
Loans from a fellow subsidiary	23(d)	390,172	395,255
		6,500,958	5,992,965
Less: Portion classified as non-current liabilities		(1,590,851)	(937,138)
Current portion		4,910,107	5,055,827

Notes:

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 3 months	749,348	769,335
3 months to 6 months	–	31
6 months to 1 year	7,991	7,332
	757,339	776,698

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

- (ii) During the period ended 30 June 2019, the Group entered into agreements with the non-controlling equity holders of the Jiangxi Haihui Group (as defined in note 20) pursuant to which the non-controlling equity holders have the right to sell remaining 21% equity interest in the Jiangxi Haihui Group owned by them (the "Put Option") to the Group at an agreed exercise price. The exercise price is primarily based on the acquisition price of the Jiangxi Haihui Acquisition (as defined in note 20) and the expected future undistributed profit of the Jiangxi Haihui Group. The Put Option is exercisable within six months after three years from the completion date of the Jiangxi Haihui Acquisition upon fulfilment of certain conditions specified in the agreement.

Based on the terms of the Put Option, in the opinion of the Company's directors, the Group has not acquired a present ownership over the equity interest under the Put Option. Accordingly, at the end of each reporting date, the Group derecognises the non-controlling interest of the Jiangxi Haihui Group as if it was acquired at the end of each of the reporting date and the Put Option is recognised in the condensed consolidated statement of financial position as a financial liability at the present value of the amount payable when it is exercised. The difference between the carrying amount of the Put Option and the carrying amount of the non-controlling interests derecognised is recorded in other reserve.

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15. BANK AND OTHER BORROWINGS

	30 June 2019			31 December 2018		
	Effective interest rate	Maturity	(Unaudited) HK\$'000	Effective interest rate	Maturity	(Audited) HK\$'000
Current						
Bank loans – unsecured	1.02% – 3.50%	2019	500,000	0.60% – 4.90%	2019	1,013,696
Bank loans – secured	3.80% – 5.46%	2019	260,327	3.80% – 5.23%	2019	470,215
Other loans – unsecured	2.33% – 3.84%	On demand	52,149	2.33% – 3.84%	On demand	52,771
Other loans – unsecured	–	On demand	97,411	–	On demand	30,410
			909,887			1,567,092
Non-current						
Bank loans – unsecured	1.41% – 4.51%	2021–2032	5,232,678	1.39% – 4.90%	2020–2033	5,105,875
Bank loans – secured	4.66% – 5.46%	2021–2033	1,997,333	3.80% – 5.46%	2020–2023	2,041,786
Other loans – unsecured	1.80% – 4.90%	2024–2035	72,413	1.80% – 6.67%	2021–2035	142,254
			7,302,424			7,289,915
Total bank and other borrowings			8,212,311			8,857,007

16. OTHER LIABILITIES

As at 30 June 2019, included in other liabilities was a non-interest-bearing advance of HK\$472,800,000 (31 December 2018: HK\$472,800,000), of which HK\$354,600,000 (31 December 2018: HK\$354,600,000) 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. 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.

17. SHARE CAPITAL

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Issued and fully paid: 6,537,821,440 (31 December 2018: 6,537,821,440) ordinary shares	8,966,177	8,966,177

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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. The 2008 Scheme expired on 23 October 2018.

During the year ended 31 December 2018, 8,966,030 outstanding share options were lapsed in accordance with the rules of the 2008 Scheme. Movements in share options under the Company's 2008 Scheme during the last period were as follows:

	2018 Weighted average exercise price HK\$ per share	Number of share options
At 1 January and 30 June	6.20	8,966,030

The exercise prices and exercise periods of the share options outstanding as at the end of the last reporting period were 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
8,966,030		

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

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19. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the condensed consolidated statement of changes in equity of this unaudited interim financial information.

20. BUSINESS COMBINATION

On 7 May 2019, the Group acquired a 79% equity interest in 江西海匯公用事業集團有限公司 ("Jiangxi Haihui") from certain independent third parties at a cash consideration of RMB1,626,870,000 (equivalent to approximately HK\$1,896,442,000) (the "Jiangxi Haihui Acquisition"). Jiangxi Haihui holds a number of subsidiaries (collectively, the "Jiangxi Haihui Group") which principally engage in water distribution, sewage treatment and related construction services in the PRC. The Jiangxi Haihui Acquisition was made as part of the Group's strategy to expand its market share in the water resources segment in the PRC.

