



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

Stock Code : 00270

2023
Interim Report





Contents

2	Corporate Information
3	Review Report
	Unaudited Interim Financial Report
4	Condensed Consolidated Statement of Profit or Loss
5	Condensed Consolidated Statement of Comprehensive Income
6	Condensed Consolidated Statement of Financial Position
8	Condensed Consolidated Statement of Changes in Equity
10	Condensed Consolidated Statement of Cash Flows
12	Notes to Interim Financial Report
46	Management Discussion and Analysis
62	Directors' Interests and Short Positions in Securities
63	Substantial Shareholders' and Other Persons' Interests
64	Corporate Governance and Other Information

Corporate Information

As at 29 August 2023

Board of Directors

Executive Directors

Mr. HOU Wailin (*Chairman*)
Mr. LIN Tiejun (*Vice Chairman*)
Mr. WEN Yinheng (*Managing Director*)
Mr. TSANG Hon Nam (*Deputy General Manager*)
Ms. LIANG Yuanjuan (*Chief Financial Officer*)

Non-Executive Directors

Mr. CAI Yong
Mr. LAN Runing
Mr. FENG Qingchun

Independent Non-Executive Directors

Dr. CHAN Cho Chak, John, *GBS, JP*
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*
Dr. the Honourable CHENG Mo Chi, Moses,
GBM, GBS, OBE, JP
Mr. LI Man Bun, Brian David,
BBS, JP, MA (Cantab), MBA, FCA

Audit Committee

Mr. LI Man Bun, Brian David (*Committee Chairman*)
Dr. CHAN Cho Chak, John
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses

Remuneration Committee

Dr. CHAN Cho Chak, John (*Committee Chairman*)
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses
Mr. LI Man Bun, Brian David

Nomination Committee

Mr. HOU Wailin (*Committee Chairman*)
Dr. CHAN Cho Chak, John
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses
Mr. LI Man Bun, Brian David

General Counsel & Company Secretary

Ms. YANG Na

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting
Council Ordinance

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank, Guangzhou Branch
China Merchants Bank
Chong Hing Bank
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank
Industrial and Commercial Bank of China (Asia)
Limited
Industrial and Commercial Bank of China,
Shenzhen Branch
Standard Chartered Bank

Registered Office

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

Share Registrar

Tricor Tengis Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
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	10 October 2023
Interim Dividend	HK18.71 cents per ordinary share payable on or about 26 October 2023

Review Report



Review report to the board of directors of Guangdong Investment Limited (Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 4 to 45, which comprises the condensed consolidated statement of financial position of Guangdong Investment Limited and its subsidiaries as of 30 June 2023 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 explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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 report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	4	11,369,355	11,913,356
Cost of sales		(5,907,926)	(6,583,913)
Gross profit		5,461,429	5,329,443
Other income and gains, net		254,870	210,208
Changes in fair value of investment properties		384,613	475,134
Selling and distribution expenses		(407,142)	(327,572)
Administrative expenses		(1,229,640)	(1,248,695)
Exchange differences, net		32,533	50,286
Other operating (loss)/income, net		(75,608)	263,854
Finance costs	5	(586,302)	(356,494)
Share of profits less losses of associates		107,598	20,918
PROFIT BEFORE TAX	6	3,942,351	4,417,082
Income tax expense	7	(1,091,216)	(1,025,293)
PROFIT FOR THE PERIOD		2,851,135	3,391,789
Attributable to:			
Owners of the Company		2,526,909	2,949,518
Non-controlling interests		324,226	442,271
		2,851,135	3,391,789
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		HK38.65 cents	HK45.11 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	2,851,135	3,391,789
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– Subsidiaries	(1,803,325)	(2,499,655)
– Associates	(115,863)	(223,429)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	(1,919,188)	(2,723,084)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Share of remeasurement gain on defined benefit plan, net of tax	2,950	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,916,238)	(2,723,084)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	934,897	668,705
Attributable to:		
Owners of the Company	1,087,243	943,527
Non-controlling interests	(152,346)	(274,822)
	934,897	668,705

Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		10,060,591	7,569,778
Investment properties		24,984,286	25,073,134
Right-of-use assets		1,002,948	611,367
Goodwill		843,316	841,202
Other intangible assets		667,022	706,345
Investments in associates		3,550,209	4,031,380
Operating concession rights		22,075,737	21,842,960
Receivables under service concession arrangements	10	16,786,691	16,296,533
Receivables under a cooperative arrangement		2,055,098	2,034,000
Equity investments designated at fair value through other comprehensive income		54,496	55,039
Prepayments and other receivables	11	538,638	950,298
Deferred tax assets		1,313,996	1,281,832
Total non-current assets		83,933,028	81,293,868
CURRENT ASSETS			
Properties held for sale under development		29,318,084	29,909,189
Completed properties held for sale		5,877,133	5,513,094
Tax recoverables		366,764	298,847
Inventories		566,066	302,063
Receivables under service concession arrangements	10	352,531	375,500
Receivables under a cooperative arrangement		79,381	105,111
Receivables, prepayments and other receivables	11	6,770,866	5,277,675
Due from non-controlling equity holders of subsidiaries		856,775	918,079
Restricted bank balances		626,278	583,074
Cash and bank balances		14,588,935	8,938,120
Total current assets		59,402,813	52,220,752

Condensed Consolidated Statement of Financial Position

30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
CURRENT LIABILITIES			
Payables, accruals and other liabilities	12	(14,255,914)	(14,835,801)
Contract liabilities	12	(10,396,820)	(6,830,491)
Tax payables		(3,292,071)	(3,206,500)
Due to non-controlling equity holders of subsidiaries		(655,311)	(672,969)
Bank and other borrowings	13	(11,666,031)	(10,044,788)
Lease liabilities		(34,375)	(77,733)
Dividend payables		(2,786,420)	–
Total current liabilities		(43,086,942)	(35,668,282)
NET CURRENT ASSETS		16,315,871	16,552,470
TOTAL ASSETS LESS CURRENT LIABILITIES		100,248,899	97,846,338
NON-CURRENT LIABILITIES			
Bank and other borrowings	13	(32,644,586)	(30,690,800)
Lease liabilities		(510,780)	(563,173)
Due to non-controlling equity holders of subsidiaries		(102,311)	(113,000)
Other liabilities and contract liabilities	12	(1,836,356)	(1,393,240)
Deferred tax liabilities		(6,901,578)	(6,576,808)
Total non-current liabilities		(41,995,611)	(39,337,021)
Net assets		58,253,288	58,509,317
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	8,966,177	8,966,177
Reserves	15	32,663,288	34,362,465
		41,629,465	43,328,642
Non-controlling interests		16,623,823	15,180,675
Total equity		58,253,288	58,509,317

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Share capital	Asset revaluation reserve	Capital reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserves	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
At 1 January 2023	8,966,177	469,419*	1,756,566*	4,216,169*	(1,477,930)*	(120,802)*	(19,138)*	29,538,181*	43,328,642	15,180,675	58,509,317
Profit for the period	-	-	-	-	-	-	-	2,526,909	2,526,909	324,226	2,851,135
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations											
– Subsidiaries	-	-	-	-	(1,325,573)	-	-	-	(1,325,573)	(477,752)	(1,803,325)
– Associates	-	-	-	-	(115,863)	-	-	-	(115,863)	-	(115,863)
Share of remeasurement gain on defined benefit plan, net of tax	-	-	-	-	-	-	1,770	-	1,770	1,180	2,950
Total comprehensive income for the period	-	-	-	-	(1,441,436)	-	1,770	2,526,909	1,087,243	(152,346)	934,897
Business combination through acquisition of subsidiaries (note 18)	-	-	-	-	-	-	-	-	-	839,285	839,285
Capital injection from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	837,523	837,523
Dividends paid and payable to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	(81,314)	(81,314)
Transfer from retained profits	-	-	-	14,749	-	-	-	(14,749)	-	-	-
Final 2022 dividend (note 8(b))	-	-	-	-	-	-	-	(2,786,420)	(2,786,420)	-	(2,786,420)
At 30 June 2023	8,966,177	469,419*	1,756,566*	4,230,918*	(2,919,366)*	(120,802)*	(17,368)*	29,263,921*	41,629,465	16,623,823	58,253,288

* These reserve accounts comprise the consolidated reserves of HK\$32,663,288,000 (31 December 2022: HK\$34,362,465,000) in the condensed consolidated statement of financial position as at 30 June 2023.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company											
	Share capital	Asset revaluation reserve	Capital reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserves	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 1 January 2022	8,966,177	445,457	1,756,326	3,929,753	2,335,724	(265,404)	1,227	(22,844)	29,064,282	46,210,698	15,694,179	61,904,877
Profit for the period	-	-	-	-	-	-	-	-	2,949,518	2,949,518	442,271	3,391,789
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations												
- Subsidiaries	-	-	-	-	(1,782,562)	-	-	-	-	(1,782,562)	(717,093)	(2,499,655)
- Associates	-	-	-	-	(223,429)	-	-	-	-	(223,429)	-	(223,429)
Total comprehensive income for the period	-	-	-	-	(2,005,991)	-	-	-	2,949,518	943,527	(274,822)	668,705
Put option on non-controlling interests in a subsidiary (note 12)	-	-	-	-	-	156,546	-	-	-	156,546	(21,068)	135,478
Disposal of subsidiaries	-	-	-	-	-	-	(1,311)	-	1,311	-	(92,584)	(92,584)
Asset acquisition through acquisition of a subsidiary (note 19)	-	-	-	-	-	-	-	-	-	-	161,777	161,777
Capital injection from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	101,315	101,315
Dividends paid and payable to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(125,020)	(125,020)
Transfer from retained profits	-	-	-	238	-	-	-	-	(238)	-	-	-
Final 2021 dividend (note 8(b))	-	-	-	-	-	-	-	-	(2,781,189)	(2,781,189)	-	(2,781,189)
At 30 June 2022	8,966,177	445,457	1,756,326	3,929,991	329,733	(108,858)	(84)	(22,844)	29,233,684	44,529,582	15,443,777	59,973,359

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Net cash flows from/(used in) operating activities		4,353,697	(5,590,692)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		23,664	51,994
Net movement in receivables under a cooperative arrangement		8,652	95,512
Purchases of items of property, plant and equipment		(260,128)	(284,096)
Additions to right-of-use assets		(37,460)	–
Additions to investment properties		(419,460)	(410,092)
Additions to service concession arrangements		(228,855)	(1,430,919)
Business combinations through acquisition of subsidiaries	18	238,216	(307,923)
Asset acquisition through acquisition of a subsidiary	19	–	(880,139)
Capital injection in an associate		–	(35,842)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		(809,809)	(1,080,621)
Net cash outflows arising from disposal of subsidiaries		–	(87,371)
Proceeds from disposal of subsidiaries in prior year		14,850	–
Settlement of consideration payable for acquisition of subsidiaries in prior years		–	(732,532)
Net cash flows used in investing activities		(1,470,330)	(5,102,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		15,079,692	15,995,706
Repayments of bank and other borrowings		(12,226,055)	(4,376,054)
Capital contribution from non-controlling equity holders of subsidiaries		837,523	57,792
Principal portion of lease payments		(61,452)	(36,271)
Dividends paid to non-controlling equity holders of subsidiaries		(110,608)	(140,878)
Interest paid		(910,909)	(620,294)
Payment for the acquisition of non-controlling interests in a subsidiary		(282,019)	–
Net cash flows from financing activities		2,326,172	10,880,001

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,209,539	187,280
Cash and cash equivalents at beginning of period	8,814,565	8,833,627
Effect of foreign exchange rate changes, net	(338,118)	(301,981)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13,685,986	8,718,926
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	12,196,863	8,163,505
Non-pledged time deposits with original maturity of less than three months when acquired	1,489,123	555,421
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	13,685,986	8,718,926
Non-pledged time deposits with original maturity of more than three months when acquired	902,949	1,807,650
Cash and bank balances as stated in the condensed consolidated statement of financial position	14,588,935	10,526,576

Notes to Interim Financial Report

30 June 2023

1. GENERAL INFORMATION AND ACCOUNTING POLICIES

Guangdong Investment Limited (the “Company”) is a limited liability company incorporated and domiciled in the Hong Kong Special Administrative Region of the People’s Republic of China (“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 report of the Group for the six months ended 30 June 2023 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 (“HKICPA”) 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 report 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 2022.

The accounting policies adopted in the preparation of the unaudited interim financial report are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022, except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKAS and Interpretations) for the first time for the current period’s unaudited interim financial report, as further detailed in note 2 below.

The unaudited interim financial report has been reviewed by KPMG 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. KPMG’s independent review report to the Board of Directors is included on page 3.

