GUANGDONG INVESTMENT LIMITED
(粵 海 投 資 有 限 公 司)
(Incorporated in Hong Kong with limited liability)
(**Stock Code: 0270**)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Unaudited financial highlights for the six months ended 30 June

	2018 **HK$'000**	2017 HK$'000	Changes %
Revenue	**6,581,180**	5,919,914	+11.2
Gain on bargain purchase	**-**	*1,212,514*	
Changes in fair value of investment properties	***115,608***	*446,547*	
Profit before tax	**3,629,077**	4,916,992	-26.2
Profit attributable to owners of the Company	**2,671,854**	3,785,856	-29.4
Earnings per share – Basic	**HK 40.87 cents**	HK 59.37 cents	-31.2
Interim dividend per share	**HK 16.00 cents**	HK 14.50 cents	+10.3

CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of Guangdong Investment Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017. These results have not been audited, but have been reviewed by the Company's Audit Committee and external auditor, Messrs. Ernst & Young.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
PROFIT FOR THE PERIOD	2,908,226	4,006,045
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
- Subsidiaries	(400,512)	1,072,184
- Associates	(12,949)	34,906
Net loss on available-for-sale financial assets, net of tax	-	(10,733)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(413,461)	1,096,357
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Fair value gains on property, plant and equipment, net of tax	42,196	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(371,265)	1,096,357
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,536,961	5,102,402
Attributable to:		
Owners of the Company	2,377,306	4,626,286
Non-controlling interests	159,655	476,116
	2,536,961	5,102,402

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2018

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Total current assets – page 4		25,080,472	23,382,598
CURRENT LIABILITIES			
Payables and accruals	11	(3,864,388)	(4,666,903)
Contract liabilities		(548,751)	-
Tax payables		(646,593)	(970,074)
Due to non-controlling equity holders of subsidiaries		(174,500)	(174,886)
Bank and other borrowings		(2,900,188)	(5,176,434)
Dividend payable		(2,222,859)	-
Total current liabilities		(10,357,279)	(10,988,297)
NET CURRENT ASSETS		14,723,193	12,394,301
TOTAL ASSETS LESS CURRENT LIABILITIES		57,758,683	55,550,717
NON-CURRENT LIABILITIES			
Bank and other borrowings		(2,145,542)	(152,686)
Other liabilities		(1,397,390)	(1,385,917)
Deferred tax liabilities		(4,774,946)	(4,848,546)
Total non-current liabilities		(8,317,878)	(6,387,149)
Net assets		49,440,805	49,163,568
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,966,177	8,966,177
Reserves		31,403,074	31,248,282
		40,369,251	40,214,459
Non-controlling interests		9,071,554	8,949,109
Total equity		49,440,805	49,163,568

Notes:

1. GENERAL INFORMATION AND ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations) for the first time for the current period's unaudited interim financial information, as further detailed in note 2 below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial information relating to the year ended 31 December 2017 included in this unaudited interim financial information for the six months ended 30 June 2018 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(a) HKFRS 9 *Financial Instruments*

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

Classification and measurement

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

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

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

– Debt instruments at amortised cost are financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's receivables under service concession arrangements, receivables under a cooperative arrangement, other financial assets at amortised cost, financial assets included in receivables, prepayments and deposits, amounts due from non-controlling equity holders of subsidiaries, amounts due from associates, pledged bank deposits, restricted bank balances and cash and cash equivalents.

– Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes unlisted equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unlisted equity instruments were classified as available-for-sale ("AFS") financial assets.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Classification and measurement (continued)

- Financial assets at FVPL comprise derivative instruments and unlisted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's unlisted wealth management products, which were classified as AFS financial assets, are reclassified to financial assets at FVPL under HKFRS 9. Upon transition, the AFS financial assets revaluation reserve relating to unlisted wealth management products, which had been previously recognised under accumulated other comprehensive income, was reclassified to retained profits.

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Classification and measurement (continued)

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

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

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

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

Notes:

(i) It is an unlisted equity investment. The Group elected to present changes in the fair value of this unlisted equity investment previously classified as an AFS financial asset in other comprehensive income as it is not held for trading. As a result, this AFS financial asset was reclassified to equity instrument at FVOCI as at 1 January 2018.