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

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

	(Unaudited) HK\$'000
Property, plant and equipment	148,967
Investment properties	22,564
Right-of-use assets	529
Operating concession rights	1,771,077
Receivables under service concession arrangements	517,894
Deferred tax assets	3,442
Receivables, prepayments and other receivables	121,110
Cash and cash equivalents	279,430
Inventories	111,571
Tax recoverable	19,938
Bank and other borrowings	(206,912)
Contract liabilities	(175,093)
Payables, accruals and other liabilities	(195,782)
Tax payables	(23,867)
Deferred tax liabilities	(295,492)
Total identifiable net assets at fair values	2,099,376
Non-controlling interests	(59,865)
	2,039,511
Percentage of equity interest acquired	79%
	1,611,214
Goodwill on acquisition	285,228
	1,896,442
Satisfied by:	
Cash consideration	1,896,442

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20. BUSINESS COMBINATION (continued)

As at the date of acquisition, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible. The goodwill arising from the Jiangxi Haihui Acquisition pertains to, but is not limited to, the expected synergies in the Group arising from the acquisition.

The Group incurred transaction costs of HK\$7,018,000 in connection with the acquisition. The transaction costs have been included in administrative expenses in the condensed consolidated statement of profit or loss.

An analysis of the cash flows in respect of the Jiangxi Haihui Acquisition is as follows:

	(Unaudited) HK\$'000
Cash consideration	(1,896,442)
Cash and cash equivalents acquired	279,430
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,617,012)
Transaction costs for the acquisition included in cash flows from operating activities	(7,018)
	(1,624,030)

As of 30 June 2019, the purchase price allocation process of the Jiangxi Haihui Acquisition was under progress. The purchase price allocation to the acquired assets and assumed liabilities of this acquisition in the unaudited interim financial information has been determined on a provisional basis subject to the finalisation of the valuation of identifiable assets and liabilities and may be adjusted in the Group's consolidated financial statements for the year ending 31 December 2019 when the purchase price allocation is expected to be finalised. The provisional values were determined based on the best estimate of the directors of the Company.

Since the acquisition, the Jiangxi Haihui Acquisition contributed revenue of HK\$85,373,000 and profit of HK\$24,765,000 to the Group for the period ended 30 June 2019.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group for the period would have been HK\$7,366,593,000 and HK\$3,003,849,000, respectively.

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21. COMMITMENTS

- (a) The Group had the following commitments at the end of the reporting period:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Capital commitments in respect of property, plant and equipment, investment properties and intangible assets: Contracted for	2,033,797	2,288,481
Capital commitments in respect of capital contribution payable to associates: Contracted for	500,246	139,583
Commitments in respect of project financing payable to an associate: Contracted for	1,789,055	–

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

The Group shall be responsible for, inter alia, the provision of funding for the development of the Project Roads with the development costs not exceeding RMB4.754 billion (equivalent to approximately HK\$5.404 billion), and project management and maintenance of the Project Roads. At the end of the reporting period, an amount of RMB349,245,000 (equivalent to approximately HK\$397,022,000) (31 December 2018: RMB272,522,000 (equivalent to approximately HK\$311,029,000)) has been paid 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\$92,081,000). At the end of the reporting period, the Group had a commitment of RMB40,500,000 (equivalent to approximately HK\$46,040,000) (31 December 2018: RMB40,500,000 (equivalent to approximately HK\$46,223,000)) in respect of the transaction.

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22. CONTINGENT LIABILITIES

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

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

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

- (b) As at 30 June 2019, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the relevant outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks, and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 30 June 2019, the Group's outstanding guarantees amounted to HK\$515,163,000 (31 December 2018: HK\$370,276,000) for these guarantees.

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23. RELATED PARTY TRANSACTIONS

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

(a) *Transactions with related parties*

	Notes	For the six months ended 30 June 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Hotel management fees received from fellow subsidiaries	(i)	1,845	2,612
Rental income received from Guangdong Holdings Limited ("Guangdong Holdings") (the Company's ultimate holding company), GDH Limited ("GDH") (the Company's immediate holding company) and certain fellow subsidiaries	(ii)	13,472	13,730
Water distribution income received from a fellow subsidiary	(iii)	16,819	18,158
Sale of electricity to a fellow subsidiary	(iv)	11,294	12,289
Dividends paid and payable to GDH and certain of its subsidiaries by GH Water Supply (Holdings) Limited	(v)	185,285	–
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)	1,385,045	1,255,774
Interest expenses charged by a fellow subsidiary	(vi)	9,072	9,721
Consultancy service fees paid to a fellow subsidiary	(vii)	4,907	3,462
Property management fees paid to a fellow subsidiary	(viii)	7,711	–

Notes:

- (i) The 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 terms of 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.
- (v) The 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 expenses were charged at effective interest rates of 94.0% to 95.0% (2018: 94.0% to 95.0%) of the agreed RMB benchmark lending rate per annum announced by the People's Bank of China.
- (vii) The consultancy service fees were charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.
- (viii) The property management fees were charged in accordance with the terms of respective agreements entered into between the Group and a fellow subsidiary.