The financial information relating to the year ended 31 December 2022 included in this unaudited interim financial report for the six months ended 30 June 2023 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 2022 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 2022. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

Notes to Interim Financial Report

30 June 2023

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended HKFRSs

Other than changes in accounting policies resulting from application of new and amended HKFRSs, the accounting policies and methods of computation used in the interim financial report for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

Application of new and amended HKFRSs

In the current interim period, the Group has applied the following new and amended HKFRSs issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's consolidated financial statements:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income Taxes: International tax reform – Pillar Two model rules*

The application of the new and amended HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim financial report.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

Notes to Interim Financial Report

30 June 2023

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism (continued)

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

The impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

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, construction of water supply and sewage treatment infrastructure, water pipeline installation and consultancy services and sale of machineries for customers in the mainland of the People's Republic of China (the "PRC") ("Mainland China") and Hong Kong;
- (ii) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development and sale of properties in Mainland China. This segment also provides property management services to certain commercial properties;
- (iii) The department store operation segment operates department stores which engages in sale of goods and concessionaire sales, and management and sub-letting of operating area in Mainland China;
- (iv) The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province;
- (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.

Notes to Interim Financial Report

30 June 2023

3. OPERATING SEGMENT INFORMATION (continued)

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, net gain on disposal of subsidiaries, gain on deemed disposal of associates, finance costs (other than interest on lease liabilities) and share of profits less losses of associates are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverables, cash and bank balances, restricted bank balances, equity investments designated at fair value through other comprehensive income and other unallocated assets as these assets are managed on a group basis.

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

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

	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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	7,950,125	9,036,584	1,673,223	1,248,664	403,813	437,697
Intersegment sales	–	–	46,554	49,026	–	–
Other income and gains from external sources	37,994	23,819	4,098	3,469	2,329	8,873
Other income from intersegment transactions	–	–	–	–	–	–
Total	7,988,119	9,060,403	1,723,875	1,301,159	406,142	446,570
Segment results	3,307,999	3,297,010	706,218	1,184,410	(32,248)	85,463
Bank interest income						
Net gain on disposal of subsidiaries	–	5,872	–	–	–	–
Gain on deemed disposal of associates	13,963	–	–	–	–	–
Finance costs						
Share of profits less losses of associates	47,590	85,366	–	–	8,880	(7,043)
Profit before tax						
Income tax expense						
Profit for the period						

Notes to Interim Financial Report

30 June 2023

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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	697,542	675,016	302,337	174,430	342,315	340,965
Intersegment sales	190,977	170,732	-	-	-	-
Other income and gains from external sources	20,464	20,715	45	19	74,612	70,744
Other income from intersegment transactions	-	-	-	-	-	-
Total	908,983	866,463	302,382	174,449	416,927	411,709
Segment results	57,835	43,915	91,160	(24,482)	236,043	233,535
Bank interest income						
Net gain on disposal of subsidiaries	-	-	-	-	-	-
Gain on deemed disposal of associates	-	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	51,128	(57,405)	-	-	-	-
Profit before tax						
Income tax expense						
Profit for the period						

Notes to Interim Financial Report

30 June 2023

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	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Revenue from external customers	-	-	-	-	11,369,355	11,913,356
Intersegment sales	9,987	8,607	(247,518)	(228,365)	-	-
Other income and gains from external sources	-	-	-	-	139,542	127,639
Other income from intersegment transactions	3,632	2,081	(3,632)	(2,081)	-	-
Total	13,619	10,688	(251,150)	(230,446)	11,508,897	12,040,995
Segment results	(111,230)	(159,076)	35,755	(7,196)	4,291,532	4,653,579
Bank interest income					101,365	76,697
Net gain on disposal of subsidiaries	-	-	-	-	-	5,872
Gain on deemed disposal of associates	-	-	-	-	13,963	-
Finance costs					(572,107)	(339,984)
Share of profits less losses of associates	-	-	-	-	107,598	20,918
Profit before tax					3,942,351	4,417,082
Income tax expense					(1,091,216)	(1,025,293)
Profit for the period					2,851,135	3,391,789

Notes to Interim Financial Report

30 June 2023

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Segment assets	52,785,370	48,622,369	62,989,044	62,740,301	976,938	1,156,597	2,912,602	2,926,730	2,131,965	2,210,789
Unallocated assets										
Total assets										
Segment liabilities	11,088,905	10,991,013	14,368,022	10,899,101	1,402,657	1,560,953	395,572	427,816	199,380	217,555
Unallocated liabilities										
Total liabilities										

Other segment information:

	For the six months ended 30 June 2023 (Unaudited) HK\$'000		For the six months ended 30 June 2022 (Unaudited) HK\$'000		For the six months ended 30 June 2023 (Unaudited) HK\$'000		For the six months ended 30 June 2022 (Unaudited) HK\$'000		For the six months ended 30 June 2023 (Unaudited) HK\$'000		For the six months ended 30 June 2022 (Unaudited) HK\$'000	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Exchange gains/(losses), net	10,469	4,475	88,489	145,624	(14,214)	(21,911)	13,361	20,550	(3,560)	4,357		

Notes to Interim Financial Report

30 June 2023

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities: (continued)

	Road and bridge		Others		Eliminations		Consolidated	
	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Segment assets	5,239,543	5,395,507	40,271	37,989	(713,843)	(744,399)	126,361,890	122,345,883
Unallocated assets							16,973,951	11,168,737
Total assets							143,335,841	133,514,620
Segment liabilities	283,354	393,828	156,955	159,207	(196,245)	(241,331)	27,698,600	24,408,142
Unallocated liabilities							57,383,953	50,597,161
Total liabilities							85,082,553	75,005,303

Other segment information: (continued)

	For the six months ended 30 June 2023 (Unaudited) HK\$'000		For the six months ended 30 June 2022 (Unaudited) HK\$'000		For the six months ended 30 June 2023 (Unaudited) HK\$'000		For the six months ended 30 June 2022 (Unaudited) HK\$'000	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Exchange gains/(losses), net	(10,337)	(13,671)	(51,879)	(90,471)	204	1,333	32,533	50,286

4. REVENUE

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

Notes to Interim Financial Report

30 June 2023

4. REVENUE (continued)

Disaggregation of revenue is analysed as follows:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
(a) Types of goods or services:		
<u>Water resources segment</u>		
Income from water distribution – Hong Kong	2,736,191	2,694,788
Income from water distribution – Mainland China	2,163,795	1,783,881
Income from sewage treatment services	436,574	402,341
Income from construction services	1,007,015	2,592,267
Income from water pipeline installation and consultancy services	943,382	722,100
Sale of machineries	280,535	488,303
<u>Property investment and development segment</u>		
Sale of properties	957,917	480,524
Management fee income	106,551	89,501
<u>Department store operation segment</u>		
Commission income from concessionaire sales	195,732	203,671
Sale of goods	178,510	198,051
Management fee income	6,977	5,761
<u>Electric power generation segment</u>		
Sale of electricity and steam	697,542	675,016
<u>Hotel operation and management segment</u>		
Hotel income	278,816	147,957
Management fee income	5,854	6,288
<u>Road and bridge segment</u>		
Toll revenue	333,047	332,865
Management and maintenance fee income	9,268	8,100
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>	10,337,706	10,831,414
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	382,633	352,904
Rental income	649,016	729,038
Total revenue	11,369,355	11,913,356

Notes to Interim Financial Report

30 June 2023

4. REVENUE (continued)

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
(b) Geographical locations*:		
<u>Mainland China</u>		
Water resources segment	7,567,492	8,683,680
Property investment and development segment	1,064,468	570,025
Department store operation segment	381,219	407,483
Electric power generation segment	697,542	675,016
Hotel operation and management segment	187,984	98,045
Road and bridge segment	342,315	340,965
	10,241,020	10,775,214
<u>Hong Kong</u>		
Hotel operation and management segment	96,686	56,200
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>	10,337,706	10,831,414
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	382,633	352,904
Rental income	649,016	729,038
Total revenue	11,369,355	11,913,356

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

Notes to Interim Financial Report

30 June 2023

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on bank and other borrowings	601,960	417,702
Interest on loans from 廣東粵海控股集團有限公司 (Guangdong Holdings Limited ▲) ("Guangdong Holdings"), the Company's ultimate holding company (note 22(a)(iv))	84,264	79,768
Interest on loans from fellow subsidiaries (note 22(a)(v))	232,978	136,412
Interest on loans from an associate (note 22(a)(v))	8,340	–
Interest on lease liabilities	14,195	16,510
Interest related to defined benefit obligations	1,320	–
Finance costs incurred	943,057	650,392
Less: Interest capitalised	(356,755)	(293,898)
Finance costs charged for the period	586,302	356,494

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale and investment properties under development, construction in progress and operating concession rights are between 2.90% and 6.65% per annum for the six months ended 30 June 2023 (2022: between 2.05% and 6.50% per annum).

Notes to Interim Financial Report

30 June 2023

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Bank interest income**	(101,365)	(76,697)
Interest income from receivables under a cooperative arrangement**	(73,012)	(67,022)
Cost of inventories sold*	939,287	941,675
Cost of services rendered*	3,445,696	4,755,245
Cost of properties sold*	767,736	228,473
Depreciation of property, plant and equipment	406,934	275,174
Depreciation of right-of-use assets	38,744	33,397
Government subsidies***^	(44,045)	(25,447)
Amortisation of operating concession rights*	755,207	658,520
Amortisation of other intangible assets	17,945	1,439
Write down of properties held for sale under development***	134,505	–

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

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

*** Included in "Other operating (loss)/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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	7,235	5,303
Current – Mainland China		
Charge for the period	848,907	811,760
Over-provision in prior years	(11,286)	(15,224)
Deferred tax	246,360	223,454
Total tax charge for the period	1,091,216	1,025,293

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Notes to Interim Financial Report

30 June 2023

7. INCOME TAX EXPENSE (continued)

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% (2022: 25%). Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

8. DIVIDENDS

(a) Dividend payables to shareholders of the Company attributable to the interim period:

	For the six months ended 30 June 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interim – HK18.71 cents (2022: HK18.71 cents) per ordinary share	1,223,226	1,223,226

At a meeting of the board of directors held on 29 August 2023 (2022: 30 August 2022), the directors resolved to pay to shareholders of the Company an interim dividend of HK18.71 cents (2022: HK18.71 cents) per ordinary share for the six months ended 30 June 2023.

(b) Dividend payables to shareholders of the Company attributable to the previous financial year, approved during the interim period:

	For the six months ended 30 June 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Final – HK42.62 cents (2022: HK42.54 cents) per ordinary share	2,786,420	2,781,189

Notes to Interim Financial Report

30 June 2023

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

The calculations of the basic earnings per share amounts for the six months ended 30 June 2023 and 2022 are based on:

	For the six months ended 30 June 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	2,526,909	2,949,518

	For the six months ended 30 June 2023 (Unaudited) Number of shares	2022 (Unaudited) Number of shares
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	6,537,821,440	6,537,821,440

No adjustment has been made to the basic earnings per share amount presented for the periods ended 30 June 2023 and 2022 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the periods ended 30 June 2023 and 2022.

10. SERVICE CONCESSION ARRANGEMENTS

(a) Receivables under service concession arrangements

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Receivables under service concession arrangements	17,139,222	16,672,033
Less: Portion classified as current assets	(352,531)	(375,500)
Non-current portion	16,786,691	16,296,533

Receivables under service concession arrangements were due from the government authorities in Mainland China in respect of the Group's water distribution and sewage treatment operations.

Notes to Interim Financial Report

30 June 2023

10. SERVICE CONCESSION ARRANGEMENTS (continued)

(b) As at 30 June 2023, bank and other borrowings of HK\$12,215,250,000 (31 December 2022: HK\$10,624,528,000) (note 13(c)) are secured by the pledge of revenue entitlement under certain water distribution, sewage treatment and toll road concession arrangements.

(c) **Contract assets**

As at 30 June 2023, contract assets which are presented as operating concession rights and receivables under service concession arrangements amounted to HK\$940,609,000 (31 December 2022: HK\$3,931,336,000) and HK\$3,963,295,000 (31 December 2022: HK\$3,987,558,000), respectively.

11. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade and bills receivables, net of impairment	(i)	3,527,125	2,722,968
Other receivables		1,276,254	1,079,467
Prepayments and deposits		291,214	429,260
Deposit of a land use right	(ii)	433,840	–
VAT receivables		706,532	819,606
Contract assets		708,388	591,574
Contract costs		111,911	67,964
Due from the ultimate holding company	22(d)	60	241,735
Due from fellow subsidiaries	22(d)	150,311	244,752
Due from associates	22(d)	103,869	30,647
		7,309,504	6,227,973
Less: Portion classified as non-current assets		(538,638)	(950,298)
Current portion		6,770,866	5,277,675

Notes:

- (i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The various group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade and bills receivables relate principally to the water distribution and sewage treatment businesses. The Group has a certain concentration of credit risk whereby 13% (31 December 2022: 6%) of the total trade and bills receivables were due from one customer. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest bearing.

