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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00270)

2019 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights for the year ended 31 December

	2019 HK\$'000	2018 HK\$'000	Changes %
Revenue	<u>16,691,209</u>	<u>13,363,600</u>	+24.9
<i>Gain on bargain purchase</i>	-	296,737	
<i>Changes in fair value of investment properties</i>	172,340	230,102	
Profit before tax	<u>7,481,423</u>	<u>6,894,646</u>	+8.5
Profit attributable to owners of the Company	<u>5,044,370</u>	<u>5,015,119</u>	+0.6
Earnings per share – Basic	<u>HK 77.16 cents</u>	<u>HK 76.71 cents</u>	+0.6
Dividends per share			
Interim	HK 17.30 cents	HK 16.00 cents	
Proposed final	HK 40.50 cents	HK 37.50 cents	
	<u>HK 57.80 cents</u>	<u>HK 53.50 cents</u>	+8.0

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the “Board”) of Guangdong Investment Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 together with the comparative figures for 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
REVENUE	4	16,691,209	13,363,600
Cost of sales		<u>(7,932,879)</u>	<u>(5,696,300)</u>
Gross profit		8,758,330	7,667,300
Other income and gains	4	673,809	691,738
Gain on bargain purchase	4	-	296,737
Changes in fair value of investment properties		172,340	230,102
Selling and distribution expenses		(426,774)	(348,696)
Administrative expenses		(1,839,353)	(1,734,204)
Exchange differences, net		82,532	120,070
Other operating income/(expenses), net		137,324	(15,034)
Finance costs	6	(289,715)	(149,964)
Share of profits less losses of associates		<u>212,930</u>	<u>136,597</u>
PROFIT BEFORE TAX	5	7,481,423	6,894,646
Income tax expense	7	<u>(1,835,040)</u>	<u>(1,393,558)</u>
PROFIT FOR THE YEAR		<u>5,646,383</u>	<u>5,501,088</u>
Attributable to:			
Owners of the Company		5,044,370	5,015,119
Non-controlling interests		<u>602,013</u>	<u>485,969</u>
		<u>5,646,383</u>	<u>5,501,088</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u>HK77.16 cents</u>	<u>HK76.71 cents</u>
Diluted		<u>HK77.16 cents</u>	<u>HK76.68 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
PROFIT FOR THE YEAR	<u>5,646,383</u>	<u>5,501,088</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations		
- Subsidiaries	(999,455)	(1,946,346)
- Associates	<u>(94,156)</u>	<u>(124,171)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(1,093,611)</u>	<u>(2,070,517)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investment designated at fair value through other comprehensive income, net of tax	137	3,807
Fair value gains of property, plant and equipment and right-of-use assets, net of tax	364,222	59,047
Share of an associate's remeasurement gain/(loss) on defined benefit plan, net of tax	<u>3,217</u>	<u>(10,446)</u>
	367,576	52,408
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(726,035)</u>	<u>(2,018,109)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>4,920,348</u></u>	<u><u>3,482,979</u></u>
Attributable to:		
Owners of the Company	4,503,700	3,393,731
Non-controlling interests	<u>416,648</u>	<u>89,248</u>
	<u><u>4,920,348</u></u>	<u><u>3,482,979</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,848,039	7,017,886
Investment properties		18,177,573	16,949,174
Prepaid land lease payments		-	306,824
Right-of-use assets		586,680	-
Goodwill		574,242	301,883
Investments in associates		4,136,983	3,676,701
Operating concession rights		13,889,229	13,047,462
Receivables under service concession arrangements		4,477,977	1,451,496
Receivables under a cooperative arrangement		1,151,590	414,701
Equity investment designated at fair value through other comprehensive income		10,146	10,191
Prepayments and other receivables		163,271	137,905
Deferred tax assets		<u>385,948</u>	<u>252,019</u>
Total non-current assets		<u>50,401,678</u>	<u>43,566,242</u>
CURRENT ASSETS			
Properties held for sale under development		6,624,204	5,831,502
Completed properties held for sale		3,980,357	5,053,081
Financial assets at fair value through profit or loss		-	7,399,210
Other financial assets at amortised cost		-	1,597,820
Tax recoverable		109,098	26,053
Inventories		199,630	180,939
Receivables under service concession arrangements		86,972	13,223
Receivables, prepayments and other receivables	10	1,612,470	1,118,991
Due from non-controlling equity holders of subsidiaries		65,703	66,670
Pledged bank deposits		42,895	42,278
Restricted bank balances		954,719	641,314
Cash and cash equivalents		<u>12,346,768</u>	<u>7,645,121</u>
Total current assets – page 5		<u>26,022,816</u>	<u>29,616,202</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Total current assets – page 4		<u>26,022,816</u>	<u>29,616,202</u>
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(4,594,861)	(5,055,827)
Contract liabilities		(3,091,704)	(1,637,277)
Tax payables		(1,328,697)	(803,482)
Due to non-controlling equity holders of subsidiaries		(167,215)	(159,000)
Bank and other borrowings		(1,417,013)	(1,567,092)
Lease liabilities		<u>(42,663)</u>	<u>-</u>
Total current liabilities		<u>(10,642,153)</u>	<u>(9,222,678)</u>
NET CURRENT ASSETS		<u>15,380,663</u>	<u>20,393,524</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>65,782,341</u>	<u>63,959,766</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings		(6,720,265)	(7,289,915)
Lease liabilities		(630,171)	-
Other liabilities		(1,555,193)	(937,138)
Deferred tax liabilities		<u>(6,183,719)</u>	<u>(6,272,264)</u>
Total non-current liabilities		<u>(15,089,348)</u>	<u>(14,499,317)</u>
Net assets		<u>50,692,993</u>	<u>49,460,449</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,966,177	8,966,177
Reserves		<u>32,190,190</u>	<u>31,406,078</u>
Non-controlling interests		<u>41,156,367</u>	<u>40,372,255</u>
		<u>9,536,626</u>	<u>9,088,194</u>
Total equity		<u>50,692,993</u>	<u>49,460,449</u>

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2019 and 2018 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622) and will deliver the consolidated financial statements for the year ended 31 December 2019 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under development, an equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1. BASIS OF PREPARATION (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

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

Except for the amendments to HKFRS 9 and HKAS 19, and amendments to HKFRS 3, HKFRS 11 and HKAS 12 included in *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets amounting to HK\$298,437,000 were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

For other leases, the right-of-use assets for certain leases amounting to HK\$17,657,000 were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. Prepaid land lease payments, which represent medium-term leasehold land amounting to HK\$306,824,000, were reclassified to right-of-use assets as at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40. For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases of HK\$112,020,000 were measured at fair value of HK\$178,317,000 at 1 January 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

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

Impacts on transition (continued)

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

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

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

	Increase/(decrease) HK\$'000
Assets	
Increase in right-of-use assets	622,918
Increase in investment properties	178,317
Decrease in prepaid land lease payments	(306,824)
Increase in investment in an associate	46,077
Increase in deferred tax assets	31,557
Decrease in receivables, prepayments and other receivables	<u>(5,674)</u>
Increase in total assets	<u>566,371</u>
Liabilities	
Increase in lease liabilities	549,857
Increase in deferred tax liabilities	16,574
Decrease in payables, accruals and other liabilities	<u>(1,187)</u>
Increase in total liabilities	<u>565,244</u>
Equity	
Decrease in retained profits attributable to owners of the Company	(3,221)
Increase in non-controlling interests	<u>4,348</u>
Increase in total equity	<u>1,127</u>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 January 2019