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23. RELATED PARTY TRANSACTIONS (continued)

(b) *Other transactions with related parties*

- (i) The Group has guaranteed banking facilities granted to an associate amounting to HK\$55,703,000 (31 December 2018: HK\$55,924,000) as at the end of the reporting period. As at 30 June 2019, the banking facilities granted to an associate subject to guarantees given to a bank by the Group and the other equity holders of that associate were in accordance with the equity holding ratio of each party. The facilities granted to the associate by bank was utilised to the extent of approximately HK\$113,680,000 (31 December 2018: HK\$114,130,000).
- (ii) On 1 February 2018, the Company, 廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited▲) (“Guangdong Water Co”), an indirect wholly-owned subsidiary of Guangdong Holdings, and China First Metallurgical Group Co. Ltd. (“CFMG”), an independent third party, successfully bid for the water resources project in Yangjiang, Guangdong Province (the “Yangjiang 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 Yangjiang 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.
- (iii) On 18 May 2019, the Company, Guangdong Water Co, 江蘇中和永泰建設工程有限公司 (Jiangsu Chunghe Yongtai Construction Engineering Co., Ltd.▲) (“Jiangsu Chunghe Yongtai”), an independent third party, and CFMG (together, the “Private Partners”) successfully bid for the Yangtze River water diversion project in Xinghua, Jiangsu, the PRC (the “Xinghua Project”), which will be owned as to 46% and 14.5% by the Company and Guangdong Water Co., respectively. The Company will make capital contribution of RMB317 million (equivalent to approximately HK\$370 million) to a joint venture company to be set up for the Xinghua Project. Pursuant to a consortium agreement dated 7 January 2019 and a supplemental consortium agreement dated 6 May 2019 made amongst the Private Partners (together, the Consortium Agreement”), (i) each of the Private Partners will be jointly and severally liable for the Xinghua Project, (ii) the Private Partners will inject the registered capital into the Xinghua Project proportionate to their respective equity interests and (iii) the Company and Guangdong Water Co will be liable for not more than the balance of the total investment amount of the Xinghua Project in the relative proportion of their respective equity interests. It entails that the Company and Guangdong Water Co will undertake joint and several liability only to the extent of the project financing and/or guarantee liability of the Xinghua Project (i.e. excluding the registered capital). Accordingly, after taking into account the proportionate registered capital contribution from Guangdong Water Co, Jiangsu Chunghe Yongtai and CFMG, the maximum amount (including registered capital and project financing and/or joint guarantees) for which the Company is responsible in respect of Xinghua Project is approximately RMB1,891 million (equivalent to approximately HK\$2,205 million). The transaction 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 20 May 2019.

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23. RELATED PARTY TRANSACTIONS (continued)

(c) *Commitments with related parties as a lessor*

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 rental income received from the GDH Group for the period were included in note 23(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 2019

	Year ending 30 June 2020 (Unaudited) HK\$'000	Year ending 30 June 2021 (Unaudited) HK\$'000	Year ending 30 June 2022 (Unaudited) HK\$'000
Guangdong Holdings	12,075	3,019	–
GDH	11,760	11,760	980
GDH Finance Co., Ltd.	2,201	2,201	118
Guangdong Tannery Limited	319	–	–

As at 31 December 2018

	Year ending 31 December 2019 (Audited) HK\$'000	Year ending 31 December 2020 (Audited) HK\$'000	Year ending 31 December 2021 (Audited) HK\$'000
Guangdong Holdings	12,123	9,092	–
GDH	11,760	11,760	6,860
GDH Finance Co., Ltd.	2,210	2,210	1,224
Guangdong Tannery Limited	534	52	–