Notes to Interim Financial Report

30 June 2023

11. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Current or less than 3 months past due	2,661,107	2,104,472
3 months to 6 months past due	514,366	258,780
6 months to 1 year past due	158,828	105,652
More than 1 year past due	227,328	289,961
	3,561,629	2,758,865
Less: Loss allowance	(34,504)	(35,897)
	3,527,125	2,722,968

- (ii) As at 30 June 2023, the balance represented a deposit amounting to HK\$433,840,000 (31 December 2022: Nil) due from the local authority for the public auction of a land use right in the PRC. The amount was recovered in July 2023.

12. PAYABLES, ACCRUALS AND OTHER LIABILITIES AND CONTRACT LIABILITIES

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade and bills payables	(i)	5,164,917	6,224,663
Accruals, other payables and other liabilities		9,066,664	8,481,910
Contract liabilities		10,439,242	6,868,749
Payable for the acquisition of non-controlling interests in a subsidiary	(ii)	–	290,483
Defined benefit obligations		213,381	122,320
Deferred revenue		325,069	346,715
Due to the immediate holding company	22(d)	7,608	34,737
Due to the ultimate holding company	22(d)	228,645	278,309
Due to fellow subsidiaries	22(d)	1,002,678	381,519
Due to associates	22(d)	40,886	30,127
		26,489,090	23,059,532
Less: Portion classified as non-current liabilities		(1,836,356)	(1,393,240)
Current portion		24,652,734	21,666,292

Notes to Interim Financial Report

30 June 2023

12. PAYABLES, ACCRUALS AND OTHER LIABILITIES AND CONTRACT LIABILITIES (continued)

Notes:

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 3 months	4,509,255	6,066,868
3 months to 6 months	19,542	37,226
6 months to 1 year	636,120	120,569
	5,164,917	6,224,663

- (ii) In prior years, the Group entered into agreements with the non-controlling equity holders of 江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Company Limited) and its subsidiaries (collectively, the "Jiangxi Guangdong Group") pursuant to which the non-controlling equity holders have the right to sell the remaining 21% equity interest in the Jiangxi Guangdong 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 Guangdong Group and the expected future undistributed profit of the Jiangxi Guangdong Group. The Put Option is exercisable within six months after three years from the completion date of the acquisition upon fulfilment of certain conditions specified in the agreements. During the year ended 31 December 2022, the Put Option has been exercised at an agreed price. As at 30 June 2023, consideration related to acquisition of the remaining 21% equity interest amounted to nil (31 December 2022: HK\$290,483,000) is payable to the option holders.

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

Notes to Interim Financial Report

30 June 2023

13. BANK AND OTHER BORROWINGS

	30 June 2023			31 December 2022		
	Effective interest rate	Maturity	(Unaudited) HK\$'000	Effective interest rate	Maturity	(Audited) HK\$'000
Current						
Bank loans – unsecured	2.20% – 6.65%	2024	4,972,469	0.48% – 6.65%	2023	5,838,613
Bank loans – secured	2.70% – 4.55%	2023	1,642,663	1.40% – 5.39%	2023	1,898,230
Other loans – unsecured	–	On demand	60,748	–	On demand	62,887
Other loans – unsecured	3.00% – 5.50%	2023	4,985,595	3.70% – 5.50%	2023	1,971,900
Other loans – secured	3.30% – 3.80%	2023	4,556	3.35% – 4.00%	2023	273,158
			11,666,031			10,044,788
Non-current						
Bank loans – unsecured	1.50% – 3.80%	2024 – 2033	5,338,145	0.64% – 4.44%	2024 – 2033	4,049,665
Bank loans – secured	2.70% – 6.02%	2024 – 2049	14,473,497	1.40% – 5.39%	2024 – 2049	15,208,131
Other loans – unsecured	1.20% – 5.85%	2024 – 2052	12,172,803	3.34% – 5.85%	2024 – 2042	10,745,799
Other loans – secured	3.30% – 3.80%	2024 – 2040	660,141	3.35% – 3.85%	2024 – 2040	687,205
			32,644,586			30,690,800
Total bank and other borrowings			44,310,617			40,735,588

Bank and other borrowings of HK\$2,920,290,000 (31 December 2022: HK\$5,497,658,000) are secured by the following pledged assets:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Completed investment properties	771,058	3,623,912
Investment properties under development	5,502,006	5,031,689
Completed properties held for sale	–	1,954,030
Properties held for sale under development	1,164,994	15,743,787
	7,438,058	26,353,418

Notes to Interim Financial Report

30 June 2023

13. BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) As at 30 June 2023, all bank and other borrowings were denominated in Hong Kong dollars except for bank and other loans of HK\$37,007,191,000 (31 December 2022: HK\$32,263,478,000) which were denominated in RMB.
- (b) As at 30 June 2023, bank loans of HK\$777,637,000 (31 December 2022: HK\$992,963,000) and HK\$867,680,000 (31 December 2022: HK\$951,575,000) were secured by pledges of 100% and 79% equity interests of certain subsidiaries, respectively.
- (c) As at 30 June 2023, bank and other loans of HK\$12,215,250,000 (31 December 2022: HK\$10,624,528,000) were secured by the pledge of revenue entitlement under certain water distribution, sewage treatment and toll road concession arrangements.
- (d) As at 30 June 2023, included in secured and unsecured other borrowings represented loans from Guangdong Holdings of HK\$1,889,373,000 (31 December 2022: HK\$4,189,169,000), loans from fellow subsidiaries of HK\$9,467,414,000 (31 December 2022: HK\$8,765,148,000) and loans from an associate of HK\$911,064,000 (31 December 2022: Nil) (note 22(d)).
- (e) Included in the unsecured bank and other borrowings was an aggregate amount of HK\$4,338,400,000 (31 December 2022: Nil) which was guaranteed by Guangdong Holdings. The Group signed a counter-guarantee agreement with Guangdong Holdings to provide counter-guarantee for the guarantee obligations of Guangdong Holdings to the Group.
- (f) On 30 August 2022, commercial mortgage backed securities (“CMBS”) amounted to RMB330,000,000 were issued in the Shanghai Stock Exchange and repayable in installments. The CMBS were secured by certain investment properties and their operating income receivables. As at 30 June 2023, the interest rates of the CMBS classified as priority A level with the remaining principal amount of RMB167,350,000 (equivalent to approximately HK\$181,508,000) (31 December 2022: RMB168,850,000 (equivalent to approximately HK\$189,028,000)) was fixed at 3.35% per annum and that of priority B level with the remaining principal amount of RMB150,000,000 (equivalent to approximately HK\$162,690,000) (31 December 2022: RMB150,000,000 (equivalent to approximately HK\$167,925,000)) was fixed at 3.8% per annum. The term of the CMBS was 18 years. At the end of the third year, the sixth year, the ninth year, the twelfth year, the fifteenth year and the eighteenth year, the Group shall be entitled to adjust the interest rates of the CMBS or repurchase the outstanding balance, and the holders of the CMBS shall be entitled to require the Group to redeem the outstanding balance. As at 30 June 2023, the Group subscribed CMBS of RMB10,000,000 (equivalent to approximately HK\$10,846,000) (31 December 2022: RMB10,000,000 (equivalent to approximately HK\$11,195,000)) which was sub-ordinated to other securities and the amount was eliminated on the consolidation.

14. SHARE CAPITAL

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Issued and fully paid: 6,537,821,440 ordinary shares	8,966,177	8,966,177

15. 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 report.

Notes to Interim Financial Report

30 June 2023

16. 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 2023

	Equity investments at fair value through other comprehensive income (Unaudited) HK\$'000	Financial assets at amortised cost (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Receivables under a cooperative arrangement	–	2,134,479	2,134,479
Equity investments designated at fair value through other comprehensive income	54,496	–	54,496
Financial assets included in receivables under service concession arrangements	–	13,175,927	13,175,927
Financial assets included in receivables, prepayments and other receivables	–	4,741,366	4,741,366
Due from non-controlling equity holders of subsidiaries	–	856,775	856,775
Restricted bank balances	–	626,278	626,278
Cash and bank balances	–	14,588,935	14,588,935
	54,496	36,123,760	36,178,256

Notes to Interim Financial Report

30 June 2023

16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets (continued)

31 December 2022

	Equity investments at fair value through other comprehensive income (Audited) HK\$'000	Financial assets at amortised cost (Audited) HK\$'000	Total (Audited) HK\$'000
Receivables under a cooperative arrangement	–	2,139,111	2,139,111
Equity investments designated at fair value through other comprehensive income	55,039	–	55,039
Financial assets included in receivables under service concession arrangements	–	12,684,474	12,684,474
Financial assets included in receivables, prepayments and other receivables	–	3,397,718	3,397,718
Due from non-controlling equity holders of subsidiaries	–	918,079	918,079
Restricted bank balances	–	583,074	583,074
Cash and bank balances	–	8,938,120	8,938,120
	55,039	28,660,576	28,715,615

Financial liabilities

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Financial liabilities included in payables, accruals and other liabilities	12,358,580	13,068,657
Due to non-controlling equity holders of subsidiaries	757,622	785,969
Bank and other borrowings	44,310,617	40,735,588
Lease liabilities	545,155	640,906
Dividend payables	2,786,420	–
	60,758,394	55,231,120

Notes to Interim Financial Report

30 June 2023

17. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Aside from receivables under a cooperative arrangement, the non-current portion of financial assets included in receivables under service concession arrangements, the non-current portion of financial assets included in receivables, prepayments and other receivables, the non-current portion of financial liabilities included in payables, accruals and other liabilities, the non-current portion of bank and other borrowings, the non-current portion of lease liabilities, the non-current portion of amounts due to non-controlling equity holders of subsidiaries and equity investments 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 2023 and 31 December 2022 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 financial assets included in receivables under service concession arrangements, the non-current portion of financial assets included in receivables, prepayments and other receivables, the non-current portion of financial liabilities included in payables, accruals and other liabilities, the non-current portion of bank and other borrowings, the non-current portion of amounts due to non-controlling equity holders of subsidiaries 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 2023 and 31 December 2022 was assessed to be insignificant. The carrying amounts of these assets and liabilities approximate their fair values.

The fair value of unlisted equity investments 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.

18. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES

(a) Period ended 30 June 2023

During the period ended 30 June 2023, the Group acquired a number of subsidiaries which are principally engaged in water distribution and provision of construction services for water resources projects in the Mainland China as follows.

- (i) In January 2023, the Group acquired 51% equity interests in each of 中山市新涌口粵海水務有限公司 (Zhongshan Xinyongkou Yuehai Water Co., Ltd.▲), 中山市南鎮粵海水務有限公司 (Zhongshan Nanzhen Yuehai Water Co., Ltd.▲), 中山市橫欄粵海水務有限公司 (Zhongshan Henglan Yuehai Water Co., Ltd.▲) and 清遠市龍塘粵海水務有限公司 (Qingyuan Longtang Yuehai Water Co., Ltd.▲) from Guangdong Holdings, at an aggregated adjusted cash consideration of RMB217,676,000 (equivalent to approximately HK\$243,688,000);
- (ii) In January 2023, the Group acquired a 100% equity interest in 東莞常平粵海水務有限公司 (Dongguan Changping Yuehai Water Co., Ltd.▲) and a 99% equity interest in 東莞市常粵水務工程有限公司 (Dongguan Changyue Water Engineering Co., Ltd.▲) from 廣東粵海水務股份有限公司 (Guangdong Yuehai Water Co., Ltd.▲) ("Guangdong Yuehai Water") (a wholly-owned subsidiary of Guangdong Holdings), at an aggregated adjusted cash consideration of RMB479,754,000 (equivalent to approximately HK\$537,085,000);

Notes to Interim Financial Report

30 June 2023

18. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(a) Period ended 30 June 2023 (continued)

- (iii) In January 2023, the Group acquired additional 11% equity interests in each of 廣州南沙粵海水務有限公司 (Guangzhou Nansha Yuehai Water Co., Ltd.▲) (“Nansha Yuehai”) and 廣州南粵市政工程有限公司 (Guangzhou Nanyue Municipal Engineering Co., Ltd.▲) (“Nanyue Municipal”) from Guangdong Yuehai Water at an aggregated adjusted cash consideration of RMB94,464,000 (equivalent to approximately HK\$105,752,000). Upon the acquisition, the Group increased its equity interests in each of Nansha Yuehai and Nanyue Municipal from 49% to 60%, and Nansha Yuehai (together with its subsidiary) and Nanyue Municipal were accounted as subsidiaries of the Group;
- (iv) In January 2023, the Group acquired a 51% equity interest in 汕尾粵海水務有限公司 (Shanwei Yuehai Water Co., Ltd▲) from an independent third party at a cash consideration of RMB41,361,000 (equivalent to approximately HK\$46,304,000) and through capital injection of RMB204,811,000 (equivalent to approximately HK\$229,285,000).

