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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)

UNAUDITED FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

The board of directors (the “Board”) of Guangdong Investment Limited (the “Company”) is pleased to announce the unaudited financial information of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2020 (the “Period”) together with the comparative figures.

	<u>For the nine months ended 30 September</u>		Changes
	2020	2019	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	%
Revenue	<u>16,094,460</u>	<u>11,345,366</u>	+41.9
<i>Changes in fair value of investment properties</i>			
	<i>(97,906)</i>	<i>196,433</i>	
Profit before tax	<u>6,619,577</u>	<u>5,844,008</u>	+13.3
Profit attributable to owners of the Company	<u>3,886,304</u>	<u>4,142,590</u>	-6.2
	<u>30 September 2020</u>	<u>31 December 2019</u>	Changes
	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	%
Total Assets	<u>80,902,649</u>	<u>76,424,494</u>	+5.9
Equity attributable to owners of the Company	<u>41,915,874</u>	<u>41,156,367</u>	+1.8

Notes:

- (1) *The financial information has not been audited or reviewed by the Company's auditor.*
- (2) *The financial information relating to the year ended 31 December 2019 included in this announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory 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 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622). The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Chapter 622).

- (3) *This announcement is made by the Company on a voluntary basis in order to further enhance the Company's level of corporate governance and transparency. The Company will continue to publish financial information quarterly in subsequent financial years.*

PERFORMANCE HIGHLIGHTS

The outbreak of the COVID-19 Pandemic (the "Pandemic") has caused adverse impact on the global economy including China. The Group's businesses, in particular the hotel and department stores operation businesses, were affected to various extents. Nevertheless, the operation of Group's core business, water resources business, remains stable.

The unaudited consolidated revenue of the Group for the Period was HK\$16,094 million (2019: HK\$11,345 million), an increase of 41.9% as compared with the same period last year. The increase in revenue was mainly attributable to a better performance in water resources business and sale of properties business during the Period.

The unaudited consolidated profit before tax for the Period increased by 13.3% to HK\$6,620 million (2019: HK\$5,844 million). The increase in the profit before tax was mainly due to a better performance in water resources business and property investment and development business for the Period. The net deficit arising from fair value adjustments for investment properties was HK\$98 million (2019: net surplus of HK\$196 million), causing a reduction in profit before tax by HK\$294 million as compared with the same period last year. The net exchange loss of the Group for the Period amounted to HK\$6 million (2019: net exchange gain of HK\$105 million), HK\$111 million lower than that in the same period last year. Total interest income and the changes in fair value of financial assets at fair value through profit or loss, net of finance cost of the Group for the Period decreased by 50.3% to HK\$92 million (2019: HK\$185 million).

The unaudited consolidated profit attributable to owners of the Company for the Period decreased by 6.2% to HK\$3,886 million (2019: HK\$4,143 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 Period increased to 31.3% (2019: 22.1%).

Although the Pandemic has had an adverse impact on the Group, the fundamentals of the Group have not changed and our financial position remains strong. The Company believes that such impact is temporary, and with the gradual easing and cessation of the Pandemic, operations will return to normal. The Company remains firmly confident that the Group will maintain steady development in the middle and long-term.

As at 30 September 2020, the unaudited equity attributable to owners of the Company was HK\$41,916 million (31 December 2019: HK\$41,156 million (audited)), increasing by approximately HK\$760 million during the Period. The changes for the Period mainly represented the unaudited consolidated profit for the Period attributable to owners of the Company of HK\$3,886 million, the other comprehensive income of HK\$677 million in relation to the exchange differences on translation of foreign operations as a result of RMB appreciation and dividends distributed during the Period of HK\$3,801 million.

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

Water Resources

Dongshen Water Supply Project

Total volume of water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.672 billion tons (2019: 1.546 billion tons), increasing by 8.2%, generating a revenue of HK\$4,963 million (2019: HK\$4,948 million), an increase of 0.3% over the same period last year.