Notes to Interim Financial Information

30 June 2019

23. RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Balances with related parties included in receivables, prepayments and other receivables:			
Due from fellow subsidiaries	(i)	2,026	1,425
Due from a fellow subsidiary	(ii)	3,406	2,784
Due from associates	(v)	40,076	748
Deposits placed at a fellow subsidiary	(vi)	171,793	34,237
Balances with related parties included in payables, accruals and other liabilities:			
Due to the immediate holding company	(i)	84,600	29,102
Due to the ultimate holding company	(iii)	3,080	3,092
Due to fellow subsidiaries	(i)	607,360	548,860
Due to an associate	(i)	–	45,312
Loans from a fellow subsidiary	(iv)	390,172	395,255
Balances with related parties included in dividend payables:			
Due to the immediate holding company	(vii)	1,168,893	–
Due to fellow subsidiaries	(vii)	216,152	–

Notes:

- (i) The balances due are unsecured, non-interest-bearing and repayable on demand.
- (ii) The balance due is unsecured, non-interest-bearing and repayable within 30 days.
- (iii) Included in the balance was HK\$2,776,000 (31 December 2018: HK\$2,787,000) which represented rental deposits received from the ultimate holding company. The balance due is unsecured, non-interest-bearing and repayable upon the expiry of the rental agreements. The remaining balance due is unsecured, non-interest-bearing and repayable on demand.
- (iv) Included in the balance was a loan of HK\$10,231,000 (31 December 2018: HK\$13,696,000) 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\$3,410,000 (2018: HK\$3,424,000) for each of the years ending 31 December 2019 and 2020. The remaining balance due was HK\$379,941,000 (31 December 2018: HK\$381,559,000) 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.
- (v) Included in the balance was a dividend receivable of HK\$39,351,000 (31 December 2018: Nil) from an associate. The balances due are unsecured, non-interest-bearing and repayable on demand.
- (vi) The balance represented bank deposits placed at a fellow subsidiary, a non-banking financial institution in the PRC. The balance due is unsecured, interest accrued at 50% higher than the RMB Agreed Deposit Rate offered by financial institutions as announced by the People's Bank of China.
- (vii) As at 30 June 2019, the balances are unsecured, non-interest-bearing and payable on 26 July 2019.

Notes to Interim Financial Information

30 June 2019

23. RELATED PARTY TRANSACTIONS (continued)

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

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short-term employee benefits	4,301	4,888
Post-employment benefits	149	242
Equity-settled share option benefits	–	54
Total compensation paid to key management personnel	4,450	5,184

24. CAPITAL EXPENDITURE

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment, right-of-use assets, operating concession rights and investment properties, including those acquired through the acquisition of subsidiaries, in aggregate of approximately HK\$2,437,244,000 (2018: HK\$365,588,000).

25. EVENT AFTER THE REPORTING PERIOD

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

26. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This unaudited interim financial information was approved and authorised for issue by the board of directors of the Company on 28 August 2019.

Management Discussion and Analysis

RESULTS

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

INTERIM DIVIDEND

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

FINANCIAL REVIEW

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

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

The unaudited consolidated profit attributable to owners of the Company for the Period increased by 1.1% to HK\$2,701 million (2018: HK\$2,672 million). Due to the absence of a reversal of over-provided LAT of approximately HK\$77 million in relation to the sales of certain properties of Guangdong Land Holdings Limited ("GD Land") in 2018, there was a mismatch between the growth in profit before tax and the growth in profit attributable to owners of the Company for the Period. Basic earnings per share increased by 1.1% to HK 41.31 cents (2018: HK 40.87 cents) as compared with the same period last year.

BUSINESS REVIEW

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

Water Resources

Dongshen Water Supply Project

The profit contribution from the Dongshen Water Supply Project continued to form a significant part of the Group's profit. As at 30 June 2019, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (31 December 2018: 96.04%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.029 billion tons (2018: 1.111 billion tons), a decrease of 7.4%, which generated a revenue of HK\$3,281 million (2018: HK\$3,359 million), a decrease of 2.3% over the same period last year.