These acquisitions were made as part of the Group’s strategy to expand its market share in the water resources segment in the Mainland China.

The Group has elected to measure the non-controlling interests in these acquisitions at the respective non-controlling interests’ proportionate share of the acquirees’ identifiable net assets.

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

	(Unaudited) HK\$'000
Property, plant and equipment	2,836,148
Investment properties	69,177
Right-of-use assets	447,945
Operating concession rights	938,472
Receivables, prepayments and other receivables	444,219
Deferred tax assets	385
Inventories	99,550
Cash and bank balances	252,108
Payables, accruals and other liabilities	(990,355)
Bank and other borrowings	(1,418,325)
Contract liabilities	(54,357)
Tax payable	(15,736)
Deferred tax liabilities	(200,647)
Total identifiable net assets at provisional fair values	2,408,584
Non-controlling interests	(839,285)
	1,569,299
Goodwill on acquisitions	17,641
	1,586,940
Satisfied by:	
Cash consideration	1,162,114
Fair value of the previously held interests	424,826
	1,586,940

Notes to Interim Financial Report

30 June 2023

18. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(a) Period ended 30 June 2023 (continued)

As at the dates of acquisitions, the fair values of the receivables were their gross contractual amounts, of which trade receivables of HK\$818,000 were expected to be uncollectible.

The goodwill arising from the above acquisitions pertains to, but not limited to, the expected synergies in the Group arising from the acquisitions.

The Group incurred transaction costs of HK\$3,008,000 in connection with the acquisitions. 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 acquisitions are as follows:

	(Unaudited) HK\$'000
Total consideration	(1,162,114)
Cash consideration paid in last year	272,742
Cash paid in form of capital injection	145,535
Cash consideration payables	729,945
Cash and bank balances acquired	252,108
Net inflow of cash and cash equivalents included in cash flows from investing activities	238,216
Transaction costs for the acquisitions included in cash flows from operating activities	(3,008)
	235,208

As of 30 June 2023, the purchase price allocation process of the above acquisitions were under progress. The purchase price allocation to the acquired assets and assumed liabilities of these acquisitions in the unaudited interim financial report have 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 2023 when the purchase price allocation is expected to be finalised. The provisional values were determined based on the best estimate of the directors of the Company.

Since the acquisitions, the above newly acquired businesses contributed revenue of HK\$483,194,000 and profit of HK\$62,457,000 to the Group for the period ended 30 June 2023.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group for the period ended 30 June 2023 would have been HK\$11,374,389,000 and HK\$2,843,153,000, respectively.

(b) Period ended 30 June 2022

In May 2022, the Group acquired the entire equity interests in four companies in Heyuan City from an independent third party at cash consideration of RMB345,000,000 (equivalent to approximately HK\$406,514,000). These companies are mainly engaged in the water distribution business in the PRC. These acquisitions were made as part of the Group's strategy to expand its market share in the water resources segment in the Mainland China.

Notes to Interim Financial Report

30 June 2023

18. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(b) Period ended 30 June 2022 (continued)

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

	(Unaudited) HK\$'000
Property, plant and equipment	186,933
Right-of-use assets	10,771
Operating concession rights	519,395
Receivables under service concession arrangements	80,870
Receivables, prepayments and other receivables	109,593
Cash and bank balances	17,289
Inventories	11,737
Bank and other borrowings	(259,717)
Contract liabilities	(5,962)
Payables, accruals and other liabilities	(201,587)
Tax payables	(5,348)
Deferred tax liabilities	(58,094)
Total identifiable net assets at provisional fair values	405,880
Goodwill on acquisition	634
	406,514
Satisfied by	
Cash consideration	406,514

As at the date of acquisition, the fair values of the receivables were their contracted amounts. The goodwill arising from the above mentioned acquisitions pertains to, but is not limited to, the expected synergies in the Group arising from the acquisitions.

The Group incurred transaction costs of HK\$1,075,000 in connection with the acquisitions. 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 acquisitions are as follows:

	(Unaudited) HK\$'000
Total consideration	(406,514)
Cash consideration payables	81,302
Cash and bank balances acquired	17,289
Net outflow of cash and cash equivalents included in cash flows from investing activities	(307,923)
Transaction costs for the acquisition included in cash flows from operating activities	(1,075)
	(308,998)

Notes to Interim Financial Report

30 June 2023

18. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(b) Period ended 30 June 2022 (continued)

Since the acquisitions, the above newly acquired businesses contributed revenue of HK\$15,970,000 and loss of HK\$240,000 to the Group for the period ended 30 June 2022.

Had the combination taken place at the beginning of the period ended 30 June 2022, the revenue and the profit of the Group for the period ended 30 June 2022 would have been HK\$11,998,091,000 and HK\$3,397,594,000, respectively.

19. ASSET ACQUISITION THROUGH ACQUISITION OF A SUBSIDIARY

In June 2022, 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲) (“Guangdong Teem”), an indirect non-wholly owned subsidiary of the Company, acquired a 85% equity interest of 廣州粵海動漫星城有限公司 (Guangzhou Comic City Co., Ltd▲) (“Yuehai Comic City”) from Guangdong Holdings and 廣州粵海仰忠匯置業有限公司 (Guangzhou Yuehai Yangzhonghui Land Co., Ltd.▲) (“Yuehai Yangzhonghui”) (a direct wholly-owned subsidiary of Guangdong Holdings) at an adjusted cash consideration of RMB764,360,000 (equivalent to approximately HK\$900,646,000).

Management accounted for the transaction as acquisition of assets and liabilities in accordance with the amendments to HKFRS 3 (Revised) *Business Combinations* which required the cost of acquisition to be allocated to individual identifiable assets and liabilities of the acquired company on the basis of their relative fair values at the respective date of acquisition as summarised below:

	(Unaudited) HK\$'000
Property, plant and equipment	11,521
Investment properties	1,413,815
Right-of-use assets	909
Receivables, prepayments and other receivables	5,881
Cash and bank balances	20,507
Payables, accruals and other liabilities	(28,711)
Lease liabilities	(8,009)
Loan from a fellow subsidiary	(353,490)
Non-controlling interests	(161,777)
Total identifiable net assets at fair value acquired	900,646
Satisfied by:	
Cash consideration	900,646

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

	(Unaudited) HK\$'000
Cash consideration	(900,646)
Cash and bank balances acquired	20,507
Net outflow of cash and cash equivalents included in cash flows from investing activities	(880,139)

Notes to Interim Financial Report

30 June 2023

20. COMMITMENTS

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Capital commitments in respect of property, plant and equipment, investment properties, intangible assets and properties under development: Contracted for	12,234,591	15,276,580
Capital commitments in respect of capital contribution payable to an associate: Contracted for	31,262	32,268
Commitments in respect of project financing payable to an associate: Contracted for	1,706,904	1,761,829
Capital commitments in respect of acquisition of subsidiaries: Contracted for	–	663,892

(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\$5.156 billion), and project management and maintenance of the Project Roads. At the end of the reporting period, the cumulative development costs in relation to the Yinping PPP Project amounted to RMB1,933,192,000 (equivalent to approximately HK\$2,096,740,000) (31 December 2022: RMB1,880,560,000 (equivalent to approximately HK\$2,105,287,000)).

Further details of the Yinping PPP Project are set out in the Company's announcements dated 8 June 2016 and 31 May 2023.

21. CONTINGENT LIABILITIES

As at 30 June 2023, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties held for sale. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the relevant outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks, and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 30 June 2023, the Group's outstanding guarantees amounted to HK\$4,456,455,000 (31 December 2022: HK\$2,596,836,000) for these guarantees.

Notes to Interim Financial Report

30 June 2023

22. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	<i>Notes</i>	For the six months ended 30 June 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Rental income received from Guangdong Holdings and certain subsidiaries of Guangdong Holdings, and GDH Limited ("GDH") (the Company's immediate holding company)	<i>(i)</i>	16,959	23,531
Water resources related income received from fellow subsidiaries and an associate	<i>(ii)</i>	18,474	66,112
Dividends paid and payable to GDH and certain subsidiaries of GDH by GH Water Supply (Holdings) Limited	<i>(iii)</i>	–	77,090
Dividends paid and payable to GDH and certain subsidiaries of GDH by the Company	<i>(iii)</i>	1,574,150	1,571,195
Interest expenses charged by Guangdong Holdings	<i>(iv)</i>	84,264	79,768
Interest expenses charged by fellow subsidiaries	<i>(v)</i>	232,978	136,412
Interest expenses charged by an associate	<i>(v)</i>	8,340	–
Sale of electricity to fellow subsidiaries and an associate	<i>(vi)</i>	80,700	101,171
Consultancy service fees paid to fellow subsidiaries	<i>(vii)</i>	33,669	11,522
Property management fees paid to fellow subsidiaries	<i>(viii)</i>	89,410	83,111
Hotel management fees received from fellow subsidiaries	<i>(ix)</i>	1,538	2,557
Proceeds to be received from the disposal of operating concession rights to a fellow subsidiary	<i>(x)</i>	–	73,006
Interest income received from a fellow subsidiary	<i>(xi)</i>	25,661	–
Capital contribution from non-controlling equity holder of a subsidiary	<i>(xii)</i>	826,251	–

Notes to Interim Financial Report

30 June 2023

22. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) The rental income was received in accordance with the terms of respective tenancy agreements.
- (ii) The income on the supply of untreated water was received in accordance with the terms of respective agreements.
- (iii) The dividends paid and payable were made pursuant to the dividend rates proposed and declared at the respective boards of directors and shareholders' meetings.
- (iv) The interest expenses were charged at effective interest rates of 4.75% and 5.5% per annum (2022: 4.75% and 5.5% per annum).
- (v) The interest expenses were charged at effective interest rates ranging between 3% to 5.5% per annum (2022: between RMB benchmark 1-year loan prime rate minus 0.6% per annum announced by the People's bank of China and 5.85%).
- (vi) The income from the sale of electricity was received in accordance with the terms of the respective agreements.
- (vii) The consultancy service fees were charged in accordance with the terms of the agreements entered into between the Group and fellow subsidiaries.
- (viii) The property management fees were charged in accordance with the terms of the agreements entered into between the Group and fellow subsidiaries.
- (ix) The hotel management fees were charged in accordance with the terms of agreements entered into between the Group and the respective fellow subsidiaries.
- (x) The consideration of the disposal was determined based on the asset value of the operating concession rights disposed which was valued by an external valuer.
- (xi) The interest income was arising from bank deposits placed at a non-banking financial institution in Mainland China, which is a fellow subsidiary of the Group.
- (xii) Being the non-controlling shareholder of a non-wholly owned subsidiary of the Group, a fellow subsidiary invested capital amounting to RMB734,510,000 (equivalent to approximately HK\$826,251,000) to that non-wholly owned subsidiary.

Notes to Interim Financial Report

30 June 2023

22. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

- (i) In June 2022, Guangdong Teem acquired a 85% equity interest of Yuehai Comic City from Guangdong Holdings and Yuehai Yangzhonghui at an adjusted cash consideration of RMB764,360,000 (equivalent to approximately HK\$900,646,000). 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 31 May 2022.
- (ii) On 27 May 2022, the Group entered into the equity transfer agreements with 廣東粵海水務科技有限公司 (Guangdong Water Technology Co., Ltd.▲) (“Guangdong Water Technology”), pursuant to which:
 - (a) The Group agreed to transfer 54% equity interest in 哈爾濱工業大學水資源國家工程研究中心有限公司 (Harbin Technology University Water Resources National Engineering Research Centre Company Limited▲) to Guangdong Water Technology at a consideration of RMB71,784,000;
 - (b) The Group agreed to transfer 49% equity interest in 粵海水資源工程研究中心 (廣東) 有限公司 (Guangdong Water Resources Engineering Research Centre (Guangdong) Company Limited▲) to Guangdong Water Technology at a consideration of RMB1;
 - (c) The Group agreed to transfer 51% equity interest in 深圳市科榮軟件股份有限公司 (Shenzhen Kerong Software Co., Ltd▲) to Guangdong Water Technology at a consideration of RMB39,031,000; and
 - (d) The Group agreed to transfer 100% equity interest in 廣東粵海水務檢測技術有限公司 (Guangdong Water Testing Technology Co., Ltd.▲) to Guangdong Water Technology at a consideration of RMB6,514,000.