(ii) These are unlisted wealth management products at fair value. They were reclassified from AFS financial assets to financial assets at FVPL. They do not meet the HKFRS 9 criterion for classification at amortised cost and FVOCI because their contractual cash flows do not represent solely payments of principal and interest. The cumulative fair value gain of HK$6,553,000 was transferred from the AFS financial assets revaluation reserve to retained profits on 1 January 2018.

(iii) These are unlisted wealth management products at fair value. They were reclassified from AFS financial assets to financial assets at amortised cost. They meet the HKFRS 9 criterion for classification at amortised cost because their contractual cash flows represent solely payments of principal and interest.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Impairment

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

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

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

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

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

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

(i) When the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

(ii) When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

(iii) When the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Construction service income

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

Water distribution income

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

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

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

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

Income from sale of properties, goods and electricity

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

Commission income from concessionaire sales

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

Contract assets and contract liabilities

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Loyalty points programme

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

Advances received from customers

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

Presentation of contract assets and liabilities

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

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

- Receivables under service concession arrangements represent contract assets.

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

3. OPERATING SEGMENT INFORMATION

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

(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 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; and

(vii) The "others" segment provides treasury services in Hong Kong and Mainland China and engages in the provision of corporate services to other segments.

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

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

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

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

3. OPERATING SEGMENT INFORMATION (continued)

	Water resources		Property investment and development		Department store	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Segment revenue:						
Revenue from external customers	4,114,002	3,819,567	681,569	548,400	417,186	386,934
Intersegment sales	-	-	67,321	55,908	-	-
Other income from external sources	6,274	12,220	806	2,488	34,996	26,514
Other income from intersegment transactions	1,568	1,450	-	31	-	-
Total	4,121,844	3,833,237	749,696	606,827	452,182	413,448
Segment results	2,306,747	2,208,610	551,930	763,569	145,658	148,186
Interest income						
Interest income from financial assets at FVPL and other financial assets at amortised cost						
Fair value gains on financial assets at FVPL						
Interest income from AFS financial assets						
Investment income from AFS financial assets						
Gain on bargain purchase						
Finance costs						
Share of profits less losses of associates	50,790	28,950	-	-	4,959	2,289
Profit before tax						
Income tax expense						
Profit for the period						

3. OPERATING SEGMENT INFORMATION (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Segment revenue:						
Revenue from external customers	649,513	529,825	338,389	303,822	380,521	331,366
Intersegment sales	120,229	96,072	-	-	-	-
Other income from external sources	16,799	13,045	229	211	8,506	2,960
Other income from intersegment transactions	-	-	-	-	-	-
Total	786,541	638,942	338,618	304,033	389,027	334,326
Segment results	82,003	75,420	76,947	70,011	238,567	184,414
Interest income						
Interest income from financial assets at FVPL and other financial assets at amortised cost						
Fair value gains on financial assets at FVPL						
Interest income from AFS financial assets						
Investment income from AFS financial assets						
Gain on bargain purchase						
Finance costs						
Share of profits less losses of associates	24,329	4,147	50	(8)	-	-
Profit before tax						
Income tax expense						
Profit for the period						

3. OPERATING SEGMENT INFORMATION (continued)

	Others		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Segment revenue:						
Revenue from external customers	-	-	-	-	6,581,180	5,919,914
Intersegment sales	-	-	(187,550)	(151,980)	-	-
Other income from external sources	570	570	-	-	68,180	58,008
Other income from intersegment transactions	2,992	2,553	(4,560)	(4,034)	-	-
Total	3,562	3,123	(192,110)	(156,014)	6,649,360	5,977,922
Segment results	(83,985)	40,412	-	-	3,317,867	3,490,622
Interest income					108,666	136,069
Interest income from financial assets at FVPL and other financial assets at amortised cost					121,268	-
Fair value gains on financial assets at FVPL					55,556	-
Interest income from AFS financial assets					-	58,640
Investment income from AFS financial assets					-	34,504
Gain on bargain purchase					-	1,212,514
Finance costs					(54,408)	(50,735)
Share of profits less losses of associates	-	-	-	-	80,128	35,378
Profit before tax					3,629,077	4,916,992
Income tax expense					(720,851)	(910,947)
Profit for the period					2,908,226	4,006,045

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Water resources		Property investment and development		Department store	
	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Segment assets	15,880,934	15,666,149	23,553,389	23,353,269	156,304	179,666
Investments in associates	2,436,536	2,386,302	-	-	153,050	149,515
Unallocated assets						
Total assets						
Segment liabilities	1,953,877	2,127,696	1,718,995	1,778,459	737,116	921,422
Unallocated liabilities						
Total liabilities						