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

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

Management Discussion and Analysis

Other Water Resources Projects

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

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

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

Capacity of Water Resources Projects in Operation

- The water supply capacity of the water supply plants operated by each of the subsidiaries of the Company, namely, 東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.▲), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 儀征港儀供水有限公司 (Yizheng Gangyi Water Supply Company Limited▲), 高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited▲), 寶應粵海水務有限公司 (Baoying Yuehai Water Company Limited▲), 海南儋州自來水有限公司 (Hainan Danzhou Tap Water Company Limited▲), 梧州粵海江河水務有限公司 (Wuzhou Yuehai Jianghe Water Company Limited▲), Zhaoqing HZ GDH Water Co., Ltd., 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲), 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲), 盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited▲), 高州粵海水務有限公司 (Gaozhou Guangdong Water Company Limited▲) and Jiangxi Haihui Group is 290,000 tons, 310,000 tons, 150,000 tons, 145,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 120,000 tons, 50,000 tons, 50,000 tons, 73,500 tons, 150,000 tons, 100,000 tons and 650,000 tons per day, respectively, totaling 2,673,500 tons per day (2018: 1,953,500 tons per day).
- The waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries of the Company, namely, 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 梧州粵海環保發展有限公司 (Wuzhou Yuehai Huanbao Fazhan Company Limited▲), 東莞市常平金勝水務有限公司 (Dongguan Changping Jinsheng Water Co., Ltd.▲), 開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.▲), 五華粵海環保有限公司 (Wuhua Yuehai Huanbao Co., Ltd.▲), 東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd.▲), 興寧粵海環保有限公司 (Xingning Yuehai Huanbao Co., Ltd.▲), 開平粵海污水處理有限公司 (Kaiping Yuehai Sewage Treatment Co., Ltd.▲), 五華粵海清源環保有限公司 (Wuhua Yuehai Qingyuan Huanbao Co., Ltd.▲), 汕尾粵海環保有限公司 (Shanwei Yuehai Huanbao Co., Ltd.▲), 五華粵海綠源環保有限公司 (Wuhua Yuehai Luyuan Huanbao Co., Ltd.▲), 六盤水粵海環保有限公司 (Liupanshui Guangdong Water Co., Ltd.▲) and Jiangxi Haihui Group is 100,000 tons, 140,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons, 3,000 tons, 25,000 tons, 15,000 tons, 30,000 tons, 5,000 tons, 115,000 tons and 81,000 tons per day, respectively, totaling 714,000 tons per day (2018: 463,000 tons per day).
- The water supply capacity of the water supply plants operated by Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd, 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.▲) and 汕頭市粵海水務有限公司 (Shantou Guangdong Water Company Limited▲), being associates of the Company, is 520,000 tons, 400,000 tons and 920,000 tons per day, respectively, totaling 1,840,000 tons per day (2018: 1,840,000 tons per day).

Management Discussion and Analysis

Capacity of Water Resources Projects under Construction

- The water supply capacity of the water supply plants under construction of each of the subsidiaries of the Company, namely, 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited▲), 雲浮粵海水務有限公司 (Yunfu Guangdong Water Company Limited▲), 恩施粵海正源水務有限公司 (Enshi Guangdong Zheng Yuan Water Company Limited▲) and Jiangxi Haihui Group is 20,000 tons, 50,000 tons, 400,000 tons and 30,000 tons per day, respectively, totaling 500,000 tons per day.
- The waste water processing capacity of the sewage treatment plants under construction of each of the subsidiaries of the Company, namely, 五華粵海綠源環保有限公司 (Wuhua Yuehai Luyuan Huanbao Co., Ltd.▲), 大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd.▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 韶關粵海綠源環保有限公司 (Shaoguan Yuehai Luyuan Huanbao Co., Ltd.▲), 陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd.▲), 陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd.▲) and 吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲) is 6,000 tons, 22,000 tons, 20,000 tons, 150,000 tons, 28,500 tons, 35,300 tons, 20,000 tons and 25,000 tons per day, respectively, totaling 306,800 tons per day.

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

New Water Resources Projects

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

Property Investment and Development

Mainland China

GD Teem

As at 30 June 2019, the Group held an effective interest of 76.13% in 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited▲) ("GD Teem"), the property owner of Teem Plaza. Teem Plaza comprises a shopping mall, an office building and a hotel. The shopping mall and the office building are held for investment purposes by the Group.

Revenue of GD Teem's property investment business mainly comprises rental and property management fee income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building of Teem Plaza. During the Period, revenue of GD Teem decreased by 2.1% to HK\$599,264,000 (2018: HK\$612,326,000). The HK\$ equivalent of revenue decreased because the average exchange rate of RMB has decreased by 5.5% compared with that in the same period last year. The profit before tax for the Period, excluding changes in fair value of investment properties and net interest income, decreased by 2.7% to HK\$410,699,000 (2018: HK\$421,923,000).

The shopping mall of Teem Plaza, known as the Teemall, is one of the most popular shopping malls in the prime area of Guangzhou and it has a total gross floor area ("GFA") of approximately 160,000 square meters ("sq. m."), of which 106,000 sq. m. was held for rental purposes. The mall is successful in retaining existing brand-name tenants and attracting new ones. It had an average occupancy rate of nearly 99.9% during the Period (2018: 99.9%).