The transactions constituted connected transactions as defined in Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 27 May 2022.

- (iii) On 27 April 2023, Guangdong Teem, as the tenant, entered into a lease agreement with 廣東粵海城市投資有限公司 (Guangdong Yuehai City Investment. Co., Ltd.▲) (“Guangdong Yuehai City”), a subsidiary of Guangdong Holdings, as the landlord, in relation to the lease of a shopping centre and the related facilities located at No.21 of Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou (the “Premises”), with a total gross floor area of approximately 30,000 sq.m. Pursuant to the lease agreement, Guangdong Teem shall use the Premises for commercial operation and the rent payable to Guangdong Yuehai City shall be calculated as 75% of the net income generated from the operation of the Premises. The lease agreement has a term of 20 years from 27 April 2023.
- (iv) On 28 April 2023, 湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲) (“Zhanjiang Hedi Water Co”), an indirect non-wholly owned subsidiary of the Company, as raw water supplier, entered into a water supply agreement (“Hedi Water Supply Agreement”) with 湛江市粵海自來水有限公司 (Zhanjiang City GDH Water Supply Co., Ltd.▲) (“Zhanjiang GDH Water Co”), an indirect non-wholly owned subsidiary of Guangdong Holdings, as processor of raw water, pursuant to which Zhanjiang Hedi Water Co would supply raw water (also known as natural water) to the water plant operated by Zhanjiang GDH Water Co (which will then provide municipal water (after processing) to end users) within certain districts in Zhanjiang City, Guangdong Province, for a term of 30 years commencing from 1 May 2023. 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 28 April 2023.

Notes to Interim Financial Report

30 June 2023

22. 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 was included in note 22(a)(i) to the unaudited interim financial report. Details of the Group’s commitments with related parties at the end of the reporting period are as follows:

As at 30 June 2023

	Year ending 30 June 2024 (Unaudited) HK\$’000	Year ending 30 June 2025 (Unaudited) HK\$’000	Year ending 30 June 2026 (Unaudited) HK\$’000
Guangdong Holdings	672	309	–
GDH	12,744	3,482	1,387
Fellow subsidiaries	12,983	3,635	–

As at 31 December 2022

	Year ending 31 December 2023 (Audited) HK\$’000	Year ending 31 December 2024 (Audited) HK\$’000	Year ending 31 December 2025 (Audited) HK\$’000
Guangdong Holdings	122	–	–
GDH	11,952	7,190	864
Fellow subsidiaries	12,757	8,005	714

Notes to Interim Financial Report

30 June 2023

22. RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Balances due from related parties included in bank balances, receivables, prepayments and other receivables:			
Ultimate holding company	(i)	60	1,405
Ultimate holding company	(viii)	–	240,330
Fellow subsidiaries	(i)	145,883	226,179
Fellow subsidiaries	(ii)	4,428	18,573
Associates	(i)	68,330	2,981
Associates	(ii)	35,539	27,666
Deposits placed at a fellow subsidiary	(v)	2,928,377	2,902,874
Balances due to related parties included in payables, accruals and other liabilities:			
Immediate holding company	(i)	7,608	34,737
Ultimate holding company	(iii)	228,645	278,309
Fellow subsidiaries	(i)	888,884	324,465
Fellow subsidiaries	(ii)	113,794	57,054
Associates	(i)	17,710	4,083
Associates	(ii)	23,176	26,044
Loans from the ultimate holding company	(vi)	1,889,373	4,189,169
Loans from fellow subsidiaries	(iv)	9,467,414	8,765,148
Loans from an associate	(vii)	911,064	–
Balances due to related parties included in dividend payables:			
Immediate holding company	(ix)	1,328,486	–
Fellow subsidiaries	(ix)	245,664	–

Notes to Interim Financial Report

30 June 2023

22. RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties (continued)

Notes:

- (i) The balances due are unsecured, non-interest-bearing and have no specific terms of repayment.
- (ii) The balances due are unsecured, non-interest-bearing and repayable within 30 days.
- (iii) Included in the balance was HK\$4,654,000 (31 December 2022: HK\$4,788,000) 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 has no specific term of repayment.
- (iv) Balance included a loan of Nil (31 December 2022: HK\$268,680,000) secured by the pledge of revenue entitlement under a sewage treatment concession arrangement and interest-bearing at 0.2% plus the RMB benchmark 1-year loan prime rate per annum (2022: 0.2% plus the RMB benchmark 1-year loan prime rate per annum) announced by the People's Bank of China. This loan was matured and settled during period. Loan of HK\$320,499,000 (31 December 2022: HK\$334,731,000) represented a loan from a fellow subsidiary which is secured and interest-bearing at 0.15% plus the RMB benchmark 1-year loan prime rate per annum announced by the People's bank of China. This loan is repayable within two years. The remaining balance of HK\$9,146,915,000 (31 December 2022: HK\$8,161,737,000) represented loans from fellow subsidiaries which are unsecured and interest-bearing ranging from RMB benchmark 5-year loan prime rate minus 1.15% per annum announced by the People's bank of China to 5.5% (2022: RMB benchmark 1-year loan prime rate plus 0.15% per annum announced by the People's bank of China to 5.85%). These loans are payable within 1 to 20 years.
- (v) The balance represented deposits placed at a fellow subsidiary, a non-banking financial institution in the Mainland China. 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.
- (vi) The loans are unsecured, interest-bearing at an effective interest rate of 4.75% per annum (2022: 4.75% and 5.5% per annum) repayable within one year.
- (vii) The loans are unsecured, interest-bearing at an effective interest rate of 3% and repayable in one year.
- (viii) As at 31 December 2022, balance represented a prepayment of HK\$240,330,000 to Guangdong Holdings for subsequent acquisition of subsidiaries.
- (ix) As at 30 June 2023, the balances are unsecured, non-interest bearing and payable on 27 July 2023.

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Short-term employee benefits	5,145	5,480
Post-employment benefits	701	701
Total compensation paid to key management personnel	5,846	6,181

Notes to Interim Financial Report

30 June 2023

23. CAPITAL EXPENDITURE

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment, right-of-use assets, operating concession rights, other intangible assets and investment properties, including those acquired through the acquisition of subsidiaries, in aggregate of approximately HK\$5,513,614,000 (2022: HK\$4,344,671,000).

24. APPROVAL OF THE INTERIM FINANCIAL REPORT

This unaudited interim financial report was approved and authorised for issue by the board of directors of the Company on 29 August 2023.

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

Management Discussion and Analysis

RESULTS

The Group's unaudited consolidated profit attributable to owners of the Company for the six months ended 30 June 2023 (the "Period") amounted to HK\$2,527 million (2022: HK\$2,950 million), a decrease of 14.3% as compared with the same period last year. Basic earnings per share was HK 38.65 cents (2022: HK 45.11 cents), decreased by 14.3% as compared with the same period last year.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend of HK 18.71 cents per ordinary share for the Period (2022: HK 18.71 cents).

FINANCIAL REVIEW

The unaudited consolidated revenue of the Group for the Period was HK\$11,369 million (2022: HK\$11,913 million), a decrease of 4.6% as compared with the same period last year. The decrease in revenue was mainly attributable to a drop of revenue from construction services in water resources business during the Period.

The unaudited consolidated profit before tax for the Period decreased by 10.7% or HK\$475 million to HK\$3,942 million (2022: HK\$4,417 million), mainly due to the decrease in profit before tax of the property investment and development business as a result of the higher gross profit margin of properties delivered in the same period last year and the provision for impairment of certain property inventories of HK\$135 million during the Period. The net gain arising from fair value adjustments for investment properties was HK\$385 million (2022: HK\$475 million) and the net exchange gain of the Group for the Period amounted to HK\$33 million (2022: HK\$50 million). Net finance costs of the Group for the Period was HK\$471 million (2022: HK\$263 million). Coupled with the increase in effective tax rate, the unaudited consolidated profit attributable to owners of the Company for the Period decreased by 14.3% to HK\$2,527 million (2022: HK\$2,950 million).

As at 30 June 2023, the unaudited equity attributable to owners of the Company was HK\$41,629 million (31 December 2022: HK\$43,329 million (audited)), decreased by approximately HK\$1,700 million during the Period. The changes for the Period mainly represented the unaudited consolidated profit for the Period attributable to owners of the Company of HK\$2,527 million, dividends distributed during the Period of HK\$2,786 million and the other comprehensive loss of HK\$1,441 million in relation to the exchange differences on translation of foreign operations as a result of Renminbi depreciation.

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 2023, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (31 December 2022: 96.04%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total volume of water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.166 billion tons (2022: 1.119 billion tons), an increase of 4.2%, which generated a revenue of HK\$3,425 million (2022: HK\$3,446 million), a decrease of 0.6% over the same period last year.

Management Discussion and Analysis

The Hong Kong Water Supply Agreement for 2021 to 2023 (the “Water Supply Agreement”) between the Government of the Hong Kong Special Administrative Region and the Guangdong Provincial Government was signed on 28 December 2020. Pursuant to the Water Supply Agreement, the annual basic water prices for the three years of 2021, 2022 and 2023 are HK\$4,885.53 million, HK\$4,950.51 million and HK\$5,016.35 million, respectively. The actual water price for 2021 was frozen at the 2020 level (i.e. HK\$4,821.41 million), which is a special arrangement of the Guangdong Provincial Government in consideration of the impact of the COVID-19 pandemic in Hong Kong.

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

The revenue from water sales to Hong Kong for the Period increased by 1.5% to HK\$2,736 million (2022: HK\$2,695 million). The revenue from water sales to Shenzhen and Dongguan areas decreased by 8.3% to HK\$689 million (2022: HK\$751 million) during the Period, which was principally a result of the depreciation of Renminbi against Hong Kong dollars by 6.8% over the same period last year. The profit before tax for the Period, excluding gains on disposal of assets, net exchange differences and net finance costs, of the Dongshen Water Supply Project was HK\$2,207 million (2022: HK\$2,215 million), 0.4% lower 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 Mainland China.

During the Period, the Group entered into an investment cooperation agreement for new construction and expansion of the existing water supply plants located in Nanchang City, Jiangxi Province with total designed water supply capacity of 177,000 tons per day and a total investment amount of RMB718 million (equivalent to approximately HK\$779 million).

On 28 April 2023, 湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲) (“Zhanjiang Hedi Water Co”), an indirect non-wholly owned subsidiary of the Company, as raw water supplier, entered into a water supply agreement (“Hedi Water Supply Agreement”) with 湛江市粵海自來水有限公司 (Zhanjiang City GDH Water Supply Co., Ltd.▲) (“Zhanjiang GDH Water Co”), an indirect non-wholly owned subsidiary of Guangdong Holdings, as processor of raw water, pursuant to which Zhanjiang Hedi Water Co would supply raw water (also known as natural water) to the water plant operated by Zhanjiang GDH Water Co (which will then provide municipal water (after processing) to end users) within certain districts in Zhanjiang City, Guangdong Province, for a term of 30 years commencing from 1 May 2023. The independent financial adviser appointed by the Company as required under Rule 14.52 of the Listing Rules was of the view that it was normal business practice for the nature of the Hedi Water Supply Agreement to have a duration of 30 years.

The total designed water supply capacity of the water supply plants and the total designed waste water processing capacity of the sewage treatment plants of the Group’s Other Water Resources Projects as at 30 June 2023 were 16,070,200 tons per day (31 December 2022: 15,893,200 tons per day) and 3,342,900 tons per day (31 December 2022: 3,342,900 tons per day), respectively.