The revenue from water sales to Hong Kong for the Period increased by 0.3% to HK\$3,945 million (2019: HK\$3,933 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period increased by 0.3% to HK\$1,018 million (2019: HK\$1,015 million), which was mainly due to the increase of water supply volume by 4.1%. The profit before tax for the Period, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project was HK\$3,334 million (2019: HK\$3,292 million), 1.3% higher than that in the same period last year.

Other Water Resources Projects

Apart from the Dongshen Water Supply Project, the Group has a number of subsidiaries and associates which are principally engaged in water distribution, sewage treatment operation and waterworks construction in the People's Republic of China (the "PRC").

During the Period, the Group had certain new water resources projects located in Fengshun County, Huilai County, Shanwei City and Yunfu City of Guangdong Province and Wujin City of Jiangsu Province, the PRC, with total designed water supply capacity and waste water processing capacity of 751,000 tons per day and 373,500 tons per day, respectively. The expected total investment amount of these projects are approximately RMB3,870 million (equivalent to approximately HK\$4,404 million). In addition, the Group acquired 75% equity interest of 哈爾濱工業大學中百信軟件基地有限責任公司 (Harbin Institute of Technology Zhongbaixin Software Base Co., Ltd.▲) and its subsidiaries ("Harbin Zhongbaixin") at a cash consideration of approximately RMB60 million (equivalent to approximately HK\$69 million). Harbin Zhongbaixin is mainly engaged in water quality research and water resources technology development and innovation in Harbin City, Heilongjiang Province, the PRC.

As at 30 September 2020, 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 9,853,500 tons per day (31 December 2019: 9,003,000 tons per day) and 1,704,200 tons per day (31 December 2019: 1,331,000 tons per day), respectively.

Capacity of Water Resources Projects in Operation

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

<u>Name of subsidiaries of the Company</u>	<u>Water supply capacity (tons per day)</u>	<u>Waste water processing capacity (tons per day)</u>
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.▲)	290,000	-
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲)	310,000	200,000
Yizheng Yuehai Water Supply Co., Ltd.	150,000	-
Gaoyou GDH Water Co., Ltd.	100,000	-
寶應粵海水務有限公司 (Baoying Guangdong Water Co., Ltd.▲)	130,000	-
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	100,000	-
梧州粵海江河水務有限公司 (Wuzhou Guangdong Jianghe Water Co., Ltd.▲)	355,000	-
Zhaoqing HZ GDH Water Co., Ltd.	120,000	-

<u>Name of subsidiaries of the Company</u>	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
遂溪粵海水務有限公司 (Suixi Guangdong Water Co., Ltd. ▲)	70,000	-
海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd. ▲)	50,000	20,000
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd. ▲)	73,500	-
盱眙粵海水務有限公司 (Xuyi Guangdong Water Co., Ltd. ▲)	150,000	-
梧州粵海環保發展有限公司 (Wuzhou Guangdong Huanbao Fazhan Co., Ltd. ▲)	-	140,000
東莞市常平金勝水務有限公司 (Dongguan Changping Jinsheng Water Co., Ltd. ▲)	-	70,000
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd. ▲)	-	50,000
五華粵海環保有限公司 (Wuhua Guangdong Huanbao Co., Ltd. ▲)	-	40,000
東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd. ▲)	-	40,000
興寧粵海環保有限公司 (Xingning Guangdong Huanbao Co., Ltd. ▲)	-	3,000
開平粵海污水處理有限公司 (Kaiping Guangdong Sewage Treatment Co., Ltd. ▲)	-	25,000
五華粵海清源環保有限公司 (Wuhua Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	15,000
汕尾粵海環保有限公司 (Shanwei Guangdong Huanbao Co., Ltd. ▲)	-	30,000
高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd. ▲)	100,000	-
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd. ▲) and its subsidiaries ("Jiangxi Guangdong Group")	680,000	81,000
五華粵海綠源環保有限公司 (Wuhua Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	11,000
六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Co., Ltd. ▲)	-	115,000
昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd. ▲)	-	15,000
雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd. ▲)	50,000	-
大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd. ▲)	-	10,300
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	10,000
陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd. ▲)	-	6,100
雲浮市自來水有限公司 (Yunfu City Water Supply Co., Ltd. ▲)	105,000	-
雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Co., Ltd. ▲)	-	60,000
雲浮市雲安區怡源環保有限公司 (Yunfu City Yunan District Yiyuan Huanbao Co., Ltd. ▲)	-	10,000
雲浮市粵海清源環保有限公司 (Yunfu City Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	15,000
郁南縣粵海環保有限公司 (Yunan County Guangdong Huanbao Co., Ltd. ▲)	-	20,000
Total for year 2020	<u>2,833,500</u>	<u>986,400</u>
Total for year 2019	<u>2,673,500</u>	<u>720,000</u>