Other segment information:

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

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Electric power generation		Hotel operation and management		Road and bridge	
	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Segment assets	2,753,859	2,721,281	1,903,321	1,948,195	3,036,566	2,935,623
Investments in associates	1,092,155	1,140,356	3,529	3,511	-	-
Unallocated assets						
Total assets						
Segment liabilities	695,615	624,825	145,842	166,927	156,432	88,143
Unallocated liabilities						
Total liabilities						

Other segment information:

	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Exchange gains/(losses), net	7,333	(23,278)	174	4,463	3,614	(11,647)

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities:

	Others		Eliminations		Consolidated	
	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Segment assets	9,786	10,673	-	-	47,294,159	46,814,856
Investments in associates	-	-	-	-	3,685,270	3,679,684
Unallocated assets					17,136,533	16,044,474
Total assets					68,115,962	66,539,014
Segment liabilities	149,434	87,486	-	-	5,557,311	5,794,958
Unallocated liabilities					13,117,846	11,580,488
Total liabilities					18,675,157	17,375,446

Other segment information:

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

4. REVENUE

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

Disaggregation of revenue is analysed as follows:

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

4. REVENUE (continued)

Disaggregation of revenue is analysed as follows: (continued)

	For the six months ended 30 June 2018 (Unaudited) HK$'000
(b) Geographical locations*:	
Mainland China	
Water resources segment	4,114,002
Property investment and development segment	115,000
Department store segment	417,186
Electric power generation segment	649,513
Hotel operation and management segment	226,568
Road and bridge segment	380,521
	5,902,790
Hong Kong	
Hotel operation and management segment	111,821
Revenue from contracts with customers	6,014,611
Rental income	566,569
	6,581,180

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Interest on bank and other borrowings	44,687	41,539
Interest on loans from a fellow subsidiary	9,721	9,196
Total finance costs for the period	54,408	50,735

6. PROFIT BEFORE TAX

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

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

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

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

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

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

7. INCOME TAX EXPENSE

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

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

8. DIVIDENDS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim – HK16.0 cents (2017: HK14.5 cents) per ordinary share	1,046,051	947,984

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

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

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

	For the six months ended 30 June 2018 (Unaudited) HK$'000	For the six months ended 30 June 2017 (Unaudited) HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	2,671,854	3,785,856

	For the six months ended 30 June 2018 (Unaudited) Number of shares	For the six months ended 30 June 2017 (Unaudited) 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	6,376,499,716
Effect of dilution of share options - weighted average number of ordinary shares assumed to have been issued at nil consideration	4,370,819	4,333,620
Weighted average number of ordinary shares during the period used in the diluted earnings per share calculation	6,542,192,259	6,380,833,336

10. RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the Group's receivables, prepayments and deposits as at 30 June 2018 are trade receivables of HK$1,058,741,000 (31 December 2017: HK$596,435,000), net of impairments, from the Group's customers. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally due within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has certain concentration of credit risk whereby 41% (31 December 2017: Nil) and 13% (31 December 2017: 16%) of the total trade receivables were due from two customers (31 December 2017: one customer). The Group does not hold any collateral or other credit enhancements over these balances.

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

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

11. PAYABLES AND ACCRUALS

The Group's payables and accruals are non-interest-bearing and are normally settled on 60-day terms. Included in the Group's payables and accruals as at 30 June 2018 are trade payables of HK$696,469,000 (31 December 2017: HK$729,197,000). An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the payment due date, is as follows:

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

12. 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 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
The Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate	58,119	58,619

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

(b) As at 30 June 2018, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties held for sale. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the relevant outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks, and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 30 June 2018, the Group's outstanding guarantees amounted to HK$660,937,000 (31 December 2017: HK$782,654,000) for these guarantees.

(c) According to the master agreement relating to the disposal of the brewery business by Guangdong Land Holdings Limited ("GD Land") in 2013 (as disclosed in the circular of GD Land dated 9 April 2013), GD Land had undertaken to bear any losses arising from the brewery subsidiaries disposed of for additional obligations in respect of, among others, taxes, government levies, staff welfare and uncollectible trade receivables that occurred prior to the date of completion of the said disposal. The financial impact of the contingent liabilities that may arise from such arrangement is not disclosed as the estimate of which is not practicable to do so.