Management Discussion and Analysis

Capacity of Water Resources Projects in Operation

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

Name of subsidiaries of the Group	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.▲)	290,000	–
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲)	310,000	250,000
Yizheng Yuehai Water Supply Co., Ltd.	150,000	–
Gaoyou GDH Water Co., Ltd.	150,000	–
Baoying GDH Water Co., Ltd.	130,000	–
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	100,000	3,500
梧州粵海江河水務有限公司 (Wuzhou Guangdong Jianghe Water Co., Ltd.▲)	310,000	–
Zhaoqing HZ GDH Water Co., Ltd.	130,000	–
遂溪粵海水務有限公司 (Suixi Guangdong Water Co., Ltd.▲)	70,000	–
海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd.▲)	100,000	20,000
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲)	123,500	–
盱眙粵海水務有限公司 (Xuyi Guangdong Water Co., Ltd.▲)	150,000	–
Wuzhou GDH Environmental Protection Development Co., Ltd.	–	140,000
東莞市常平粵海環保有限公司 (Dongguan Changping Guangdong Huanbao Co., Ltd.▲)	–	70,000
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.▲)	–	50,000
五華粵海環保有限公司 (Wuhua Guangdong Huanbao Co., Ltd.▲)	–	66,000
東莞市道滘粵海環保有限公司 (Dongguan Daojiao Guangdong Huanbao Co., Ltd.▲)	–	40,000
開平粵海污水處理有限公司 (Kaiping Guangdong Sewage Treatment Co., Ltd.▲)	–	25,000
汕尾粵海環保有限公司 (Shanwei Guangdong Huanbao Co., Ltd.▲)	–	30,000
高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd.▲)	100,000	–
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd.▲) and its subsidiaries	801,500	81,000
六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Co., Ltd.▲)	–	115,000
昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.▲)	24,000	20,000
雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd.▲)	50,000	–
大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd.▲)	–	21,900
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd.▲)	–	28,500
陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd.▲)	–	11,300
雲浮市粵海水務自來水有限公司 (Yunfu City Guangdong Water Supply Co., Ltd.▲)	100,000	–
雲浮市粵海水務發展有限公司 (Yunfu City Guangdong Water Development Co., Ltd.▲) (formerly known as 雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Co., Ltd.▲))	–	145,000

Management Discussion and Analysis

Name of subsidiaries of the Group	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd.▲)	–	20,000
揭陽粵海水務有限公司 (Jieyang Guangdong Water Co., Ltd.▲)	560,000	–
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd.▲)	500,000	–
潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd.▲)	–	20,000
廣東粵海韶投水務有限責任公司 (Guangdong Shaotou Water Co., Ltd.▲)	674,000	–
吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲)	–	25,000
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd.▲)	40,000	–
河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.▲) and its subsidiaries	10,000	453,000
邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd.▲)	250,000	–
惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd.▲)	–	8,500
惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd.▲)	–	20,000
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd.▲)	134,200	–
揭西粵海水務有限公司 (Jiexi Guangdong Water Co., Ltd.▲)	80,000	–
五華粵海碧源環保有限公司 (Wuhua Guangdong Biyuan Huanbao Co., Ltd.▲)	–	40,000
雲浮市雲安粵海城鄉供水有限公司 (Yunfu City Yunan Guangdong Urban and Rural Water Supply Co., Ltd.▲)	24,600	–
河源市粵海水務有限公司 (Heyuan City Guangdong Water Co., Ltd.▲)	100,000	–
無錫德寶水務投資有限公司 (Wuxi Debao Water Investment Co., Ltd.▲)	–	225,700
汕尾粵海水務有限公司 (Shanwei Guangdong Water Co., Ltd.▲)	245,000	–
東莞常平粵海水務有限公司 (Dongguan Changping Guangdong Water Co., Ltd.▲)	280,000	–
中山市新涌口粵海水務有限公司 (Zhongshan City Xinyongkou Guangdong Water Co., Ltd.▲)	120,000	–
中山市橫欄粵海水務有限公司 (Zhongshan City Henglan Guangdong Water Co., Ltd.▲)	140,000	–
中山市南鎮粵海水務有限公司 (Zhongshan City Nanzhen Guangdong Water Co., Ltd.▲)	130,000	–
清遠市龍塘粵海水務有限公司 (Qingyuan City Longtang Guangdong Water Co., Ltd.▲)	50,000	–
Guangzhou Nansha GDH Water Co., Ltd.	550,000	–
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲)	1,060,000	–
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd.▲)	100,000	–
Total as at 30 June 2023	8,136,800	1,929,400
Total as at 30 June 2022	5,421,800	1,663,200

Management Discussion and Analysis

Name of associates of the Group	Water supply capacity (tons per day)
Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd	600,000
汕頭市粵海水務有限公司 (Shantou Guangdong Water Co., Ltd.▲)	920,000
興化粵海水務有限公司 (Xinghua Guangdong Water Co., Ltd.▲)	430,000
Total as at 30 June 2023	1,950,000
Total as at 30 June 2022	2,380,000

Capacity of Water Resources Projects under Construction

The water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants under construction by each of the subsidiaries of the Group as at 30 June 2023 are as follows:

Name of subsidiaries of the Group	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
恩施粵海水務有限公司 (Enshi Guangdong Water Co., Ltd.▲)	400,000	–
荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd.▲)	80,000	–
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd.▲)	–	200,000
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	50,000	–
揭陽粵海國業水務有限公司 (Jieyang Guangdong Guoye Water Co., Ltd.▲)	220,000	–
邳州粵海環保有限公司 (Pizhou Guangdong Huanbao Co., Ltd.▲)	–	35,000
河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.▲) and its subsidiaries	–	15,000
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd.▲)	100,000	–
開平粵海淨水有限公司 (Kaiping Guangdong Water Purification Co., Ltd.▲)	–	25,000
汕尾粵海供水有限公司 (Shanwei Guangdong Water Supply Co., Ltd.▲)	410,000	–
河源市粵海水務有限公司 (Heyuan City Guangdong Water Co., Ltd.▲)	200,000	–
Total	1,460,000	275,000

Revenue of Other Water Resources Projects for the Period in aggregate decreased by 18.9% to HK\$4,549,481,000 (2022: HK\$5,612,344,000), of which income from construction services amounted to HK\$1,007,015,000 (2022: HK\$2,592,267,000). Profit before tax of Other Water Resources Projects for the Period, excluding the net exchange differences and net finance costs, amounted to HK\$1,150,402,000 (2022: HK\$1,111,123,000) in aggregate, 3.5% higher than that in the same period last year.

Management Discussion and Analysis

Property Investment and Development

Mainland China

GDH Teem

As at 30 June 2023, the Group held an effective interest of 76.13% in 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲) (“Guangdong Teem”) and its subsidiaries, and held an effective interest of 76.02% in Tianjin YueHai Teem Shopping Center Co., Ltd. (collectively the “GDH Teem”). GDH Teem operates several shopping malls in Mainland China which included Teem Plaza, Panyu Teemmall, Guangzhou Comic City, Shenzhen Teemmall and Tianjin Teemmall.

Revenue of GDH Teem’s property investment and development business mainly comprises rental income (including rentals from the department stores operated by the Group) from properties held and income from sale of properties. The revenue of GDH Teem’s property investment business for the Period decreased by 6.4% to HK\$715,058,000 (2022: HK\$764,018,000). The profit before tax, excluding changes in fair value of investment properties, net interest income and other operating income, of GDH Teem’s property investment business for the Period decreased by 17.9% to HK\$401,002,000 (2022: HK\$488,240,000), which was mainly due to the depreciation of Renminbi against Hong Kong dollars by 6.8% and the drop of average occupancy rate over the same period last year.

The revenue of GDH Teem’s property investment business during the Period was as follows:

	Area for lease sq.m.	Average occupancy rate %	Revenue for the six months ended 30 June		Changes %
			2023 HK\$’000	2022 HK\$’000	
Teem Plaza – Teemmall	106,000	99.2	327,005	398,429	-17.9
Teem Plaza – Teem Tower	88,000	88.9	92,810	109,744	-15.4
Panyu Teemmall	144,000	94.8	119,912	126,256	-5.0
Tianjin Teemmall	145,000	94.0	111,903	127,566	-12.3
Guangzhou Comic City (acquired in June 2022)	23,000	92.5	26,542	2,023	+100.0
Shenzhen Teemmall (opened in December 2022)	58,700	92.1	36,886	–	+100.0
	564,700		715,058	764,018	-6.4

On 27 April 2023, Guangdong Teem, as the tenant, entered into the Lease Agreement with 廣東粵海城市投資有限公司 (Guangdong Yuehai City Investment Co., Ltd.▲) (“Guangdong Yuehai City”), a subsidiary of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited▲), the ultimate controlling shareholder of the Company, as the landlord, in relation to the lease of a shopping centre and the related facilities located at No.21 of Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou (the “Premises”), with a total gross floor area of approximately 30,000 sq.m. Pursuant to the Lease Agreement, Guangdong Teem shall use the Premises for commercial operation and the rent payable to Guangdong Yuehai City shall be calculated as 75% of the net income generated from the operation of the Premises. The Lease Agreement has a term of 20 years from 27 April 2023. The independent financial adviser appointed by the Company as required under Rule 14.52 of the Listing Rules was of the view that it was normal business practice for the nature of the Lease Agreement to have a duration of 20 years.

Management Discussion and Analysis

Guangdong Land Holdings Limited ("GD Land")

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

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

General Information of the Projects

Name of the property project	Status	Use	Interest held by GD Land	Approximate gross floor area ("GFA") of project (sq. m.)	Approximate GFA included in calculation of plot ratio* (sq. m.)	Expected completion and filing date
Shenzhen City						
Shenzhen GDH City (Northwestern Land)	Completed	Business apartment/ Commercial	100%	167,376	122,083	N/A
Shenzhen GDH City (Northern Land)	Completed	Commercial/ Offices	100%	219,864	153,126	N/A
Shenzhen GDH City (Southern Land)	Under development	Commercial/ Offices	100%	255,185	206,386	2023
Guangzhou City						
Guangzhou GDH Future City	In sale	Residential/ Commercial/ Offices	100%	728,549	506,000	2026
Guangzhou Laurel House	Completed	Car-parking spaces	100%	N/A	N/A	N/A
Ruyingju	Completed	Car-parking spaces	80%	N/A	N/A	N/A
Baohuaxuan	Completed	Car-parking spaces	100%	N/A	N/A	N/A
Foshan City						
Foshan Laurel House	In sale	Residential	100%	203,171	151,493	2024
Foshan One Mansion	Under development	Residential/ Commercial/ Offices	51%	150,382	118,122	2026
Zhuhai City						
Zhuhai Laurel House	In sale	Residential/ Commercial	100%	249,918	166,692	2024

Management Discussion and Analysis

Name of the property project	Status	Use	Interest held by GD Land	Approximate gross floor area ("GFA") of project (sq. m.)	Approximate GFA included in calculation of plot ratio* (sq. m.)	Expected completion and filing date
Zhongshan City						
Zhongshan GDH City	In sale	Residential	97.64%	321,456	247,028	2025
Jiangmen City						
Jiangmen One Mansion	Completed	Residential/ Business apartment/ Commercial/Car-parking spaces	100%	222,684	164,216	N/A
Jiangmen GDH City (Land No. 3)	Completed	Residential/ Car-parking spaces	51%	163,511	122,331	N/A
Jiangmen GDH City (Land No. 4)	In sale	Residential/ Business apartment/ Commercial	51%	299,623	207,419	2026
Jiangmen GDH City (Land No. 5)	Under development	Residential	51%	89,201	63,150	2026
Huizhou City						
Huizhou One Mansion	In sale	Residential/ Business apartment/ Commercial	100%	140,163	92,094	2024
Huizhou Huiyang Lijiang Garden	Completed	Car-parking spaces	100%	N/A	N/A	N/A

The asterisk (*) denotes that the approximate GFA includes (1) underground commercial area of the Shenzhen GDH City Project with a GFA of 30,000 sq.m.; and (2) common area and area transfer to the government of each project.