<u>Name of associates of the Company</u>	Water supply capacity (tons per day)
Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd	600,000
廣州南沙粵海水務有限公司 (Guangzhou Nansha Guangdong Water Co., Ltd. ▲)	400,000
汕頭市粵海水務有限公司 (Shantou Guangdong Water Co., Ltd. ▲)	920,000
Total for year 2020	<u>1,920,000</u>
Total for year 2019	<u>1,840,000</u>

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, 恩施粵海正源水務有限公司 (Enshi Guangdong Zheng Yuan Water Co., Ltd.▲), Jiangxi Guangdong Group, Gaoyou GDH Water Co., Ltd., 湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲), 邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd.▲), 荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd.▲), 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲), 昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.▲) and 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd.▲) is 400,000 tons, 50,000 tons, 50,000 tons, 1,060,000 tons, 250,000 tons, 80,000 tons, 50,000 tons, 34,000 tons and 50,000 tons per day, respectively, totaling 2,024,000 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.▲), 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 Guangdong 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.▲), 潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd.▲), 惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd.▲), 惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd.▲) and 昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.▲) is 11,200 tons, 50,000 tons, 18,500 tons, 500 tons, 20,000 tons, 25,000 tons, 20,000 tons, 13,500 tons, 20,000 tons and 10,000 tons per day, respectively, totaling 188,700 tons per day.
- The water supply capacity of the water supply plants under construction of an associate of the Company, namely, 興化粵海水務有限公司 (Xinghua Guangdong Water Co., Ltd.▲) is 430,000 tons per day.

Revenue of Other Water Resources Projects for the Period in aggregate amounted to HK\$3,425,202,000 (2019: HK\$2,082,971,000), increasing by 64.4% over the same period last year. The growth was mainly attributable to additional returns from those water resources projects newly acquired or launched as well as an increase in construction revenue from those projects under construction. Profit before tax of Other Water Resources Projects for the Period, excluding the net exchange differences and net finance costs, amounted to HK\$624,368,000 (2019: HK\$434,092,000) in aggregate, 43.8% higher than that in the same period last year.

New Water Resources Project

After the end of the reporting period, two new water resources projects respectively located in Jieyang City and Nansha District of Guangdong Province, the PRC, were successfully contracted for. Total designed water supply capacity of these projects is 995,000 tons per day. The expected total investment amount of these projects is approximately RMB2,462 million (equivalent to approximately HK\$2,802 million).

Property Investment and Development

Mainland China

GDH Teem

As at 30 September 2020, the Group held an effective interest of 76.13% in 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited[▲]) (“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 Period, revenue of GDH Teem decreased by 14.4% to HK\$768,721,000 (2019: HK\$897,870,000), which was mainly caused by the rental concession granted to tenants following the Pandemic and the decrease in the HK\$ equivalent of profit from rental operation as a result of decrease in average exchange rate of RMB of 2.9% compared with that in the same period last year. The profit before tax for the Period, excluding changes in fair value of investment properties and net interest income, decreased by 13.2% to HK\$529,057,000 (2019: HK\$609,312,000).

The shopping mall of Teem Plaza, known as the Teemall, had an average occupancy rate of nearly 99.9% during the Period (2019: 99.9%). The mall is successful in retaining existing brand-name tenants and attracting new ones.