The office building of Teem Plaza, known as Teem Tower, is a 45-storey Grade A office tower with a total GFA of approximately 102,000 sq. m., of which 90,000 sq. m. was held for rental purposes. With an average occupancy rate of 96.6% (2018: 98.4%), the revenue for the Period was HK\$105,210,000 (2018: HK\$107,644,000), decreasing by 2.3%. The profit before tax for the Period, excluding changes in fair value of investment properties, decreased by 3.4% to HK\$88,063,000 (2018: HK\$91,187,000).

Management Discussion and Analysis

Panyu Wanbo CBD Project

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

Wanye owns a parcel of land in 番禺萬博中央商務區 (Panyu Wanbo Central Business District), which is designated to be a new commercial area in Guangzhou. Based on the Group's current development plan, this parcel of land is being developed into a large-scale integrated commercial project with a total GFA of approximately 385,000 sq. m. of which properties with GFA of approximately 152,000 sq. m. and 104,000 sq. m. will be held for sale and for rental purposes, respectively, upon their completion.

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

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

Tianjin Teem Shopping Mall

The Group held an effective interest of 76.02% in Tianjin Teem Shopping Center Co., Ltd. ("Tianjin Teem"), the property owner of Tianjin Teem Shopping Mall. Tianjin Teem Shopping Mall, with a total GFA of approximately 205,000 sq. m., of which 145,000 sq. m. was held for rental purposes, is situated at a convenient location above underground railroads and is one of the leading shopping and leisure destinations in the renowned "Binjiang Dao – Heping Road" Commercial District in Tianjin. The Group invested a total sum of approximately RMB2,508 million (equivalent to approximately HK\$2,862 million) for Tianjin Teem Shopping Mall upon its completion in 2017.

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

GD Land

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

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

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

Management Discussion and Analysis

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

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

Hong Kong

Guangdong Investment Tower

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

Department Store Operation

As at 30 June 2019, the Group held an effective interest of approximately 85.2% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.▲) (“GDTDS”) and 廣州市天河城萬博百貨有限公司 (“天河城萬博”). GDTDS operates Teemall Store in Teem Plaza. GDTDS also operates Teemall Store – Beijing Road Branch (“Ming Sheng Store”), 奧體歐萊斯名牌折扣店 (“Ao Ti Store”), 東圃百貨店 (“Dong Pu Store”), 東莞第一國際百貨店 (“Dongguan Store”) and 佛山南海百貨店 (“Nanhai Store”). 天河城萬博 operates 天河城百貨歐萊斯折扣店 (“Wan Bo Store”).

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

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

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

The Group's effective interest in 廣東永旺天河城商業有限公司 (Guangdong Aeon Teem Co., Ltd.▲) (“GD Aeon Teem”) is 26.65%. The Group's share of profits in GD Aeon Teem amounted to HK\$1,149,000 (2018: HK\$4,959,000) during the Period.

Management Discussion and Analysis

Hotel Ownership, Operation and Management

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

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

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

Energy Projects

Zhongshan Power Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% equity interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.▲) ("ZTP"). ZTP has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the Period amounted to 1,191 million kwh (2018: 1,349 million kwh), decreasing by 11.7%. As a result, revenue of Zhongshan Power Project (including intersegment sales) generated from electricity sales and related operations for the Period decreased by 15.4% to HK\$651,301,000 (2018: HK\$769,742,000). However, due to reduction in coal price, the profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$120,990,000 (2018: HK\$74,677,000), an increase of 62.0%.

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

The Group's effective interest in Yudean Jinghai Power is 25%. As at 30 June 2019, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the Period amounted to 5,254 million kwh (2018: 7,021 million kwh), a decrease of 25.2%. Revenue for the Period decreased by 26.3% to HK\$2,284,836,000 (2018: HK\$3,098,604,000). However, as coal price decreased, the profit before tax of Yudean Jinghai Power for the Period was HK\$174,311,000 (2018: HK\$129,755,000), increasing by 34.3%. The Group's share of profit in Yudean Jinghai Power amounted to HK\$32,523,000 (2018: HK\$24,329,000) during the Period, increasing by 33.7%.

Road and Bridge

Xingliu Expressway

廣西新長江高速公路有限公司 (Guangxi Xinchangjiang Gonglu Company Limited▲) ("Xinchangjiang Company") is principally engaged in the operation of the Xingliu Expressway. The Xingliu Expressway comprises a main line which is approximately 100 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of approximately 53 km.