13. EVENT AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Board is pleased to report the results of the Group for the six months ended 30 June 2018 (the "Period"). The Group's unaudited consolidated profit attributable to owners of the Company amounted to HK$2,672 million (2017: HK$3,786 million), a decrease of 29.4% as compared with the same period last year. Basic earnings per share decreased by 31.2% over the same period last year to HK 40.87 cents (2017: HK 59.37 cents).

INTERIM DIVIDEND

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

FINANCIAL REVIEW

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

The unaudited consolidated profit before tax for the Period decreased by 26.2% or HK$1,288 million to HK$3,629 million (2017: HK$4,917 million) and the unaudited consolidated profit attributable to owners of the Company for the Period decreased by 29.4% to HK$2,672 million (2017: HK$3,786 million). The decrease in the profit before tax and profit attributable to owners of the Company was mainly due to the absence of a one-off gain on bargain purchase of HK$1,213 million arising from the acquisition of approximately 73.82% of the issued share capital of Guangdong Land Holdings Limited ("GD Land") recognised in the same period last year. Furthermore, the net gain arising from fair value adjustments for investment properties for the Period was HK$116 million (2017: HK$447 million), HK$331 million lower than that in the same period last year. Nevertheless, the decrease was partially offset by a better performance in water resources business and property investment and development business. Total interest income and finance costs of the Group for the Period amounted to HK$230 million (2017: HK$195 million) and HK$54 million (2017: HK$51 million), respectively. Total interest income net of finance costs of the Group increased by 22.2% to HK$176 million (2017: HK$144 million) for the Period.

Basic earnings per share decreased by 31.2% to HK 40.87 cents (2017: HK 59.37 cents), as compared with the same period last year.

BUSINESS REVIEW

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

Water Resources

Dongshen Water Supply Project

The profit contribution from the Dongshen Water Supply Project continued to form a significant part of the Group's profit. As at 30 June 2018, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (31 December 2017: 96.03%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

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

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

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

Other Water Resources Projects

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

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

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

Capacity of Water Resources Projects in Operation

- The water supply capacity of the water supply plants operated by each of the subsidiaries of the Company, namely, 東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.▲), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 儀征港儀供水有限公司 (Yizheng Gangyi Water Supply Company Limited▲), 高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited▲), 寶應粵海水務有限公司 (Baoying Yuehai Water Company Limited▲), 海南儋州自來水有限公司 (Hainan Danzhou Tap Water Company Limited▲), 梧州粵海江河水務有限公司 (Wuzhou Yuehai Jianghe Water Company Limited▲), Zhaoqing HZ GDH Water Co., Ltd., 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲), 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲) and 盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited▲) is 290,000 tons, 310,000 tons, 150,000 tons, 145,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 150,000 tons, 50,000 tons, 50,000 tons, 73,500 tons and 150,000 tons per day, respectively, totaling 1,953,500 tons per day (2017: 1,530,000 tons per day).

- The waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries of the Company, namely, 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 梧州粵海環保發展有限公司 (Wuzhou Yuehai Huanbao Fazhan Company Limited▲), 東莞市常平金勝水務有限公司 (Dongguan Changping Jinsheng Water Co., Ltd.▲), 開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.▲), 五華粵海環保有限公司 (Wuhua Yuehai Huanbao Co., Ltd.▲), 東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd.▲), 興寧粵海環保有限公司 (Xingning Yuehai Huanbao Co., Ltd.▲), 開平粵海污水處理有限公司 (Kaiping Yuehai Sewage Treatment Co., Ltd.▲), 五華粵海清源環保有限公司(Wuhua Yuehai Qingyuan Huanbao Co., Ltd.▲) and 汕尾粵海環保有限公司 (Shanwei Yuehai Huanbao Co., Ltd.▲) is 100,000 tons, 90,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons, 3,000 tons, 25,000 tons, 15,000 tons and 30,000 tons per day, respectively, totaling 463,000 tons per day (2017: 393,000 tons per day).

- The water supply capacity of the water supply plants operated by Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd, 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.▲) and 汕頭市粵海水務有限公司 (Shantou Guangdong Water Company Limited▲), being associates of the Company, is 520,000 tons, 400,000 tons and 920,000 tons per day, respectively, totaling 1,840,000 tons per day (2017: 920,000 tons per day).

Capacity of Water Resources Projects under Construction

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

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

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

Property Investment and Development

Mainland China

Teem Plaza

As at 30 June 2018, the Group held an effective interest of 76.13% in 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited▲) ("GD Teem"), the property owner of Teem Plaza. Teem Plaza comprises a shopping mall, an office building and a hotel. The shopping mall and the office building are held for investment purposes by the Group.