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

	HK\$'000
Operating lease commitments as at 31 December 2018	356,728
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(7,010)
Add: Payments for optional extension periods not recognised as at 31 December 2018	<u>365,556</u>
Gross lease liabilities as at 1 January 2019	715,274
Weighted average incremental borrowing rate as at 1 January 2019	<u>4.91%</u>
Discounted lease liabilities as at 1 January 2019	<u>549,857</u>
Current portion of lease liabilities as at 1 January 2019	56,319
Non-current portion of lease liabilities as at 1 January 2019	<u>493,538</u>
Lease liabilities as at 1 January 2019	<u>549,857</u>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 23 *Borrowing Costs* clarify that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, gain on bargain purchase, interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost, changes in fair value of financial assets at fair value through profit or loss, finance costs (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 recoverable, pledged bank deposits, cash and cash equivalents, restricted bank balances, financial assets at fair value through profit or loss, equity investment designated at fair value through other comprehensive income, other financial assets at amortised cost and other unallocated assets as these assets are managed on a group basis.

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

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

Intersegment sales are eliminated in full on consolidation.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

	Water resources		Property investment and development		Department store operation	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Segment revenue:						
Revenue from external customers	9,470,077	8,235,422	3,942,474	1,654,263	665,100	716,497
Intersegment sales	-	-	106,267	130,229	-	-
Other income and gains from external sources	33,123	23,544	3,861	1,235	66,640	72,118
Other income from intersegment transactions	1,457	3,035	8,745	1,725	-	-
Total	<u>9,504,657</u>	<u>8,262,001</u>	<u>4,061,347</u>	<u>1,787,452</u>	<u>731,740</u>	<u>788,615</u>
Segment results	<u>4,462,493</u>	<u>4,179,049</u>	<u>1,605,018</u>	<u>1,148,017</u>	<u>182,732</u>	<u>185,754</u>
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Changes in fair value of financial assets at fair value through profit or loss						
Gain on bargain purchase	-	-	-	296,737	-	-
Finance costs						
Share of profits less losses of associates	96,737	99,320	-	-	3,964	8,123
Profit before tax						
Income tax expense						
Profit for the year						

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Segment revenue:						
Revenue from external customers	1,224,791	1,312,672	618,384	692,786	770,383	751,960
Intersegment sales	222,522	226,675	-	-	-	-
Other income and gains from external sources	34,338	32,755	671	333	43,968	18,519
Other income from intersegment transactions	-	-	-	-	-	-
Total	1,481,651	1,572,102	619,055	693,119	814,351	770,479
Segment results	357,949	221,803	94,852	138,624	534,486	489,844
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Changes in fair value of financial assets at fair value through profit or loss						
Gain on bargain purchase	-	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	112,178	29,142	51	12	-	-
Profit before tax						
Income tax expense						
Profit for the year						

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Segment revenue:						
Revenue from external customers	-	-	-	-	16,691,209	13,363,600
Intersegment sales	-	-	(328,789)	(356,904)	-	-
Other income and gains from external sources	842	1,140	-	-	183,443	149,644
Other income from intersegment transactions	4,520	5,808	(14,722)	(10,568)	-	-
Total	<u>5,362</u>	<u>6,948</u>	<u>(343,511)</u>	<u>(367,472)</u>	<u>16,874,652</u>	<u>13,513,244</u>
Segment results	<u>(206,083)</u>	<u>(295,623)</u>	<u>2,547</u>	<u>1,714</u>	7,033,994	6,069,182
Bank interest income					254,255	165,232
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost					273,800	337,612
Changes in fair value of financial assets at fair value through profit or loss					(37,689)	39,250
Gain on bargain purchase	-	-	-	-	-	296,737
Finance costs					(255,867)	(149,964)
Share of profits less losses of associates	-	-	-	-	212,930	136,597
Profit before tax					7,481,423	6,894,646
Income tax expense					(1,835,040)	(1,393,558)
Profit for the year					<u>5,646,383</u>	<u>5,501,088</u>

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Water resources		Property investment and development		Department store operation	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Segment assets	20,539,872	15,354,265	29,269,462	28,863,058	522,121	133,404
Investments in associates	2,825,583	2,465,918	-	-	193,516	150,469
Unallocated assets						
Total assets						
Segment liabilities	3,097,603	2,058,744	4,495,527	3,322,071	1,341,558	881,210
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	1,023,020	1,040,963	60,734	63,266	33,015	21,223
Exchange differences, net	(51,270)	(148,715)	(102,017)	(102,217)	4,384	8,287
Impairment losses reversed for trade receivables, net	(3,159)	(222)	-	-	(42)	(123)
Reversal of impairment on an investment in an associate	-	-	-	-	-	-
Reversal of impairment on property, plant and equipment	-	-	-	-	-	-
Changes in fair value of investment properties	(173)	-	(181,651)	(230,102)	9,484	-
Gain on bargain purchase	-	-	-	(296,737)	-	-
Loss/(gain) on disposal of property, plant and equipment, net	(2,936)	1,216	667	(13)	169	748
Capital expenditure*	<u>2,528,052</u>	<u>341,771</u>	<u>395,093</u>	<u>1,262,531</u>	<u>166,900</u>	<u>14,187</u>

* Capital expenditure consists of additions to property, plant and equipment, operating concession rights, right-of-use assets and investment properties including assets from the acquisitions of subsidiaries.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Segment assets	2,423,294	2,600,628	2,000,859	1,860,656	3,645,339	3,057,294
Investments in associates	1,114,547	1,056,953	3,337	3,361	-	-
Unallocated assets						
Total assets						
Segment liabilities	403,232	585,790	167,307	188,879	426,599	182,634
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	121,419	121,356	117,017	108,749	172,100	172,233
Exchange differences, net	(16,987)	(36,460)	3,410	5,811	(9,448)	(20,489)
Impairment losses reversed for trade receivables, net	(11)	-	(269)	-	-	-
Reversal of impairment on an investment in an associate	(46,026)	-	-	-	-	-
Reversal of impairment on property, plant and equipment	-	-	(15,634)	-	-	-
Changes in fair value of investment properties	-	-	-	-	-	-
Gain on bargain purchase	-	-	-	-	-	-
Loss/(gain) on disposal of property, plant and equipment, net	-	-	380	4,527	8	1,960
Capital expenditure*	30,138	102,239	83,647	142,252	64,751	3,655

* Capital expenditure consists of additions to property, plant and equipment, operating concession rights, right-of-use assets and investment properties including assets from the acquisitions of subsidiaries.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Segment assets	17,990	9,182	(7,650)	-	58,411,287	51,878,487
Investments in associates	-	-	-	-	4,136,983	3,676,701
Unallocated assets					<u>13,876,224</u>	<u>17,627,256</u>
Total assets					<u>76,424,494</u>	<u>73,182,444</u>
Segment liabilities	134,161	153,461	-	-	10,065,987	7,372,789
Unallocated liabilities					<u>15,665,514</u>	<u>16,349,206</u>
Total liabilities					<u>25,731,501</u>	<u>23,721,995</u>
Other segment information:						
Depreciation and amortisation	1,925	1,077	-	-	1,529,230	1,528,867
Exchange differences, net	91,942	175,426	(2,546)	(1,713)	(82,532)	(120,070)
Impairment losses reversed for trade receivables, net	-	-	-	-	(3,481)	(345)
Reversal of impairment on an investment in an associate	-	-	-	-	(46,026)	-
Reversal of impairment on property, plant and equipment	-	-	-	-	(15,634)	-
Changes in fair value of investment properties	-	-	-	-	(172,340)	(230,102)
Gain on bargain purchase	-	-	-	-	-	(296,737)
Loss/(gain) on disposal of property, plant and equipment, net	(2)	(24)	-	-	(1,714)	8,414
Capital expenditure*	<u>5,403</u>	<u>333</u>	<u>(5,841)</u>	<u>-</u>	<u>3,268,143</u>	<u>1,866,968</u>

* Capital expenditure consists of additions to property, plant and equipment, operating concession rights, right-of-use assets and investment properties including assets from the acquisitions of subsidiaries.

3. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

The following table presents the Group's geographical information regarding revenue and certain assets for the years ended 31 December 2019 and 2018.

	2019 HK\$'000	2018 HK\$'000
<u>Revenue from external customers</u>		
Hong Kong	233,097	279,053
Mainland China	<u>16,458,112</u>	<u>13,084,547</u>
	<u>16,691,209</u>	<u>13,363,600</u>

The revenue information above is based on the locations of the sales transactions.

	2019 HK\$'000	2018 HK\$'000
<u>Non-current assets</u>		
Hong Kong	2,368,604	2,348,044
Mainland China	<u>47,636,980</u>	<u>40,955,988</u>
	<u>50,005,584</u>	<u>43,304,032</u>

The non-current asset information above is based on the locations of the assets and excludes equity investment designated at fair value through other comprehensive income and deferred tax assets.

(c) Information about a major customer

Revenue of approximately HK\$4,807,000,000 (2018: HK\$4,792,590,000) was derived from sales by the water resources segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue

Disaggregated revenue information

	2019 HK\$'000	2018 HK\$'000
(a) Types of goods or services:		
<u>Water resources segment</u>		
Income from water distribution — Hong Kong	4,807,000	4,792,590
Income from water distribution — the PRC	2,288,024	2,183,695
Income from sewage treatment services	202,445	109,637
Income from construction services	1,249,659	762,453
Income from water pipeline installation and consultancy services	566,984	312,827
Income from sale of machineries	230,072	30,397
<u>Property investment and development segment</u>		
Sale of properties	2,529,243	309,434
Management fee income	206,762	213,084
<u>Department store operation segment</u>		
Commission income from concessionaire sales	587,158	642,890
Sale of goods	77,942	73,607
<u>Electric power generation segment</u>		
Sale of electricity and steam	1,224,791	1,312,672
<u>Hotel operation and management segment</u>		
Hotel income	597,569	664,017
Management fee income	20,815	28,769
<u>Road and bridge segment</u>		
Toll revenue	754,134	745,300
Management fee income	16,249	6,660
<i>Revenue from contracts with customers</i>	15,358,847	12,188,032
<i>Revenue from other sources</i>		
<u>Property investment and development segment</u>		
Rental income	1,206,469	1,131,745
<u>Water resources segment</u>		
Finance income from service concession arrangements	125,893	43,823
Total revenue	<u>16,691,209</u>	<u>13,363,600</u>

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue (continued)

Disaggregated revenue information (continued)

	2019 HK\$'000	2018 HK\$'000
(b) Geographical locations*:		
<u>Mainland China</u>		
Water resources segment	9,344,184	8,191,599
Property investment and development segment	2,736,005	522,518
Department store operation segment	665,100	716,497
Electric power generation segment	1,224,791	1,312,672
Hotel operation and management segment	444,480	470,591
Road and bridge segment	770,383	751,960
	<u>15,184,943</u>	<u>11,965,837</u>
<u>Hong Kong</u>		
Hotel operation and management segment	<u>173,904</u>	<u>222,195</u>
<i>Revenue from contracts with customers</i>	15,358,847	12,188,032
<i>Revenue from other sources</i>		
Rental income	1,206,469	1,131,745
Finance income from service concession arrangements	<u>125,893</u>	<u>43,823</u>
	<u>16,691,209</u>	<u>13,363,600</u>

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

Other income and gains

	2019 HK\$'000	2018 HK\$'000
Bank interest income	254,255	165,232
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost	273,800	337,612
Interest income from receivables under a cooperative arrangement	35,915	12,731
Changes in fair value of financial assets at fair value through profit or loss	(37,689)	39,250
Others	<u>147,528</u>	<u>136,913</u>
	673,809	691,738
Gain on bargain purchase	<u>-</u>	<u>296,737</u>
	<u>673,809</u>	<u>988,475</u>

5. PROFIT BEFORE TAX

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

	2019 HK\$'000	2018 HK\$'000
Cost of inventories sold*	1,055,969	1,249,343
Cost of services rendered*	3,950,476	3,183,453
Cost of properties sold*	1,875,426	251,327
Depreciation of property, plant and equipment	428,196	504,463
Recognition of prepaid land lease payments	-	12,227
Depreciation of right-of-use assets	50,026	-
Amortisation of operating concession rights*	1,051,008	1,012,177
Impairment losses reversed for trade receivables, net [^]	(3,481)	(345)
Reversal of impairment on an investment in an associate [^]	(46,026)	-
Reversal of impairment on property, plant and equipment [^]	(15,634)	-
Minimum lease payments under operating leases in respect of land and buildings	-	106,760
Lease payments not included in the measurement of lease liabilities	49,386	-
Contingent rents under operating leases	-	16,140
Auditor's remuneration	12,585	10,359
Employee benefit expenses:		
Wages and salaries (excluding directors' fee)	1,427,088	1,206,070
Equity-settled share option benefits	-	109
Pension scheme contributions	161,532	177,298
Less: Forfeited contributions	(54)	(128)
Net pension scheme contributions#	161,478	177,170
Less: Amount capitalised	<u>(100,203)</u>	<u>(47,303)</u>
	<u>1,488,363</u>	<u>1,336,046</u>
Gross rental income from investment properties	(1,204,717)	(1,151,415)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<u>159,127</u>	<u>158,020</u>
Net rental income from investment properties	<u>(1,045,590)</u>	<u>(993,395)</u>
Loss/(gain) on disposal of items of property, plant and equipment, net [^]	(1,714)	8,414
Government subsidies ^{**^}	<u>(48,791)</u>	<u>(18,936)</u>

5. PROFIT BEFORE TAX (continued)

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

- * These costs and expenses are included in "Cost of sales" on the face of the consolidated statement of profit or loss.
- ** The government subsidies recognised during the year mainly represented subsidies received from certain government authorities in respect of the fulfilment of certain specific criteria by the Group.
- # As at 31 December 2019 and 2018, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years.
- ^ Included in "Other operating income/(expenses), net" on the face of the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK\$'000	2018 HK\$'000
Interest on bank and other borrowings	286,850	146,690
Interest on loan from the ultimate holding company	-	749
Interest on loans from fellow subsidiaries	16,215	20,940
Interest on lease liabilities	<u>34,004</u>	<u>-</u>
Finance costs incurred	337,069	168,379
Less: Interest capitalised	<u>(47,354)</u>	<u>(18,415)</u>
Finance costs charged for the year	<u>289,715</u>	<u>149,964</u>

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale, investment properties under development and construction in progress are between 4.75% and 4.90% per annum (2018: between 5.46% and 6.65% per annum).