Management Discussion and Analysis

Sales of the Projects

Name of the property project	Approximate GFA available for sale (sq. m.)	Approximate GFA contracted		The proportion of accumulated GFA contracted to GFA available for sale	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
		Period under review (sq. m.)	Accumulated (sq. m.)		Period under review (sq. m.)	Accumulated (sq. m.)	
Shenzhen City							
Shenzhen GDH City (Northwestern Land)	114,986	3,596	104,274	90.7%	2,245	102,873	89.5%
Shenzhen GDH City (Northern Land)	84,246	–	–	0.0%	–	–	0.0%
Shenzhen GDH City (Southern Land)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Guangzhou City							
Guangzhou GDH Future City	495,240	27,005	53,344	10.8%	N/A	N/A	N/A
Guangzhou Laurel House (Car-parking spaces)	2,764	–	2,644	95.7%	–	2,644	95.7%
Ruyingju (Car-parking spaces)	8,052	24	6,526	81.0%	24	6,526	81.0%
Baohuaxuan (Car-parking spaces)	245	38	38	15.5%	38	38	15.5%
Foshan City							
Foshan Laurel House	146,240	25,550	65,355	44.7%	N/A	N/A	N/A
Foshan One Mansion	118,122	N/A	N/A	N/A	N/A	N/A	N/A
Zhuhai City							
Zhuhai Laurel House	145,558	20,333	54,697	37.6%	N/A	N/A	N/A
Zhongshan City							
Zhongshan GDH City	237,560	25,088	54,615	23.0%	N/A	N/A	N/A
Jiangmen City							
Jiangmen One Mansion	158,407	26,286	97,920	61.8%	25,300	78,581	49.6%
Jiangmen One Mansion (Car-parking spaces)	41,834	N/A	N/A	N/A	N/A	N/A	N/A

Management Discussion and Analysis

Name of the property project	Approximate GFA available for sale (sq. m.)	Approximate GFA contracted		The proportion of accumulated GFA contracted to GFA available for sale	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
		Period under review (sq. m.)	Accumulated (sq. m.)		Period under review (sq. m.)	Accumulated (sq. m.)	
Jiangmen GDH City (Land No. 3)	119,606	19,220	69,046	57.7%	44,008	57,969	48.5%
Jiangmen GDH City (Land No. 3) (Car-parking spaces)	38,226	6,348	6,348	16.6%	–	–	0.0%
Jiangmen GDH City (Land No. 4)	205,078	1,109	5,126	2.5%	3,142	3,142	1.5%
Jiangmen GDH City (Land No. 5)	62,254	N/A	N/A	N/A	N/A	N/A	N/A
Huizhou City							
Huizhou One Mansion	89,240	10,775	12,315	13.8%	N/A	N/A	N/A
Huizhou Huiyang Lijiang Garden (Car-parking spaces)	1,589	22	156	9.8%	22	156	9.8%

During the Period, GD Land's properties recorded total contracted GFA (including completed properties held for sale and properties held for sale under development) and delivered GFA of approximately 165,000 sq.m. (2022: 64,000 sq.m.) and 75,000 sq.m. (2022: 7,000 sq.m.), respectively. Revenue of GD Land for the Period increased by 97.7% to HK\$973,596,000 (2022: HK\$492,400,000), of which income from sales of properties amounted to HK\$957,917,000 (2022: HK\$480,524,000). The net gain arising from fair value adjustments for investment properties was HK\$258,807,000 (2022: HK\$351,232,000) and impairment of properties held for sale under development was HK\$134,505,000 (2022: Nil). The loss before tax of GD Land for the Period was HK\$24,450,000 (2022: profit before tax of HK\$325,384,000). Due to the higher gross profit margin of properties delivered in the same period in 2022, the loss before tax of GD Land for the Period, excluding changes in fair value of investment properties, impairment of properties held for sale under development and net finance costs, was HK\$35,737,000 (2022: profit before tax of HK\$39,820,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 90.0% (2022: 97.5%). The total revenue for the Period decreased by 8.5% to HK\$23,764,000 (2022: HK\$25,984,000).

Department Store Operation

As at 30 June 2023, the Group operated five stores with a total leased area of approximately 209,900 sq.m. (31 December 2022: 222,300 sq.m.). The total revenue for the Period decreased by 7.7% to HK\$403,813,000 (2022: HK\$437,697,000). The profit before tax for the Period decreased by 94.7% to HK\$6,663,000 (2022: HK\$125,867,000), which is due to the fair value loss on investment properties of HK\$37,013,000 (2022: fair value gain of HK\$17,738,000) and a gain arising from the shortening of lease period of a store (including the write-back of corresponding lease liabilities) amounting to approximately HK\$81,296,000 during the same period last year. Due to savings on costs and expenses, the profit before tax for the Period, excluding changes in fair value of investment properties and gain on lease modification, increased by 60.5% to HK\$43,057,000 (2022: HK\$26,833,000).

Management Discussion and Analysis

The revenue of the stores operated by the Group for the six months ended 30 June 2023 was as follows:

	Leased area sq.m.	Revenue for the six months ended 30 June		Changes %
		2023 HK\$'000	2022 HK\$'000	
Teemall Store	41,500	303,197	327,988	-7.6
Wan Bo Store	20,100	26,754	28,133	-4.9
Ming Sheng Store (closed in March 2023)	–	7,113	10,674	-33.4
Dong Pu Store	28,300	34,310	41,737	-17.8
Ao Ti Store	21,500	21,248	23,106	-8.0
Hua Du Store (opened in January 2022)	98,500	11,191	6,059	+84.7
	209,900	403,813	437,697	-7.7

Hotel Ownership, Operation and Management

As at 30 June 2023, the Group's hotel management team managed a total of 22 hotels (31 December 2022: 24 hotels), of which three were located in Hong Kong and nineteen in Mainland China. As at 30 June 2023, six hotels, of which two in each of Hong Kong and Zhuhai and one in each of Shenzhen and Guangzhou, were owned by the Group. Of these six hotels, four were managed by our hotel management team whereas the Holiday Inn Zhuhai City Center located in Zhuhai was operated under franchise arrangement and Sheraton Guangzhou Hotel located in Guangzhou was managed by another hotel management group.

During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$1,203 (2022: HK\$814) whereas the average room rate of the remaining five hotels was HK\$700 (2022: HK\$400). The average occupancy rate of Sheraton Guangzhou Hotel was 94.6% (2022: 69.7%) and that of the other five hotels was 65.0% (2022: 56.8%) during the Period.

With the easing of China's pandemic prevention policies, the hotel industry shows signs of recovery. The revenue of hotel ownership, operation and management business for the Period increased by 73.3% to HK\$302,337,000 (2022: HK\$174,430,000). The profit before tax for the Period, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$61,909,000 (2022: loss before tax of HK\$31,032,000).

Energy Projects

GDH Energy Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds 75% interest in 中山粤海能源有限公司 (Zhongshan GDH Energy Co., Ltd.▲) ("GDH Energy"). GDH Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the Period amounted to 1,331 million kwh (2022: 1,106 million kwh), increased by 20.3%. Due to the mixed impact of increase in sales of electricity and the depreciation of Renminbi against Hong Kong dollars by 6.8% over the same period last year, revenue of GDH Energy project (including intersegment sales) generated from electricity sales and related operations for the Period increased by 5.1% to HK\$888,519,000 (2022: HK\$845,748,000). As a result of the drop in coal price, the profit before tax of GDH Energy for the Period, excluding net finance costs, was HK\$44,480,000 (2022: HK\$23,368,000), an increase of 90.3%.

Management Discussion and Analysis

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 2023, 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 7,396 million kwh (2022: 6,521 million kwh), an increase of 13.4%. Revenue for the Period increased by 12.0% to HK\$4,006,149,000 (2022: HK\$3,577,612,000). Due to the drop in coal price, the profit before tax of Yudean Jinghai Power for the Period was HK\$271,307,000 (2022: loss before tax of HK\$306,161,000). The Group’s share of profit in Yudean Jinghai Power amounted to HK\$51,128,000 (2022: share of loss of HK\$57,405,000) during the Period.

Road and Bridge

Xingliu Expressway

廣西粵海高速公路有限公司 (Guangxi GDH Highway Co., Ltd.▲) (“GDH Highway”) is principally engaged in the operation of the Xingliu Expressway. The Xingliu Expressway comprises a main line which is approximately 100 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of approximately 53 km.

The average daily toll traffic flow of the Xingliu Expressway increased by 14.8% to 26,616 vehicle trips (2022: 23,182 vehicle trips). The revenue of GDH Highway during the Period amounted to HK\$333,047,000 (2022: HK\$332,865,000), increased by 0.1%. As a result of the depreciation of Renminbi against Hong Kong dollars by 6.8%, profit before tax during the Period, excluding net finance costs, amounted to HK\$178,030,000 (2022: HK\$180,195,000), decreased by 1.2%.

Yinping Project

In 2016, the Company entered into a cooperation agreement with 東莞市謝崗鎮人民政府 (Dongguan City Xiegang Town People’s Government) (the “Xiegang Government”) in respect of a public-private-partnership project (the “Yinping 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 Province, Mainland China. Each Project Road will be budgeted for and developed separately and subject to the approval of the Xiegang Government. 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 Project.

On 31 May 2023, Yuehai Yinping and the Xiegang Government agreed to enter into a supplemental agreement, pursuant to which the cooperation agreement was supplemented and amended to the effect that payments to be made for the Yinping Project shall be subject to performance assessment. Details of the assessment are set in the announcement of the Company published on 31 May 2023.

As at 30 June 2023, four Project Roads (31 December 2022: four Project Roads) were completed and one Project Road (31 December 2022: one Project Road) was under construction. As at 30 June 2023, the cumulative development costs in relation to the Yinping Project amounted to approximately RMB1,933 million (equivalent to approximately HK\$2,097 million) (31 December 2022: approximately RMB1,881 million (equivalent to approximately HK\$2,105 million)).

The total interest, management fee and maintenance fee of Yuehai Yinping recognised during the Period increased by 9.5% to HK\$82,281,000 (2022: HK\$75,122,000) and profit before tax, excluding other operating income, increased by 0.6% to HK\$68,628,000 (2022: HK\$68,193,000) during the Period.

Management Discussion and Analysis

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2023, cash and bank balances of the Group increased by HK\$5,651 million to HK\$14,589 million (31 December 2022: HK\$8,938 million), of which 88.58% was denominated in Renminbi, 11.41% in Hong Kong dollars and 0.01% in United States dollars.

As at 30 June 2023, the Group's financial borrowings increased by HK\$3,575 million to HK\$44,311 million (31 December 2022: HK\$40,736 million), of which 16.5% was denominated in Hong Kong dollars and 83.5% in Renminbi, including loans from the ultimate holding company, fellow subsidiaries and an associate of HK\$12,268 million (31 December 2022: HK\$12,954 million). Of the Group's total financial borrowings, HK\$11,666 million was repayable within one year while the remaining balances of HK\$21,377 million and HK\$11,268 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 71.9% floating rate borrowings, 27.6% fixed rate borrowings and 0.5% non-interest bearing borrowings as at 30 June 2023.

The Group maintained a credit facility of HK\$15,355 million as at 30 June 2023 (31 December 2022: HK\$17,270 million).

As at 30 June 2023, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was 77.6% (31 December 2022: 78.4%). The Group was in a healthy debt servicing position with the EBITDA/finance cost incurred as at 30 June 2023 being 6.0 times (31 December 2022: 6.7 times).

Net cash inflows from operating activities for the Period amounted to approximately HK\$4,354 million (2022: net cash outflows of HK\$5,591 million). GD Land recorded net cash inflows from operating activities for the Period which amounted to approximately HK\$2,068 million (2022: net cash outflows of HK\$7,788 million). 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 2023, except for (i) certain property assets (including operating income receivables of certain investment properties) of HK\$7,438 million (31 December 2022: HK\$26,353 million); (ii) certain revenue entitlement under service concession arrangements of water distribution, sewage treatment and toll road operations as security for bank and other loans of HK\$12,215 million (31 December 2022: HK\$10,625 million); (iii) equity interest in certain subsidiaries of the Group, which were pledged to secure certain bank and other loans, none of the property, plant and equipment, concession rights for water distribution, sewage treatment and toll road operations (comprising operating concession rights and receivables under service concession agreements) were pledged to secure bank and other loans granted to the Group.

Except for the guarantees made to certain banks in relation to the mortgages of properties sold of approximately HK\$4,456 million (31 December 2022: approximately HK\$2,597 million) as disclosed in note 21 to this interim financial report, there was no other material contingent liability as at 30 June 2023 and 31 December 2022.

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period amounted to HK\$6,595 million which was principally related to additions to property, plant and equipment and leasehold land, the construction and asset acquisition cost for water supply and sewage treatment plants (including operating concession rights and receivables under service concession arrangements), development cost for investment property projects and acquisitions of subsidiaries.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 30 June 2023, total Renminbi borrowings amounted to HK\$37,007 million (31 December 2022: HK\$32,263 million). Exchange rate risk may result from the fluctuation of RMB exchange rate. The Group did not use derivative financial instruments to hedge its foreign currency risk as there is a natural hedging mechanism. Meanwhile, the Group dynamically monitored the foreign exchange exposure and made necessary adjustments in accordance with the change in market environment.

As at 30 June 2023, the Group's total floating rate borrowings amounted to HK\$31,860 million (31 December 2022: HK\$32,365 million). Interest rate risk may result from the fluctuations in bank and other loan interest rate. The Group did not use interest rate hedging to manage its interest rate risk. The Group will continue to review the market trend as well as its business operation's needs, so as to arrange the most effective risk management tools.

PRINCIPAL RISKS AND UNCERTAINTIES

Macroeconomic Risk

As a diversified conglomerate with investments in different business segments, the financial conditions and operating results of the Company is inextricably linked to the macroeconomic environment. Internationally, the factors such as global inflation, reshaping of trade chain, geopolitical disputes, uncertainties in the financial system and the pressure to cope with climate change have increased uncertainties about the prospects for global economic recovery. Domestically, the economy and society have fully resumed normal operation. However, the foundation for economic recovery is not yet solid, the triple pressures of shrinking demand, supply shock and weakening expectations still subsist and there are many uncertainties in the development environment, which may cause various uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange rate. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to management according to existing company procedures in order to ensure effective implementation of the Company's development strategies and maintain its corporate competitiveness under such external economic environment.