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

The shopping mall, known as the Teemall, is one of the most popular shopping malls in the prime area of Guangzhou and it has a total gross floor area ("GFA") of approximately 160,000 square meters ("sq. m."), of which 105,000 sq. m. was held for rental purposes. The mall is successful in retaining existing brand-name tenants and attracting new ones. It had an average occupancy rate of nearly 99.9% during the Period (2017: 99.9%).

The office building, known as Teem Tower, is a 45-storey Grade A office tower with a total GFA of approximately 102,000 sq. m., of which 90,000 sq. m. was held for rental purposes. With an average occupancy rate of 98.4% (2017: 90.1%), the revenue for the Period was HK$107,644,000 (2017: HK$96,769,000), increasing by 11.2%. The profit before tax for the Period, excluding changes in fair value of investment properties, increased by 12.2% to HK$91,187,000 (2017: HK$81,242,000).

Tianjin Teem Shopping Mall

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

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

Panyu Wanbo CBD Project

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

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

GD Land

The Company's effective interest in GD Land is approximately 73.82%. GD Land holds a 100% interest in the Buxin Project, which is a multi-functional commercial complex with jewelry as the main theme, located in Buxin Area, Luohu, Shenzhen in the PRC. The total site area of the Buxin Project amounts to approximately 66,526 sq. m., and the GFA included in the calculation of plot ratio amounts to approximately 432,051 sq. m. In addition, an underground area of 30,000 sq. m. could be developed for commercial use. The Buxin Project, which is in close proximity to the urban highway and subway station as well as adjoining Weiling Park, is surrounded by several municipal parks within a radius of 1.5 km, possessing convenient transportation and superb landscape resources.

The Northwestern Land, which is under the first phase of the development of the Buxin Project, has a GFA of approximately 166,000 sq. m., of which the total saleable GFA is approximately 116,000 sq. m. Based on GD Land's current development plan, except for the underground car-parking spaces, properties built on the Northwestern Land under the first phase of development will be for sale upon completion. During the Period under review, construction of properties on the Northwestern Land was on track and the main structures of four buildings have been constructed up to 19-27 floors, respectively. The design plan for the Southern Land and the Northern Land under the second phase of the development of the Buxin Project has been completed. GD Land plans to build, among others, office buildings with a height of approximately 180 meters and 300 meters, respectively, as well as a shopping mall across the Southern Land and the Northern Land. It is expected that the second phase of development will commence in the latter half of 2018. During the period under review, the construction of the exhibition center of the Buxin Project was on schedule in accordance with the plan. Meanwhile, GD Land continued to visit potential customers and promoted the Buxin Project vigorously, and positive feedback has been received.

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

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

Hong Kong

Guangdong Investment Tower

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

Department Store Operation

As at 30 June 2018, the Group held an effective interest of approximately 85.2% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.▲) ("GDTDS") and 廣州市天河城萬博百貨有限公司 ("天河城萬博"). GDTDS operates Teemall Store in Teem Plaza. GDTDS also operates Teemall Store – Beijing Road Branch ("Ming Sheng Store"), 奧體歐萊斯名牌折扣店 ("Ao Ti Store"), 東圃百貨店 ("Dong Pu Store"), 東莞第一國際百貨店 ("Dongguan Store"), 佛山南海百貨店("Nanhai Store"), 北京路粵海仰忠匯店 ("Yuehaiyangzhong Hui Store") and 天津天河城百貨店 ("Tianjin Teem Store"). 天河城萬博 operates 天河城百貨歐萊斯折扣店 ("Wan Bo Store").

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

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

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

The Group's effective interest in 廣東永旺天河城商業有限公司 (Guangdong Aeon Teem Co., Ltd.▲) ("GD Aeon Teem") is 26.65%. The Group's share of profits in GD Aeon Teem amounted to HK$4,959,000 (2017: HK$2,289,000) during the Period.

Hotel Ownership, Operation and Management

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

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

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

Energy Projects

Zhongshan Power Project

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

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

The Group's effective interest in Yudean Jinghai Power is 25%. As at 30 June 2018, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the Period amounted to 7,021 million kwh (2017: 5,533 million kwh), an increase of 26.9%. Revenue for the Period increased by 34.9% to HK$3,098,604,000 (2017: HK$2,296,579,000).