7. INCOME TAX EXPENSE

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

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, which became effective from 1 January 2008, enterprises are subject to corporate income tax at a rate of 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.

	2019 HK\$'000	2018 HK\$'000
Current - Hong Kong		
Charge for the year	10,751	18,150
Overprovision in prior years	(100)	(197)
Current - Mainland China		
Charge for the year	2,275,387	1,606,010
Under/(over) provision in prior years	4,194	(73,701)
Deferred tax	<u>(455,192)</u>	<u>(156,704)</u>
Total tax charge for the year	<u>1,835,040</u>	<u>1,393,558</u>

8. DIVIDENDS

	2019 HK\$'000	2018 HK\$'000
Interim – HK17.3 cents (2018: HK16.0 cents) per ordinary share	1,131,043	1,046,051
Proposed final – HK40.5 cents (2018: HK37.5 cents) per ordinary share	<u>2,648,000</u>	<u>2,452,000</u>
	<u>3,779,043</u>	<u>3,498,051</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The total final dividend payable is based on the total number of shares as at the date of approval of these financial statements by the board of directors which includes the shares issued subsequent to the end of the reporting period.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2019 HK\$'000	2018 HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	<u>5,044,370</u>	<u>5,015,119</u>
	Number of shares	
	2019	2018
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,537,821,440	6,537,821,440
Effect of dilution of share options - weighted average number of ordinary shares assumed to have been issued at nil consideration	<u>-</u>	<u>2,464,466</u>
Weighted average number of ordinary shares during the year used in the diluted earnings per share calculation	<u>6,537,821,440</u>	<u>6,540,285,906</u>

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2019 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the year ended 31 December 2019.

10. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in the Group's receivables, prepayments and other receivables are trade receivables of HK\$810,694,000 (2018: HK\$616,140,000), net of impairments, from the Group's customers. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The various group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has a certain concentration of credit risk whereby 11% (2018: 14%) of the total trade receivables was due from one customer. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest bearing.

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

	2019 HK\$'000	2018 HK\$'000
Current or less than 3 months past due	734,731	589,282
3 months to 6 months past due	535	2,299
6 months to 1 year past due	5,499	19,138
More than 1 year past due	<u>93,694</u>	<u>11,021</u>
	834,459	621,740
Less: Loss allowance	<u>(23,765)</u>	<u>(5,600)</u>
	<u>810,694</u>	<u>616,140</u>

11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

Included in the Group's payables, accruals and other liabilities are trade payables of HK\$868,078,000 (2018: HK\$776,698,000). An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 3 months	848,422	769,335
3 months to 6 months	4,496	31
6 months to 1 year	<u>15,160</u>	<u>7,332</u>
	<u>868,078</u>	<u>776,698</u>

12. CONTINGENT LIABILITIES

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

(a)	2019 HK\$'000	2018 HK\$'000
The Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate	<u>-</u>	<u>55,924</u>

As at 31 December 2019, no banking facilities granted to an associate was subject to guarantees given to a bank by the Group and the other equity holders of the associate. As at 31 December 2018, the banking facilities granted to an associate subject to guarantees given to a bank by the Group and the other equity holders of the associate were in accordance with the equity holding ratio of each party. The facilities granted to the associate by the bank was utilised to the extent of HK\$114,130,000 as at 31 December 2018.

- (b) As at 31 December 2019, 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 31 December 2019, the Group's outstanding guarantees amounted to HK\$736,124,000 (2018: HK\$370,276,000) for these guarantees.

13. EVENT AFTER THE REPORTING PERIOD

On 15 February 2020, the Group received a notice from the Ministry of Transport (the “MOT”) of the PRC in relation to the Exemption of Toll Fees Payable for Toll Roads during the Control Period of the Novel Coronavirus Disease (《交通運輸部關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》(交公路明電[2020] 62 號)), pursuant to which, according to the consent from the State Council of the PRC, it will exempt the toll fees payable by all vehicles passing through toll roads (including toll bridges and tunnels) approved and established in accordance with the Highway Law of the People’s Republic of China (《中華人民共和國公路法》) and the Regulation on Toll Road Management (《收費公路管理條例》) from 0:00 a.m. on 17 February 2020 to the end of the prevention and control period of the novel coronavirus disease (COVID-19) until further notice (the “MOT Notice”). In accordance with the MOT Notice, the Group exempts the toll fees of vehicles passing along the Xingliu Expressway from the specified time until further notice from the government authorities.

Given that the contribution from the Group’s road and bridge operating segment mainly represents toll revenue from vehicles using the Xingliu Expressway, the Directors expect that, subject to the timing when the implementation of the MOT Notice comes to an end, the COVID-19 outbreak is expected to have a significant adverse impact on the results of the Group’s road and bridge business segment.

The COVID-19 outbreak (which is now a pandemic) has led to substantial global travel bans and lockdowns and is posing a significant threat to the global economy. Therefore, the Group expects the performance of the Group’s property investment and development, department store operation and hotel operation and management businesses will be negatively impacted in 2020.

As the full impact and the duration of the outbreak cannot be estimated at this point in time, the Group will closely monitor the situation and continue to assess the impact of the epidemic on the operations and financial performance of the Group.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report to the shareholders our results of 2019. The Group's consolidated profit attributable to owners of the Company for 2019 amounted to HK\$5,044 million (2018: HK\$5,015 million), an increase of 0.6% over 2018. Basic earnings per share increased by 0.6% over the same period last year to HK 77.16 cents (2018: HK 76.71 cents).

DIVIDEND

The Group uses its best endeavours to maximise shareholders' interests with a view to creating a long-term value for the stakeholders and considers that dividend forms an integral part of shareholders' return. The Company has maintained a stable dividend distribution policy over the years. The Board recommends the payment of a final dividend of HK 40.5 cents per share for 2019. Aggregating such dividend with the interim dividend of HK 17.3 cents per share paid in 2019, the total dividend for the entire year will be HK 57.8 cents (2018: HK 53.5 cents) per share. The said 2019 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 30 July 2020.

REVIEW

In 2019, global economic recovery remained subdued due to increasing uncertainties such as China-US trade tension, official Brexit and complex geopolitical shifts. Despite growing downward pressure due to challenging external and domestic environment, China's economic performance maintained a steady and progressive growth trend and displayed resilience. Faced with intricate operating environment, the Group adhered to the development strategy of "make progress while ensuring stability". On the one hand, the Group continued to strengthen operational efficiency of its core businesses while further optimizing its corporate governance and risk management mechanisms. On the other hand, the Group actively seized market opportunities and intensified efforts to expand its core business segments to safeguard the sustainable development of the Company.

Among the Group's business segments, water resources segment continued its capacity expansion and accelerated the pace of new project acquisition, with expected total investment amount of newly signed projects reaching historical high. Property investment and development segment maintained high occupancy rates at all properties, with increasing profit contributions from property sales. Profit from hotel operation and management was lower due to unfavorable social circumstances and declining number of tourists in Hong Kong, as the Group strived to implement strategy adjustments in order to enhance the capability for sustainable development. Faced with macroeconomic downward pressure, the department store retail segment made timely adjustment to mode of operation of certain stores. The performance of infrastructure segment was in line with expectation. Profit from the power segment achieved steady growth, as the Group closely monitored impacts due to fluctuations in coal prices and industry policy changes. Our road and bridge segment achieved stable growth in both traffic flow and financial performance, though ongoing assessment of impact of potential road industry policy changes is crucial. Meanwhile, the Group closely monitored foreign exchange risks and utilised various strategies to minimise the Group's currency risk exposure.