The office building of Teem Plaza, known as Teem Tower, with an average occupancy rate of 95.7% (2019: 96.7%) during the Period, had a total revenue for the Period of HK\$149,731,000 (2019: HK\$157,760,000), decreasing by 5.1%. The profit before tax for the Period, excluding changes in fair value of investment properties, decreased by 1.2% to HK\$131,041,000 (2019: HK\$132,587,000).

During the Period, GDH Teem disposed of 廣東粵海天河城商業管理有限公司 (GDH Teem Commercial Management Co., Ltd.[▲]) at a consideration of RMB97,584,461.37 (equivalent to approximately HK\$108,416,000), resulting in a gain on disposal of approximately HK\$76,224,000.

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%. 廣州粵海天河城投資有限公司 (Guangzhou Yuehai Tianhecheng Investment Co., Ltd.[▲]), a 60%-owned subsidiary of GDH Teem, directly holds 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 gross floor area (“GFA”) of approximately 385,000 square meters (“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.

The development of the commercial residential units and offices of Panyu Wanbo CBD Project had completed. As at 30 September 2020, sales contracts for accumulated GFA of approximately 99,000 sq.m. (31 December 2019: approximately 89,000 sq.m.) had been signed, in which, properties with accumulated GFA of approximately 91,200 sq. m. (31 December 2019: approximately 27,900 sq. m.) had been delivered to customers.

Revenue from sales of properties of Panyu Wanbo CBD Project for the Period was HK\$1,633,107,000 (2019: Nil). Profit before tax, excluding changes in fair value of investment properties and net interest income amounted to HK\$866,413,000 (2019: loss before tax of HK\$28,461,000).

Tianjin Teem Shopping Mall

The Group held an effective interest of 76.02% in Tianjin Yuehai 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.

Tianjin Teem Shopping Mall, with tenants ranging from local enterprises to well-known multinationals, had a lower average occupancy rate of 89.8% (2019: 95.6%) as compared with same period last year arising from certain lease terminations during the Pandemic. Revenue of Tianjin Teem Shopping Mall for the Period was HK\$120,413,000 (2019: HK\$139,987,000), decreasing by 14.0%. The profit before tax of Tianjin Teem Shopping Mall for the Period, excluding changes in fair value of investment properties and net finance costs, was HK\$53,498,000 (2019: HK\$45,823,000), increasing by 16.7% mainly due to certain cost saving outweighing the decrease in revenue.

GD Land

The Company’s effective interest in Guangdong Land Holdings Limited (“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. The completion of works (竣工備案) of the Northwestern Land properties with total GFA of approximately 114,654 sq. m., being the first phase of the GDH City Project, has been filed in June 2020 and the first delivery of properties and revenue recognition of the GDH City Project were made during the Period. As at 30 September 2020, properties held for sale under the first phase of the GDH City Project with accumulated GFA of approximately 21,062 sq. m. (31 December 2019: Nil) had been delivered to customers.

GD Land holds a 100% interest in the Laurel House Project located in Yuexiu District, Guangzhou City, the PRC. The Laurel House Project comprises residential units, commercial properties and car-parking spaces, among which all the residential units with total GFA of approximately 65,636 sq. m. and some of the car-parking spaces are for sale, while the remaining properties are for lease. As at 30 September 2020, properties held for sale under the Laurel House Project with accumulated GFA of approximately 48,188 sq. m. (31 December 2019: approximately 22,718 sq. m.) had been delivered to customers.

GD Land also holds a 100% interest in the Chenyuan Road Project, a development project located in Pengjiang District, Jiangmen City, the PRC, with a site area of approximately 59,705 sq. m. and a total GFA of approximately 164,216 sq. m.. It is expected to be used for residential and commercial service purposes and completion of works of the project is expected to be filed in the second half of 2022.

On 29 May 2020, GD Land succeeded in the bid for the land use rights of the land parcel at the Aviation New Town Core Area in Jinwan District, Zhuhai City, the PRC, with a site area of approximately 66,090 sq. m. and a maximum total GFA included in the calculation of plot ratio of approximately 166,692 sq. m. for a cash consideration of RMB2,295 million (equivalent to approximately HK\$2,495 million). It is expected to be used for residential and commercial purposes and completion of works of the project is expected to be filed in 2024.