The profit before tax of Yudean Jinghai Power for the Period was HK$129,755,000 (2017: HK$22,118,000). The Group's share of profit in Yudean Jinghai Power amounted to HK$24,329,000 (2017: HK$4,147,000) during the Period.

Road and Bridge

Xingliu Expressway

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

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

Yinping PPP Project

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

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

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

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

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

As at 30 June 2018, the aggregate amount of financial assets at fair value through profit or loss and other financial assets at amortised cost of the Group decreased by HK$1,539 million to HK$6,554 million (31 December 2017: available-for-sale financial assets of HK$8,093 million), which were placed by the Group with a number of licensed banks in the PRC, each of which for a term not exceeding one year. The principal sums of these financial assets with those licensed banks were denominated in Renminbi and were principal protected upon the maturity date. Up to the date of this announcement, financial assets at fair value through profit or loss and other financial assets at amortised cost in the amount of approximately HK$2,500 million matured.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

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

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

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

As at 30 June 2018 and 31 December 2017, the Group was in a net cash position and hence no gearing ratio was presented. The Group was in a healthy debt servicing position as the EBITDA/finance cost as at 30 June 2018 was 80.88 times (31 December 2017: 82.39 times).

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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

Except for the Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate of approximately HK$58 million (31 December 2017: approximately HK$59 million), the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK$661 million (31 December 2017: approximately HK$783 million) and undertakings made in the master agreement relating to the disposal of brewery business by GD Land as disclosed in note 12 of this announcement, there was no other material contingent liability as at 30 June 2018 and 31 December 2017.

CAPITAL EXPENDITURE

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

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

As at 30 June 2018, the Group's total floating rate borrowings amounted to HK$4,855 million (31 December 2017: HK$5,143 million). The interest rate risk exposure was considered to be minimal and thus no interest rate hedging was considered necessary.

PRINCIPAL RISKS AND UNCERTAINTIES

Macroeconomic Risk

As a diversified conglomerate with investments in different business segments, the financial and operating performance of the Company is inextricably linked to the macroeconomic environment. Internationally, while the global economic recovery maintains momentum, rising international trade tension could bring uncertainties to further progress. Domestically, the overall macro economy achieved growth while maintaining stability. However, due to the combined effects of ongoing economic structural adjustments, acceleration of replacement of old growth drivers with new initiatives, Renminbi exchange rate fluctuations and further energy saving and emission reduction efforts, economic fundamentals remain challenging. Macroeconomic development faces dilemmas such as de-leveraging while maintaining growth, which may cause uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange rate. 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 risk encompasses product safety risk as well as personnel safety risk. With respect to product safety risk, the Company will systemise the relevant risk control mechanism so as to establish firm-wide standardised risk management procedures. On the other hand, the Company will strengthen production quality management by performing regular safety inspections on its production and operational facilities as a preventive measure. It also seeks to mitigate any adverse impact through market supervision and taking timely actions to rectify problems.

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

EMPLOYEE AND REMUNERATION POLICY

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

In 2018, adhering to the people-oriented concept, the Group adhered to the core values of "integrity, professionalism, willingness, honesty and cooperation" of the corporate culture. The Group also continued to strengthen the management team building by employing more professionals. The Group further strengthened the training of employees in order to meet the Company's further development needs.

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

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

REVIEW

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

PROSPECTS

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2018 and, where appropriate, the applicable recommended best practices of the CG Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 16.0 cents (2017: HK 14.5 cents) per ordinary share for the six months ended 30 June 2018 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 10 October 2018. The interim dividend is expected to be paid on or about Friday, 26 October 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 10 October 2018 and no transfer of shares will be registered on that day. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 9 October 2018.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee of the Company and Messrs. Ernst & Young, external auditor of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.gdi.com.hk) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 27 August 2018

▲ *The English names are translations of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely, Mr. HUANG Xiaofeng, Mr. WEN Yinheng, Mrs. HO LAM Lai Ping, Theresa and Mr. TSANG Hon Nam; five Non-Executive Directors, namely, Mr. CAI Yong, Mr. ZHANG Hui, Ms. ZHAO Chunxiao, Mr. LAN Runing and Mr. LI Wai Keung; and five Independent Non-Executive Directors, namely, Dr. CHAN Cho Chak, John, Dr. the Honourable LI Kwok Po, David, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses and Mr. WU Ting Yuk, Anthony.