PROSPECTS

Looking ahead to 2020, though easing of China-US trade tension and global monetary policy may be indicators of a global economic rebound, trade policy changes, geopolitical tensions and the novel coronavirus epidemic outbreak weigh on global economic recovery. Although the epidemic outbreak delivers a shock to China's economic activities, long-term economic growth outlook remains solid. Faced with adverse impact on foot traffic, logistics, business operations, capital markets, interest rates and exchange rate market fluctuations due to the epidemic outbreak and hence certain business operations of the Group will confront challenges to a considerable extent in the short term, the Group will continue to implement its steady growth development strategy, maintain stable growth of its core businesses and strengthen its risk management capabilities in order to create long-term value for its stakeholders.

At the same time, 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. The Group endeavours to proactively seek potential opportunities arising from “The Greater Bay Area Initiative” by pooling its existing businesses and resources, and continue to monitor potential industry consolidation, public-private-partnership projects as well as acquisition opportunities arising from core business expansion along the supply chain to promote profit growth so as to further enhance the Company’s financial performance and create long-term value.

Finally, on behalf of the Board, I would like to thank all investors for their continued support and all our management and staff for their dedication, hard work and the good results they have assisted the Group to achieve in the year.

HOU Wailin

Chairman

Hong Kong, 27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2019 was HK\$16,691 million (2018: HK\$13,364 million), an increase of 24.9% as compared with that of 2018. The growth in revenue was mainly attributable to a better performance in water resources business and property investment and development business during the year.

The consolidated profit before tax for 2019 increased by 8.5% or HK\$586 million to HK\$7,481 million (2018: HK\$6,895 million). The increase in the profit before tax was mainly due to a better performance in water resources business, infrastructure business and property investment and development business during the year, partially offset by the absence in 2019 of the one-off gain on bargain purchase of approximately HK\$297 million arising from the acquisition of 100% equity interest of 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.*) which was recognised in 2018. Furthermore, the net gain arising from fair value adjustments for investment properties for the year was HK\$172 million (2018: HK\$230 million), HK\$58 million lower than that in 2018. The net exchange gain of the Group for the year amounted to HK\$83 million (2018: HK\$120 million), HK\$37 million lower than that in 2018. Total interest income and the changes in fair value of financial assets at fair value through profit or loss, net of finance costs of the Group for the year decreased by 40.1% to HK\$235 million (2018: HK\$392 million) for the year.

The consolidated profit attributable to owners of the Company for 2019 increased by 0.6% or HK\$29 million to HK\$5,044 million (2018: HK\$5,015 million). Due to the increase in land appreciation tax in relation to the sales of completed properties of the Group, the Group's effective tax rate for the year increased to 24.5% (2018: 20.2%).

Basic earnings per share was HK 77.16 cents (2018: HK 76.71 cents), an increase of 0.6% as compared with that in 2018.

BUSINESS REVIEW

A summary of the performance of the Group's major businesses during 2019 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 31 December 2019, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (2018: 96.04%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 2.071 billion tons (2018: 2.111 billion tons), a decrease of 1.9%, which generated a revenue of HK\$6,195 million (2018: HK\$6,250 million), a decrease of 0.9% over 2018.

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

The revenue from water sales to Hong Kong for the year increased by 0.3% to HK\$4,807 million (2018: HK\$4,793 million). The revenue from water sales to Shenzhen and Dongguan areas for the year decreased by 4.7% to HK\$1,388 million (2018: HK\$1,457 million). The profit before tax, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project for the year was HK\$3,853 million (2018: HK\$3,834 million), 0.5% higher than that in 2018.

Other Water Resources Projects

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

On 7 May 2019, the Group completed an acquisition of 79% equity interest of 江西海匯公用事業集團有限公司 (Jiangxi Haihui Public Utilities Group Co., Ltd.[▲]) (Name subsequently changed to 江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd.[▲])) and its subsidiaries (“Jiangxi Guangdong Group”) at a cash consideration of approximately RMB1,627 million (equivalent to approximately HK\$1,896 million). Jiangxi Guangdong Group was engaged in a number of water resources projects in Jiangxi, Anhui, Zhejiang and Gansu, the PRC, with total designed water supply capacity and waste water processing capacity of 1,090,000 tons per day and 81,000 tons per day, respectively. In addition, the Group successfully bid/contracted for six new water resources projects in Xinghua City and Pizhou City of Jiangsu Province, Zhanjiang City and Chaozhou City of Guangdong Province, Lipu City of Guangxi Zhuang Autonomous Region and Kunming City of Yunnan Province, the PRC during the year, with designed water supply capacity and waste water processing capacity of 1,854,000 tons per day and 110,000 tons per day respectively. The expected total investment amount of these projects are RMB8,942 million (equivalent to approximately HK\$9,982 million).

As at 31 December 2019, the total designed water supply capacity of the water supply plants and the total designed waste water processing capacity of the sewage treatment plants of the Group’s Other Water Resources Projects are 9,003,000 tons per day (2018: 6,004,000 tons per day) and 1,331,000 tons per day (2018: 1,140,000 tons per day), respectively.

Capacity of Water Resources Projects in Operation

- The water supply capacity of the water supply plants operated by each of the subsidiaries of the Company, namely, 東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.▲), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 儀征港儀供水有限公司 (Yizheng Gangyi Water Supply Company Limited▲), 高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited▲), 寶應粵海水務有限公司 (Baoying Yuehai Water Company Limited▲), 海南儋州自來水有限公司 (Hainan Danzhou Tap Water Company Limited▲), 梧州粵海江河水務有限公司 (Wuzhou Yuehai Jianghe Water Company Limited▲), Zhaoqing HZ GDH Water Co., Ltd., 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲), 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲), 盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited▲), 高州粵海水務有限公司 (Gaozhou Guangdong Water Company Limited▲) and Jiangxi Guangdong Group is 290,000 tons, 310,000 tons, 150,000 tons, 145,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 120,000 tons, 50,000 tons, 50,000 tons, 73,500 tons, 150,000 tons, 100,000 tons and 650,000 tons per day, respectively, totaling 2,673,500 tons per day (2018: 1,953,500 tons per day).
- The waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries of the Company, namely, 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 梧州粵海環保發展有限公司 (Wuzhou Yuehai Huanbao Fazhan Company Limited▲), 東莞市常平金勝水務有限公司 (Dongguan Changping Jinsheng Water Co., Ltd.▲), 開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.▲), 五華粵海環保有限公司 (Wuhua Yuehai Huanbao Co., Ltd.▲), 東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd.▲), 興寧粵海環保有限公司 (Xingning Yuehai Huanbao Co., Ltd.▲), 開平粵海污水處理有限公司 (Kaiping Yuehai Sewage Treatment Co., Ltd.▲), 五華粵海清源環保有限公司 (Wuhua Yuehai Qingyuan Huanbao Co., Ltd.▲), 汕尾粵海環保有限公司 (Shanwei Yuehai Huanbao Co., Ltd.▲), 五華粵海綠源環保有限公司 (Wuhua Yuehai Luyuan Huanbao Co., Ltd.▲), 六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Company Limited▲), Jiangxi Guangdong Group and 昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.▲) is 100,000 tons, 140,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons, 3,000 tons, 25,000 tons, 15,000 tons, 30,000 tons, 11,000 tons, 115,000 tons, 81,000 tons and 15,000 tons per day, respectively, totaling 735,000 tons per day (2018: 463,000 tons per day).
- The water supply capacity of the water supply plants operated by Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd, 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.▲) and 汕頭市粵海水務有限公司 (Shantou Guangdong Water Company Limited▲), being associates of the Company, is 520,000 tons, 400,000 tons and 920,000 tons per day, respectively, totaling 1,840,000 tons per day (2018: 1,840,000 tons per day).