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

Management Discussion and Analysis

Yinping PPP Project

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

During the period of construction of the Project Roads (the "Development Period"), the Group shall be responsible for providing funding for the development of the Project Roads (the "Development Costs") depending on the overall development plan and progress of Yinping Innovation Zone in phases with the total Development Costs not exceeding RMB4.754 billion (equivalent to approximately HK\$5.404 billion). The Xiegang Government shall pay the Development Costs by 10 annual instalments throughout the maintenance period, being ten years (the "Maintenance Period") from the acceptance of the Project Roads by the Xiegang Government.

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

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

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

As at 30 June 2019, the aggregate amount of financial assets at fair value through profit or loss and other financial assets at amortised cost of the Group decreased by HK\$2,947 million to HK\$6,050 million (31 December 2018: HK\$8,997 million), which were placed by the Group with a number of licensed banks in the PRC, each of which for a term not exceeding one year. The principal sums of these financial assets with those licensed banks were denominated in Renminbi and were principal protected upon the maturity date. Up to the date of this interim report, financial assets at fair value through profit or loss and other financial assets at amortised cost in the amount of approximately HK\$3,596 million matured.

Management Discussion and Analysis

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

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

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

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

As at 30 June 2019, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluding non-controlling interests)) was 2.03% (31 December 2018: 7.0%). The Group was in a healthy debt servicing position as the EBITDA/finance cost incurred as at 30 June 2019 was 28.7 times (31 December 2018: 50.1 times).

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2019, except for bank deposits of HK\$42,112,000 (31 December 2018: HK\$42,278,000), completed properties held for sale of HK\$2,704,499,000 (31 December 2018: HK\$3,566,882,000), completed investment properties of HK\$414,352,000 (31 December 2018: 412,009,000) and 100% equity interest of Guangdong Yuehai Property Development Co., Ltd. at the cost of approximately HK\$1,390,761,000 (31 December 2018: approximately HK\$1,390,761,000) pledged to secure certain bank loans and performance obligations attributable to the Group of certain construction agreements, none of the property, plant and equipment, concession rights for water distribution operation and sewage treatment operation, comprising operating concession rights and receivables under service concession agreements, were pledged to secure bank loans granted to the Group.

Except for the Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate of approximately HK\$56 million (31 December 2018: approximately HK\$56 million) and the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK\$515 million (31 December 2018: approximately HK\$370 million) as disclosed in note 22 of this interim report, there was no other material contingent liability as at 30 June 2019 and 31 December 2018.

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$2,437 million which was principally related to the development cost for property development projects, construction cost for water supply and sewage treatment plants and acquisition of subsidiaries.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 30 June 2019, total Renminbi borrowings amounted to HK\$2,652 million (31 December 2018: HK\$2,800 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 30 June 2019, the Group's total floating rate borrowings amounted to HK\$8,032 million (31 December 2018: HK\$8,674 million). The interest rate risk exposure was considered to be minimal and thus no interest rate hedging was considered necessary.

Principal Risks and Uncertainties

Macroeconomic Risk

As a diversified conglomerate with investments in different business segments, the financial and operating performance of the Company is inextricably linked to the macroeconomic environment. Internationally, world economic growth remained subdued due to heightened trade tensions and rising geopolitical risks. Domestically, China's economic performance maintained a stable growth trend. However, due to the combined effects of ongoing economic structural adjustments, acceleration of replacement of old growth drivers with new initiatives, Renminbi exchange rate fluctuations and further energy saving and emission reduction efforts, economic fundamentals remain challenging. Macroeconomic development faces increasing risks, which may cause uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange and interest rates. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to senior management according to existing company procedures in order to ensure effective implementation of the Company's development strategies and maintain its corporate competitiveness under such external economic environment.

Foreign Currency Risk

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

Market Competition Risk

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

Project Safety Management Risk

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

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

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total of 7,740 employees, of which 1,496 were at the managerial level. Among the employees, 7,493 were employed by subsidiaries in Mainland China and 247 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$591,682,000 (2018: approximately HK\$562,644,000).

In 2019, adhering to the people-oriented concept, the Group adhered to the core values of “integrity, professionalism, willingness, honesty and cooperation” of the corporate culture. The Group also continued to strengthen the management team building by employing more professionals. The Group further strengthened the training of employees in order to meet the Company’s business development needs.

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

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

REVIEW

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

PROSPECTS

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

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

Directors' Interests and Short Positions in Securities

As at 30 June 2019, 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

Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held <i>(Note)</i>
Ho Lam Lai Ping, Theresa	Personal	879,200	Long position	0.013%
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	22,000,000	Long position	0.337%
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 2019.