Revenue of GD Land for the Period increased by 342.1% to HK\$3,382,758,000 (2019: HK\$765,084,000), of which sales of properties amounted to HK\$3,370,829,000 (2019: HK\$758,815,000). The profit before tax of GD Land for the Period, excluding changes in fair value of investment properties and net finance costs, was HK\$651,061,000 (2019: HK\$19,272,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 98.1% (2019: 98.4%). The total revenue for the Period decreased by 1.3% to HK\$42,831,000 (2019: HK\$43,374,000).

Department Store Operation

As at 30 September 2020, the Group operated six stores (31 December 2019: seven stores) with a total leased area of approximately 125,800 sq. m. (31 December 2019: 136,000 sq. m.). The total revenue for the Period decreased by 28.8% to HK\$375,474,000 (2019: HK\$527,352,000). The profit before tax for the Period decreased by 53.1% to HK\$94,607,000 (2019: HK\$201,662,000). The decrease in total revenue and profit before tax for the Period was mainly due to reduced foot traffic and sales volume as a result of the Pandemic.

The revenue of the stores operated by the Group for the nine months ended 30 September 2020 was as follows:

	Leased area sq. m.	Revenue for the nine months ended 30 September		Changes %
		2020 HK\$'000	2019 HK\$'000	
Teemall Store	39,500	246,221	358,849	-31.4
Wan Bo Store	19,600	41,035	63,264	-35.1
Ming Sheng Store	11,900	13,894	31,358	-55.7
Dong Pu Store	28,300	50,940	39,297	+29.6
Ao Ti Store	21,500	21,938	30,815	-28.8
Dongguan Store (closed in April 2020)	-	1,027	2,679	-61.7
Nanhai Store	<u>5,000</u>	<u>419</u>	<u>1,090</u>	<u>-61.6</u>
	<u>125,800</u>	<u>375,474</u>	<u>527,352</u>	<u>-28.8</u>

Hotel Ownership, Operation and Management

As at 30 September 2020, the Group's hotel management team managed a total of 36 hotels (31 December 2019: 35 hotels), of which three were located in Hong Kong, one in Macau and 32 in Mainland China. As at 30 September 2020, five star-rated hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou and Zhuhai, were owned by the Group. Of these five hotels, four were managed by our hotel management team with the exception of the one located in Guangzhou, namely Sheraton Guangzhou Hotel, which was managed by Sheraton Overseas Management Corporation.

During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$832 (2019: HK\$1,210) whereas the average room rate of the remaining four star-rated hotels was HK\$362 (2019: HK\$673). The average occupancy rate of Sheraton Guangzhou Hotel was 57.8% (2019: 93.4%) and that of the other four star-rated hotels was 29.1% (2019: 75.2%) during the Period.

The Pandemic has led to global travel bans and overall demand for accommodation has declined significantly. Accordingly, the revenue of hotel ownership, operation and management business for the Period decreased by 57.6% to HK\$202,481,000 (2019: HK\$477,836,000). The loss before tax for the Period, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$61,804,000 (2019: profit before tax, excluding net exchange differences, of HK\$97,307,000).

Energy Projects

Zhongshan Energy Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% interest in 中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.[▲]) (“Zhongshan Energy”). Zhongshan Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the Period amounted to 2,152 million kwh (2019: 2,135 million kwh), increasing by 0.8%. Due to the decrease in electricity tariff, revenue of Zhongshan Energy Project (including intersegment sales) generated from electricity sales and related operations for the Period decreased by 4.6% to HK\$1,062,325,000 (2019: HK\$1,114,129,000). The profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$205,349,000 (2019: HK\$218,078,000), a decrease of 5.8%.

Guangdong Yudean Jinghai Power Generation Co., Ltd. (“Yudean Jinghai Power”)

The Group’s effective interest in Yudean Jinghai Power is 25%. As at 30 September 2020, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the Period amounted to 9,698 million kwh (2019: 8,815 million kwh), an increase of 10.0%. Revenue for the Period increased by 3.0% to HK\$3,967,551,000 (2019: HK\$3,853,063,000). As coal price decreased, the profit before tax of Yudean Jinghai Power for the Period was HK\$649,695,000 (2019: HK\$425,987,000), an increase of 52.5%. The Group’s share of profit in Yudean Jinghai Power amounted to HK\$121,818,000 (2019: HK\$79,714,000) during the Period, an increase of 52.8%.