Capacity of Water Resources Projects under Construction

- The water supply capacity of the water supply plants under construction of each of the subsidiaries of the Company, namely, 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited▲), 雲浮粵海水務有限公司 (Yunfu Guangdong Water Company Limited▲), 恩施粵海正源水務有限公司 (Enshi Guangdong Zheng Yuan Water Company Limited▲), Jiangxi Guangdong Group, 高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited▲), 湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Company Limited▲), 邳州粵海水務有限公司 (Pizhou Guangdong Water Company Limited▲) and 荔浦粵海水務有限公司 (Lipu Guangdong Water Company Limited▲) is 20,000 tons, 50,000 tons, 400,000 tons, 30,000 tons, 55,000 tons, 1,060,000 tons, 250,000 tons and 80,000 tons per day, respectively, totaling 1,945,000 tons per day.

- The waste water processing capacity of the sewage treatment plants under construction of each of the subsidiaries of the Company, namely, 大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd.▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 韶關粵海綠源環保有限公司 (Shaoguan Yuehai Luyuan Huanbao Co., Ltd.▲), 陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd.▲), 陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd.▲), 吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲) and 潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Company Limited▲) is 22,000 tons, 20,000 tons, 150,000 tons, 28,500 tons, 35,300 tons, 20,000 tons, 25,000 tons and 20,000 tons per day, respectively, totaling 320,800 tons per day.
- The water supply capacity of the water supply plants under construction of the associate of the Company, namely, 興化粵海水務有限公司 (Xinghua Guangdong Water Company Limited▲) is 430,000 tons per day.

Revenue of Other Water Resources Projects for the year in aggregate amounted to HK\$3,293,698,000 (2018: HK\$2,012,481,000), 63.7% higher than that in 2018. The growth was mainly attributable to additional returns from those water resources projects newly acquired or launched and increase in construction revenue from those projects under construction. Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences and net finance costs, amounted to HK\$648,410,000 (2018: HK\$301,378,000) in aggregate, 115.1% higher than that in 2018.

Property Investment and Development

Mainland China

GDH Teem

As at 31 December 2019, the Group held an effective interest of 76.13% in 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited▲) (Name subsequently changed to 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲)) (“GDH Teem”), the property owner of Teem Plaza. Teem Plaza comprises a shopping mall, an office building and a hotel. The shopping mall and the office building are held for investment purposes by the Group.

Revenue of GDH Teem’s property investment business mainly comprises rental and property management fee income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building of Teem Plaza. During the year, revenue of GDH Teem increased by 1.8% to HK\$1,229,070,000 (2018: HK\$1,207,706,000). The profit before tax for the year, excluding changes in fair value of investment properties and net interest income, decreased by 4.1% to HK\$783,451,000 (2018: HK\$817,371,000). The HK\$ equivalent of rental operations decreased because the average exchange rate of RMB had decreased by 4.0%.

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

The office building of Teem Plaza, known as Teem Tower, is a 45-storey Grade A office tower with a total GFA of approximately 102,000 sq. m., of which 90,000 sq. m. was held for rental purposes. With an average occupancy rate of 96.8% (2018: 98.5%), the revenue for the year was HK\$223,404,000 (2018: HK\$215,790,000), increasing by 3.5%. The profit before tax for the year, excluding changes in fair value of investment properties, increased by 5.0% to HK\$187,040,000 (2018: HK\$178,093,000).

Panyu Wanbo CBD Project

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

Wanye owns a parcel of land in 番禺萬博中央商務區 (Panyu Wanbo Central Business District), which is designated to be a new commercial area in Guangzhou. Based on the Group's current development plan, this parcel of land is being developed into a large-scale integrated commercial project with a total GFA of approximately 385,000 sq. m. of which properties with GFA of approximately 152,000 sq. m. and 104,000 sq. m. will be held for sale and for rental purposes, respectively, upon their completion. As at 31 December 2019, the cumulative land and development cost incurred by the Group for Panyu Wanbo CBD Project amounted to approximately HK\$3,230 million (2018: approximately HK\$3,164 million).

The pre-sale of the commercial residential units and offices had commenced in 2018, with contracts signed for accumulated GFA of approximately 89,000 sq.m. as at 31 December 2019 (2018: approximately 49,000 sq.m.).

Upon the completion of the commercial residential units of Panyu Wanbo CBD Project, accumulated GFA of approximately 27,900 sq.m. (2018: Nil) had been delivered to customers during the year. Revenue of Panyu Wanbo CBD Project for the year was HK\$702,873,000 (2018: Nil). Profit before tax for the year, excluding changes in fair value of investment properties and net interest income amounted to HK\$336,603,000 (2018: loss before tax HK\$29,741,000).

Tianjin Teem Shopping Mall

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

Tianjin Teem Shopping Mall with tenants ranging from local enterprises to well-known multinationals, had an average occupancy rate of 95.9% (2018: 98.2%) during the year. Revenue of Tianjin Teem Shopping Mall for the year was HK\$190,090,000 (2018: HK\$167,606,000), increasing by 13.4%. The profit before tax of Tianjin Teem Shopping Mall for the year, excluding changes in fair value of investment properties and net finance costs, was HK\$60,378,000 (2018: HK\$33,782,000), increasing by 78.7%.

GD Land

The Company's effective interest in GD Land is approximately 73.82%. GD Land holds a 100% interest in the GDH City Project, which is a multi-functional commercial complex with jewelry as the main theme, located in Luohu District, Shenzhen City, the PRC. As at 31 December 2019, the cumulative development costs and direct expenses incurred by the Group for the GDH City Project amounted to approximately HK\$8,815 million (2018: approximately HK\$8,262 million), of which approximately HK\$4,576 million (2018: approximately HK\$4,146 million) and HK\$4,239 million (2018: approximately HK\$4,116 million) were attributable to "Properties held for sale under development" under the current assets and "Investment properties" under the non-current assets, respectively.

In relation to the property sale of the GDH City Project, the pre-sale of the properties with total GFA of approximately 116,000 sq. m. in the Northwestern Land had commenced in December 2018. As at 31 December 2019, accumulated GFA with contracts signed amounted to approximately 15,660 sq. m. (2018: Nil).

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

The sale of the residential units with total GFA of approximately 65,636 sq. m. under the Laurel House Project commenced in November 2018. As at 31 December 2019, the accumulated GFA of the residential units under the Laurel House Project which had been delivered to customers amounted to approximately 22,718 sq. m. (2018: approximately 2,943 sq. m.).

Revenue of GD Land for the year increased by 4.9 times to HK\$1,836,676,000 (2018: HK\$312,421,000), of which sales of properties amounted to HK\$1,826,370,000 (2018: HK\$309,434,000). The profit before tax of GD Land for the year, excluding changes in fair value of investment properties and net finance costs, was HK\$70,209,000 (2018: loss before tax, excluding gain on bargain purchase, changes in fair value of investment properties and net finance costs, HK\$79,340,000).