Foreign Currency Risk

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

Market Competition Risk

As market competition intensifies, the Company faces difficulties in its expansion efforts and further decline in project investment returns in the sectors it operates in. In this regard, the Company seeks to explore new sources of revenue and reduce operating costs through product improvement, operating efficiency enhancement and strengthening of the project management team so as to enhance profitability of its projects.

Project Safety Management Risk

Project safety management risk encompasses product safety management risk as well as personnel safety management risk. With respect to product safety risk, on the one hand, the Company will conduct the relevant risk management and control work based on standardization, standard process and systemization so as to allow risk management and control to be based on unified standards in the future. On the other hand, the Company will strengthen production quality control by performing regular safety inspections on its production and operational facilities as a preventive measure, and by seeking market supervision and taking timely actions to rectify existing problems to avoid greater impact.

Management Discussion and Analysis

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 11,588 employees, of which 2,312 were at the managerial level. Among the employees, 11,371 were employed by subsidiaries in Mainland China and 217 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the Period was approximately HK\$975,816,000 (2022: approximately HK\$970,930,000).

In 2023, the Group has upheld a corporate culture with "Commitment, Performance and Teamwork" at the core and combined the goal of high-quality development with the philosophy of encouraging its staff to be committed and aggressive and strive for excellence. With a firm belief that people are the most important assets of an organisation, the Group has made great efforts to recruit professionals and experts with international visions for its urgently needed business development, established the incentive and protection mechanism by strengthening the commitment of management personnel and employees at all levels, perfected the supporting systems and performance appraisal system, promoted the orientation of "advancing the capable, rewarding the excellent, demoting the mediocre, and eliminating the inferior". Through cultivation of a committed workforce, optimisation of its operation and management and strengthening of its core competencies, the Group continuously enhances its competitiveness and market value.

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

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

REVIEW

In the first half of 2023, the global economy continued to recover, but the interest rate hike cycle of major economies was prolonged, and uncertainties such as inflation, reshaping of trade chain and liquidity crisis in the financial system persisted. The different paces of recovery amongst various industries became increasingly prominent, and the prospects of recovery still faced great uncertainties. The momentum of global economic recovery gradually slowed down in the second quarter. Faced with the uncertainties about the trend of economic recovery, the Group has been adhering to the development strategy of "balancing progress and stability and enhancing quality and efficiency". On the one hand, the Group continued to strengthen operational efficiency of its core operations while further optimizing its corporate governance and risk management mechanisms. On the other hand, the Group actively seized market opportunities and intensified efforts to scale up its core operations, thus strengthening the foundation for the sustainable development of the Company. At the same time, the Group actively responded to international strategic goals of "Peaking Carbon Dioxide Emissions" and "Achieving Carbon Neutrality", continued to strengthen climate change management, energy conservation and emissions reduction in its business operating cycle, ensuring the Group is resilient to climate change.

Management Discussion and Analysis

PROSPECTS

In the second half of 2023, the prospects of global economic recovery will face the influence of various factors such as high inflation pressure, geopolitical conflicts and reshaping of supply chain, the growth rate will slow down, and the external environment will be more complex, severe and uncertain. The recovery of the domestic economy will still rely more on domestic demand. The impact of the unstable foundation of economic recovery on the supply, demand, corporate operation, capital markets, interest rate and exchange rate markets may persist, which may bring potential risks to corporate operation. The Group will adhere to the development strategy of “balancing progress and stability and enhancing quality and efficiency”, maintain stable growth of its core operations and strengthen its risk management capabilities to create long-term value for its stakeholders.

In the second half of the year, the Group will continue its investments in water resources management, property investment and development as well as infrastructure segments, expanding its core business segments while optimizing its asset portfolio and resource allocation. Based on the existing business needs and available resources, the Group endeavors to proactively seek potential opportunities arising from a series of major strategic opportunities, such as the task of China-style Modernization, the strategic goals of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”, the strategic planning of the development of the “Guangdong-Hong Kong-Macao Greater Bay Area”, and Hong Kong’s entry into a new stage of “from governance to prosperity” which have been comprehensively explained in the report of 20th National People’s Congress of the Communist Party of China. The Group will continue to monitor quality public-private-partnership projects as well as other core business acquisition opportunities so as to provide a breakthrough of profit growth and to support the high-quality development of Company in the long run, which will further enhance the Company’s financial performance and long-term value, and also enhances Hong Kong’s integration into the Greater Bay Area and better participation in the national development.

Directors' Interests and Short Positions in Securities

As at 30 June 2023, 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 (Note)
Chan Cho Chak, John	Personal	5,450,000	Long position	0.083%
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 2023.

INTERESTS AND SHORT POSITIONS IN GUANGDONG LAND HOLDINGS LIMITED

Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note)
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 2023.

INTERESTS AND SHORT POSITIONS IN GDH 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%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of GDH Guangnan (Holdings) Limited in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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 2023, 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 2023.
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 2023, 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.

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.*

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Group recognizes the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of 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”).

The Company had complied with the code provisions in the CG Code for the six months ended 30 June 2023 and, where appropriate, the applicable recommended best practices of the CG Code, save as disclosed below:

Due to other urgent business commitment, the Chairman of the board of Directors (the “Board”), who is also the Chairman of the Nomination Committee, was unable to attend the annual general meeting of the Company held on 16 June 2023 (the “2023 AGM”) as required by Code Provision F.2.2. With the consent of other Directors present, Mr. Lin Tiejun, the Vice Chairman, chaired the 2023 AGM. The chairmen and members of the Audit Committee and the Remuneration Committee as well as members of the Nomination Committee attended the 2023 AGM.

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. In response to specific enquiries made, 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 2023.

CHANGES IN DIRECTORS’ INFORMATION

The changes in Directors’ information are set out below:

- (i) Dr. Chan Cho Chak, John ceased to be the First-Vice-President of The Community Chest of Hong Kong and Chairman of its Executive Committee, while continued to act as member of its Board of Directors and member of its Executive Committee.
- (ii) Mr. Li Man Bun, Brian David was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region on 1 July 2023 in recognition of his contributions to the community. He resigned as an Independent Non-Executive Director of Shenzhen Investment Holdings Bay Area Development Company Limited with effect from 19 May 2023.

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2023. The interim financial report is unaudited, but has been reviewed by the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, 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.

Corporate Governance and Other Information

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 27 May 2021

Pursuant to a facility agreement (the “GDI May 2021 Facility Agreement”) entered into between the Company and a bank on 27 May 2021 in relation to a term loan facility (the “GDI May 2021 Facility”) for not more than 36 months in the amount of HK\$3,000 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 and/or indirectly, at least 51% of the shareholding in the Company;
- (ii) GDH ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Province People’s Government of the People’s Republic of China (the “Guangdong Provincial Government”).

If an event of default under the GDI May 2021 Facility Agreement occurs, the bank may by notice to the Company:

- (i) cancel the GDI May 2021 Facility whereupon they shall immediately be cancelled;
- (ii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the GDI May 2021 Facility Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (iii) declare that all or part of the loans be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the GDI May 2021 Facility as at 30 June 2023 amounted to HK\$3,000 million.

GD Land Facility Letter dated 11 March 2022

Pursuant to a facility letter (the “2022 First Facility Letter of GD Land”) entered into between GD Land and a bank on 11 March 2022 in relation to a term loan facility (the “2022 First Facility of GD Land”) for 360 days in the principal amount of HK\$1,000 million made available by the bank to GD Land.

Pursuant to the 2022 First Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2022 First Facility of GD Land within one month if any one of the following events has occurred:

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

In addition, GD Land shall undertake that the Company continues to be its single largest shareholder and holds (directly and/or indirectly) not less than 50% of the shareholding in GD Land.

The outstanding principal of the 2022 First Facility of GD Land as at 30 June 2023 amounted to nil.

Corporate Governance and Other Information

GD Land Facility Letter dated 17 March 2022

Pursuant to a facility letter (the "2022 Second Facility Letter of GD Land") entered into between GD Land and a bank on 17 March 2022 in relation to an uncommitted revolving loan facility (the "2022 Second Facility of GD Land") for 360 days in the principal amount of HK\$300 million made available by the bank to GD Land.

Pursuant to the 2022 Second Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2022 Second Facility of GD Land immediately if any one of the following events has occurred which would constitute an event of default:

- (i) Guangdong Holdings ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government; or
- (ii) Guangdong Holdings ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; or
- (iii) The Company ceases to retain as the single largest shareholder of GD Land and ceases to hold (whether directly or indirectly) at least 50% shareholding in GD Land.

The outstanding principal of the 2022 Second Facility of GD Land as at 30 June 2023 amounted to nil.

Facility Letter dated 28 June 2022

Pursuant to a facility letter (the "GDI June 2022 Facility Letter") entered into between the Company and a bank on 28 June 2022 in relation to a term loan facility (the "GDI June 2022 Facility") for 364 days from the date of first drawdown in the principal amount of HK\$3,000 million made available by the bank to the Company. Pursuant to the GDI June 2022 Facility Letter, the Company undertakes with the bank that it will:

- (i) procure that GDH shall not cease to be ultimately and beneficially controlled and majority-owned (directly and/or indirectly) by the Guangdong Provincial Government; and
- (ii) procure that GDH shall not cease to beneficially own, directly and/or indirectly, at least 51% of the shareholdings in the Company.

If the Company is in breach of any of the above undertakings under the GDI June 2022 Facility Letter, and the failure to comply is not remedied within 15 Business Days of the bank giving written notice to the Company or the Company becoming aware of the failures to comply (whichever is the earlier), the bank may by notice to the Company declare that an event of default or a prospective event of default has occurred and that the advances under the Facility and all interest accrued thereon has become immediately due and payable.

The Company made the drawdown from the GDI June 2022 Facility on 29 September 2022. The outstanding principal of the GDI June 2022 Facility as at 30 June 2023 amounted to HK\$3,000 million.

GD Land Facility Letter dated 6 March 2023

Pursuant to a facility letter (the "2023 First Facility Letter of GD Land") entered into between GD Land and a bank on 6 March 2023 in relation to a term loan facility (the "2023 First Facility of GD Land") for 360 days in the principal amount of HK\$500 million made available by the bank to GD Land.

Corporate Governance and Other Information

Pursuant to the 2023 First Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2023 First Facility of GD Land within one month if, among others, any one of the following events has occurred:

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

In addition, GD Land shall undertake to ensure that the Company continues to be the single largest shareholder and holds (directly or indirectly) not less than 50% of the shareholding in GD Land.

The outstanding principal of the 2023 First Facility of GD Land as at 30 June 2023 amounted to HK\$500 million.

GD Land Facility Letter dated 6 March 2023

Pursuant to a facility letter (the "2023 Second Facility Letter of GD Land") entered into between GD Land and a bank on 6 March 2023 in relation to an uncommitted revolving loan facility (the "2023 Second Facility of GD Land") for 360 days in the principal amount of HK\$500 million made available by the bank to GD Land.

Pursuant to the 2023 Second Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2023 Second Facility of GD Land immediately if, among others, any one of the following events has occurred which would constitute an event of default:

- (i) GD Land ceases to be a subsidiary of the Company; or
- (ii) GD Land ceases to be a subsidiary of Guangdong Holdings.

The outstanding principal of the 2023 Second Facility of GD Land as at 30 June 2023 amounted to HK\$500 million.

GD Land Facility Letter dated 7 March 2023

Pursuant to a facility letter (the "2023 Third Facility Letter of GD Land") entered into between GD Land and a bank on 7 March 2023 in relation to an uncommitted revolving loan facility (the "2023 Third Facility of GD Land") for 360 days in the principal amount of HK\$300 million made available by the bank to GD Land.

Pursuant to the 2023 Third Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2023 Third Facility of GD Land immediately if, among others, any one of the following events has occurred which would constitute an event of default:

- (i) Guangdong Holdings ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government;
- (ii) Guangdong Holdings ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; or
- (iii) the Company ceases to retain as the single largest shareholder of GD Land and ceases to hold (whether directly or indirectly) at least 50% shareholding in GD Land.

The outstanding principal of the 2023 Third Facility of GD Land as at 30 June 2023 amounted to HK\$300 million.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK18.71 cents (2022: HK18.71 cents) per ordinary share for the six months ended 30 June 2023 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 10 October 2023. The interim dividend is expected to be paid on or about Thursday, 26 October 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 10 October 2023 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 9 October 2023.

By Order of the Board

HOU Wailin

Chairman

Hong Kong, 29 August 2023



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