Road and Bridge

Xingliu Expressway

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

The average daily toll traffic flow of the Xingliu Expressway was 16,840 vehicle trips during the Period (2019: 25,426 vehicle trips), decreasing by 33.8%. The revenue of GDH Highway during the Period amounted to HK\$362,051,000 (2019: HK\$577,069,000), decreasing by 37.3%. Profit before tax, excluding net finance costs, during the Period amounted to HK\$165,038,000 (2019: HK\$372,402,000), decreasing by 55.7%. The decrease in revenue and profit before tax was mainly because the Group exempted the toll fees of vehicles passing along the Xingliu Expressway from midnight of 17 February 2020 to midnight of 5 May 2020 (“79 days toll-free period”) in accordance with the policy issued by the Ministry of Transport of the PRC on 15 February 2020.

On 10 July 2020, the relevant government authorities in Guangxi Province, the PRC announced that the accumulated 79 days toll-free period during the prevention and control of the Pandemic was not included in the original approved operating concession period. Accordingly, the operating concession period of GDH Highway will be automatically extended by 79 days.

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\$5.410 billion). The Xiegang Government shall pay the Development Costs by 10 annual instalments throughout the maintenance period, being ten years (the "Maintenance Period") from the acceptance of the Project Roads by the Xiegang Government.

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

As at 30 September 2020, one Project Road was completed (31 December 2019: Nil) and three Project Roads (31 December 2019: three Project Roads) were under construction. The Accrued Interest Amount and Management Fee of Yuehai Yinping recognised during the Period amounted to HK\$71,289,000 in total (2019: HK\$28,000,000) and profit before tax during the Period amounted to HK\$63,446,000 (2019: HK\$19,032,000).

POTENTIAL BUSINESS IMPACTS OF COVID-19 PANDEMIC

The COVID-19 Pandemic 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. 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 midnight of 5 May 2020. 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 Pandemic 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 Pandemic on the operations and financial performance of the Group.

PROSPECTS

Benefitting from unprecedented lockdown measures, swift fiscal, monetary and regulatory responses after the economy plummeted in the second quarter of the year, the global economy showed signs of tepid recovery. But uneven pandemic control measures in different countries, waves of novel coronavirus Pandemic outbreaks, difficult balancing act between strict pandemic control measures and re-opening to support the economy have led to increased uncertainties in sustained global economic recovery. Faced with increasingly complex and severe economic environment, the Group will continue to closely monitor global political and economic policy changes as well as capital markets trends, strengthen risk management and seek business expansion opportunities while ensuring a steady growth of its core businesses.

The Group will continue to monitor investment opportunities in the areas of water resources management, properties and infrastructure development. Meanwhile, the Group will also monitor potential opportunities involving public-private-partnership projects and “The Greater Bay Area Initiative” to further enhance the Company’s financial performance and ensure sustainable growth.

REVIEW OF UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the Group for the nine months ended 30 September 2020 has been reviewed by the Audit Committee of the Company.

CAUTION STATEMENT

Shareholders of the Company and potential investors should note that all the information contained in this announcement has not been audited. Accordingly, any information contained in this announcement should in no way be regarded as to provide any indication or assurance on the financial results of the Group for the nine months ended 30 September 2020.

Shareholders of the Company and potential investors are urged to exercise caution in dealing in the securities of the Company and are recommended to consult their own professional advisers if they are in doubt as to their investment positions.

By Order of the Board
HOU Wailin
Chairman

Hong Kong, 29 October 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. LIN Tiejun, Mr. WEN Yinheng and Mr. TSANG Hon Nam; three Non-Executive Directors, namely, Mr. CAI Yong, Mr. LAN Runing and Mr. FENG Qingchun; 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.