On 29 September 2019, GD Land succeeded in the bid for the land use rights of a state-owned construction land located at Pengjiang District, Jiangmen City, the PRC, with a site area of approximately 59,705 sq. m. and a maximum total GFA included in the calculation of plot ratio of approximately 164,216 sq. m. for a cash consideration of RMB919,490,000 (equivalent to approximately HK\$1,019,277,000). It is expected to be used for residential and commercial purposes.

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 98.6% (2018: 99.5%). As a result of the increase in average rental, the total revenue for the year was up by 2.0% to HK\$57,737,000 (2018: HK\$56,605,000).

Department Store Operation

As at 31 December 2019, the Group held an effective interest of approximately 85.2% in both 廣東天河城百貨有限公司 (Name subsequently changed to 廣東粵海天河城百貨有限公司(GDH Teem Department Store Co., Ltd.▲)) (“GDTDS”) and 廣州市天河城萬博百貨有限公司(Name subsequently changed to 廣州市粵海天河城百貨商業有限公司) (“天河城萬博”). GDTDS operates Teemall Store in Teem Plaza. GDTDS also operates Teemall Store – Beijing Road Branch (“Ming Sheng Store”), 奧體歐萊斯名牌折扣店 (“Ao Ti Store”), 東圃百貨店 (“Dong Pu Store”), 東莞第一國際百貨店 (“Dongguan Store”) and 佛山南海百貨店 (“Nanhai Store”). 天河城萬博 operates 天河城百貨歐萊斯折扣店 (“Wan Bo Store”).

As at 31 December 2019, the Group operated seven stores (2018: eight stores) with a total leased area of approximately 136,000 sq. m. (2018: approximately 168,700 sq. m.). The total revenue for the year decreased by 7.2% to HK\$665,100,000 (2018: HK\$716,497,000). The profit before tax for the year decreased by 2.3% to HK\$230,364,000 (2018: HK\$235,864,000).

The revenue of the stores operated by the Group for the year ended 31 December 2019 was as follows:

	Leased area sq. m.	Revenue for the year ended 31 December		Changes %
		2019 HK\$'000	2018 HK\$'000	
Teemall Store	39,900	437,450	474,354	-7.8
Wan Bo Store	19,600	82,810	89,764	-7.7
Ming Sheng Store	11,900	40,644	46,440	-12.5
Dong Pu Store	28,300	58,125	52,750	+10.2
Ao Ti Store	21,500	41,213	42,141	-2.2
Dongguan Store	9,800	3,554	3,434	+3.5
Nanhai Store	5,000	1,304	2,784	-53.2
Yuehaiyangzhong Hui Store (closed in 2018)	-	-	2,294	-100.0
Tianjin Teem Store (transformed into lease operation in 2019)	-	-	2,536	-100.0
	<u>136,000</u>	<u>665,100</u>	<u>716,497</u>	<u>-7.2</u>

The Group's effective interest in 廣東永旺天河城商業有限公司(Guangdong Aeon Teem Co., Ltd.▲) (“GD Aeon Teem”) is 26.65%. The Group's share of profits in GD Aeon Teem amounted to HK\$3,964,000 (2018: HK\$8,123,000) during the year.

Hotel Ownership, Operation and Management

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

During the year, the average room rate of Sheraton Guangzhou Hotel was HK\$1,235 (2018: HK\$1,284) whereas the average room rate of the remaining four star-rated hotels were HK\$641 (2018: HK\$764). The average occupancy rate of Sheraton Guangzhou Hotel was 93.8% (2018: 93.2%) and that of the other four star-rated hotels was 71.7% (2018: 76.9%) during the year.

Due to reduction of tourists visiting Hong Kong, the revenue of hotel ownership, operation and management business for the year decreased by 10.7% to HK\$618,384,000 (2018: HK\$692,786,000). The profit before tax for the year, excluding the net exchange differences, decreased by 29.9% to HK\$109,781,000 (2018: HK\$156,554,000).

Energy Projects

Zhongshan Energy Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% equity interest in 中山粤海能源有限公司 (Zhongshan GDH Energy Co., Ltd.[▲]) (formerly known as 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.[▲])) ("Zhongshan Energy"). Zhongshan Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the year amounted to 2,693 million kwh (2018: 2,794 million kwh), decreasing by 3.6%. As a result, revenue of Zhongshan Energy Project (including intersegment sales) generated from electricity sales and related operations for the year decreased by 6.0% to HK\$1,447,313,000 (2018: HK\$1,539,347,000). However, due to reduction in coal price, the profit before tax for the year, excluding net exchange differences and net finance costs, was HK\$295,131,000 (2018: HK\$185,624,000), an increase of 59.0%.

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

The Group's effective interest in Yudean Jinghai Power is 25%. As at 31 December 2019, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the year amounted to 12,485 million kwh (2018: 13,464 million kwh), a decrease of 7.3%. Revenue for the year decreased by 4.6% to HK\$5,454,784,000 (2018: HK\$5,716,188,000). However, as coal price decreased, the profit before tax of Yudean Jinghai Power for the year was HK\$600,823,000 (2018: HK\$152,428,000), increasing by 2.9 times. The Group's share of profit in Yudean Jinghai Power amounted to HK\$112,178,000 (2018: HK\$29,142,000) during the year, increasing by 2.8 times.

Road and Bridge

Xingliu Expressway

廣西粵海高速公路有限公司 (Guangxi GDH Highway Co., Ltd.[▲]) (formerly known as 廣西新長江高速公路有限責任公司 (Guangxi Xinchangjiang Gonglu Company Limited[▲])) (“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 was 24,359 vehicle trips during the year (2018: 22,447 vehicle trips), increasing by 8.5%. The revenue of GDH Highway during the year amounted to HK\$754,134,000 (2018: HK\$745,300,000), increasing by 1.2%. Profit before tax during the year, excluding net finance costs, amounted to HK\$486,467,000 (2018: HK\$463,992,000), increasing by 4.8%.

Yinping PPP 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 PPP Project”) for the development of certain A-grade highways, connecting roads and municipal roads (not being toll roads) (each a “Project Road” and together, the “Project Roads”) and the related ancillary support services such as drainage, greening and lighting in 銀瓶創新區 (Yinping Innovation Zone) in Dongguan, Guangdong, the PRC. The Company had established Dongguan Yuehai Yinping Development and Construction Limited (“Yuehai Yinping”), a wholly-owned subsidiary of the Company, to perform the Company’s obligations in the Yinping PPP Project.

During the period of construction of the Project Roads (the “Development Period”), the Group shall be responsible for providing funding for the development of the Project Roads (the “Development Costs”) depending on the overall development plan and progress of Yinping Innovation Zone in phases with the total Development Costs not exceeding RMB4.754 billion (equivalent to approximately HK\$5.307 billion). The Xiegang Government shall pay the Development Costs by 10 annual instalments throughout the maintenance period, being ten years (the “Maintenance Period”) from the acceptance of the Project Roads by the Xiegang Government.

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

As at 31 December 2019, three Project Roads (2018: three Project Roads) were under construction. The Accrued Interest Amount and Management Fee of Yuehai Yinping recognised during the year amounted to HK\$52,164,000 in total (2018: HK\$19,391,000) and profit before tax during the year amounted to HK\$39,441,000 (2018: HK\$6,602,000).