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 <i>(Note)</i>
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 2019.

Directors' Interests and Short Positions in Securities

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 2019.

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 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 2019.
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 2019, 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.

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 2019 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 2019.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information are set out below:

- (i) Mr. Cai Yong was re-designated from Executive Director to Director of GDH with effect from 27 June 2019.
- (ii) Ms. Zhao Chunxiao ceased to be the Chief Administrative Officer of Guangdong Holdings and GDH with effect from 25 June 2019. She also ceased to be an Executive Director of GDH and was appointed a Deputy General Manager of GDH with effect from 27 June 2019.
- (iii) Mr. Lan Runing ceased to be an Executive Director of GDH and was appointed a Deputy General Manager of GDH with effect from 27 June 2019.
- (iv) Mr. Li Wai Keung ceased to be an Executive Director of GDH with effect from 27 June 2019.
- (v) Dr. Li Kwok Po, David ceased to be the Chairman of the Audit Committee of the Company with effect from 1 April 2019. As from 1 April 2019, Dr. Li is entitled to an annual director's fee of HK\$434,000 and annual fees of HK\$133,000, HK\$77,000 and HK\$56,000 for serving as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee, respectively. The said fees amount to a total of HK\$700,000 per annum.

Dr. Li stepped down as the Chief Executive of The Bank of East Asia, Limited and was re-designated as the Executive Chairman with effect from 1 July 2019. He also ceased to be a Director of Hong Kong Interbank Clearing Limited with effect from 1 July 2019.
- (vi) Dr. Cheng Mo Chi, Moses ceased to be a Non-Executive Director of Kader Holdings Company Limited and an Independent Non-Executive Director of OTC Clearing Hong Kong Limited with effect from 1 May 2019 and 1 July 2019, respectively.
- (vii) Mr. Wu Ting Yuk, Anthony was appointed the Chairman of the Audit Committee of the Company with effect from 1 April 2019. As from 1 April 2019, Mr. Wu is entitled to an annual director's fee of HK\$434,000 and annual fees of HK\$203,000, HK\$77,000 and HK\$56,000 for serving as the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee, respectively. The said fees amount to a total of HK\$770,000 per annum.

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.

Corporate Governance and Other Information

REVIEW OF INTERIM RESULTS

The unaudited interim financial information of the Group and the Company's interim report for the six months ended 30 June 2019 have been reviewed by the Audit Committee of the Company and Messrs. Ernst & Young, the auditor of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

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 three-year 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, among others, 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 People's Government of the People's Republic of China (the "Guangdong Provincial Government") ceases to beneficially own, directly or indirectly, 100% of the shareholding in 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 2019 amounted to HK\$2,000 million.

Corporate Governance and Other Information

Facility Agreement dated 3 July 2018

Pursuant to a facility agreement (the "GDI July 2018 Facility Agreement") entered into between the Company and a bank on 3 July 2018 in relation to a three-year term loan facility (the "GDI July 2018 Facility") in the principal amount of HK\$3,070 million made available by the bank to the Company, among others, 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 July 2018 Facility Agreement occurs, the bank may by notice to the Company:

- (i) cancel the GDI July 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 July 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 July 2018 Facility as at 30 June 2019 amounted to HK\$3,070 million.

Facility Agreement dated 31 December 2018

Pursuant to a facility agreement (the "GDI December 2018 Facility Agreement") entered into between the Company and a bank on 31 December 2018 in relation to a one-year Australian Dollar term loan facility (the "GDI December 2018 Facility") in an amount equivalent to HK\$500 million made available by the bank to the Company, among others, 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 December 2018 Facility Agreement occurs, the bank may by notice to the Company:

- (i) cancel the GDI December 2018 Facility whereupon they shall immediately be cancelled;
- (ii) declare that all or part of the loan, together with accrued interest, and all other amounts accrued or outstanding under the GDI December 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 loan be payable on demand, whereupon they shall immediately become payable on demand by the bank.

There was no outstanding principal under the GDI December 2018 Facility as at 30 June 2019.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK17.3 cents (2018: HK16.0 cents) per ordinary share for the six months ended 30 June 2019 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 8 October 2019. The interim dividend is expected to be paid on or about Thursday, 24 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 8 October 2019 and no transfer of shares will be registered on that day. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 4 October 2019.

- ▲ 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

HOU Wailin

Chairman

Hong Kong, 28 August 2019



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