POTENTIAL BUSINESS IMPACTS OF NOVEL CORONAVIRUS (COVID-19) OUTBREAK

The COVID-19 outbreak has affected various segments of our business. In the property investment and development business segment, the Group expects that there may be a decrease in fair value of our investment properties. The Group is in discussion with various tenants for rental reduction for those whose operations have been adversely affected. With regard to our department store business, the Group's department stores have also experienced reduced foot traffic and sales volume. In the expressway segment, the Ministry of Transport of the PRC issued a new policy on 15 February 2020, waiving toll fees payable by all vehicles nationwide from midnight of 17 February 2020 until the end of the prevention and control period of the COVID-19 outbreak (upon further notice). In the hotel segment, overall demand for accommodation has declined significantly due to the outbreak of COVID-19, which has adversely impacted operations of the Group's hotels.

Though the COVID-19 outbreak has adversely impacted our above businesses, the Group remains in a strong financial position and our core water resources management segment, which has experienced little impact from the outbreak, will provide support for the Group's overall performance in 2020. The Group will implement proactive epidemic prevention measures to ensure the health and safety of our employees and customers. As the full impact and the duration of the outbreak cannot be estimated at this point in time, the Group will closely monitor the situation and continue to assess the impact of the epidemic on the operations and financial performance of the Group.

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

As at 31 December 2019, the Group held nil balance of financial assets at fair value through profit or loss and other financial assets at amortised cost. As at 31 December 2018, financial assets at fair value through profit or loss and other financial assets at amortised cost amounting to HK\$8,997 million in aggregate were placed by the Group with a number of licensed banks in the PRC, each of which for a term not exceeding one year. The principal sums of these financial assets with those licensed banks were denominated in Renminbi and were principal protected upon the maturity date.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2019, cash and cash equivalents of the Group increased by HK\$4,702 million to HK\$12,347 million (2018: HK\$7,645 million), of which 96.0% was denominated in Renminbi, 3.4% in Hong Kong dollars and 0.6% in United States dollars.

As at 31 December 2019, the Group's financial borrowings decreased by HK\$838 million to HK\$8,492 million (2018: HK\$9,330 million), of which 61.8% was denominated in Hong Kong dollars and 38.2% in Renminbi, including the non-interest-bearing advance of HK\$355 million. Of the Group's total financial borrowings, HK\$1,535 million was repayable within one year while the remaining balances of HK\$6,330 million and HK\$627 million were 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 consisted of 94.7% floating rate borrowings, 0.6% fixed rate borrowings and 4.7% non-interest bearing borrowings as at 31 December 2019.

The Group maintained a credit facility of HK\$1,814 million as at 31 December 2019 (2018: HK\$1,071 million). As at 31 December 2019, the Group was in a net cash position and hence no gearing ratio was presented (2018: gearing ratio was 7.0% (i.e. net financial indebtedness/net asset value (excluding non-controlling interests))). The Group was in a healthy debt servicing position as the EBITDA/finance costs incurred as at 31 December 2019 was 26.9 times (2018: 50.1 times).

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, except for (i) bank deposits of HK\$43 million (2018: HK\$42 million), (ii) completed properties held for sale of HK\$1,803 million (2018: HK\$3,567 million), (iii) completed investment properties of HK\$363 million (2018: HK\$412 million), (iv) certain revenue entitlement under the water distribution and sewage treatment concession rights as security for bank and other loans of HK\$1,220 million; and (v) 100% equity interest of Guangdong Yuehai Property Development Co., Ltd. at the cost of approximately HK\$1,391 million (2018: approximately HK\$1,391 million), which were pledged to secure certain bank loans and performance obligations attributable to the Group of certain construction agreements, none of the property, plant and equipment, concession rights for water distribution operation and sewage treatment operation (comprising operating concession rights and receivables under service concession agreements) were pledged to secure bank loans granted to the Group.

Except for the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK\$736 million (2018: approximately HK\$370 million) and the Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate of approximately HK\$56 million in 2018 as disclosed in note 12 of this announcement, there was no other material contingent liability as at 31 December 2019 and 2018.

CAPITAL EXPENDITURE

The Group's capital expenditure during the year amounted to HK\$3,268 million which was principally related to the development cost for property development projects, construction cost for water supply and sewage treatment plants and acquisition of subsidiaries.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 31 December 2019, total Renminbi borrowings amounted to HK\$3,245 million (2018: HK\$2,800 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 31 December 2019, the Group's total floating rate borrowings amounted to HK\$8,045 million (2018: HK\$8,674 million). The interest rate risk exposure was considered to be minimal and thus no interest rate hedging was considered necessary.

PRINCIPAL RISKS AND UNCERTAINTIES

Macroeconomic Risk

As a diversified conglomerate with investments in different business segments, the financial and operating performance of the Company is inextricably linked to the macroeconomic environment.

Internationally, facing downward pressure, the global economic growth was sluggish, with increasing uncertainties such as China-US trade tension and complex geopolitical shifts. Domestically, the overall economic performance maintained a long-term stable and improving growth trend. However, due to the combined effects of the novel coronavirus outbreak, trade tensions, acceleration of replacement of old growth drivers with new initiatives and Renminbi exchange rate fluctuations, economic fundamentals remain challenging. Macroeconomic development increasingly faces dilemmas such as maintaining growth while attempting further structural adjustment without causing high inflation, which may cause uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange rate. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to 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 optimising 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 where it operates. 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, the Company will systemise the relevant risk control mechanism so as to establish firmwide standardised risk management procedures. On the other hand, the Company will strengthen production quality control by performing regular safety inspections on its production and operational facilities as a preventive measure, and by seeking market supervision and take timely actions to rectify existing problems to avoid adverse impact.

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

Regarding the risks arising from novel coronavirus epidemic, the Group will do its best to prevent and control by establishing and improving relevant management systems to guarantee safe and smooth production in different business segments and effectively minimize the product safety management risk as well as personnel safety management risk that is caused by the novel coronavirus epidemic.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 7,805 employees, of which 1,654 were at the managerial level. Among the employees, 7,563 were employed by subsidiaries in Mainland China and 242 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$1,588,566,000 (2018: approximately HK\$1,383,240,000).

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Group recognises 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 of 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”).

In the opinion of the directors of the Company, the Company had complied with the code provisions set out in the CG Code for the year ended 31 December 2019 and, where appropriate, the applicable recommended best practices of the CG Code.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, One Harbour Road, Wanchai, Hong Kong on Friday, 12 June 2020 at 3:00 p.m. (the “2020 Annual General Meeting”).

In order to qualify for attending and voting at the 2020 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2020.

ENTITLEMENT FOR FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK 40.5 cents per ordinary share for the year ended 31 December 2019 which is expected to be paid on or about Thursday, 30 July 2020 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 19 June 2020 subject to the final approval at the 2020 Annual General Meeting.

For the purpose of determining shareholders’ entitlements to the proposed final dividend for the year ended 31 December 2019, the register of members of the Company will be closed on Friday, 19 June 2020 and no transfer of shares will be registered on that day. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Tengis Limited, at the above address not later than 4:30 p.m. on Thursday, 18 June 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.gdi.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

By Order of the Board
HOU Wailin
Chairman

Hong Kong, 27 March 2020

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

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