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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)**

**2020 ANNUAL RESULTS ANNOUNCEMENT**

**Financial highlights for the year ended 31 December**

	<b>2020</b>	<b>2019</b>	<b>Changes</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
<b>Revenue</b>	<u><b>23,173,322</b></u>	<u><b>16,691,209</b></u>	+38.8
<b>Profit before tax</b>	<u><b>8,201,247</b></u>	<u><b>7,481,423</b></u>	+9.6
<b>Profit for the year</b>	<u><b>5,638,365</b></u>	<u><b>5,646,383</b></u>	-0.1
<b>Profit attributable to owners of the Company</b>	<u><b>4,509,944</b></u>	<u><b>5,044,370</b></u>	-10.6
<b>Earnings per share – Basic</b>	<u><b>HK 68.98 cents</b></u>	<u><b>HK 77.16 cents</b></u>	-10.6
<b>Dividends per share</b>			
Interim	<b>HK 17.64 cents</b>	<b>HK 17.30 cents</b>	
Proposed final	<b>HK 41.30 cents</b>	<b>HK 40.50 cents</b>	
	<u><b>HK 58.94 cents</b></u>	<u><b>HK 57.80 cents</b></u>	+2.0

## CONSOLIDATED FINANCIAL INFORMATION

### YEAR ENDED 31 DECEMBER 2020

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 2020 together with the comparative figures for 2019 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2020*

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	4	23,173,322	16,691,209
Cost of sales		<u>(13,789,293)</u>	<u>(7,932,879)</u>
Gross profit		9,384,029	8,758,330
Other income and gains	4	661,559	673,809
Changes in fair value of investment properties		757,279	172,340
Selling and distribution expenses		(520,003)	(426,774)
Administrative expenses		(1,980,661)	(1,839,353)
Exchange differences, net		(88,269)	82,532
Other operating income, net		62,933	137,324
Finance costs	6	(291,870)	(289,715)
Share of profits less losses of associates		<u>216,250</u>	<u>212,930</u>
PROFIT BEFORE TAX	5	8,201,247	7,481,423
Income tax expense	7	<u>(2,562,882)</u>	<u>(1,835,040)</u>
PROFIT FOR THE YEAR		<u>5,638,365</u>	<u>5,646,383</u>
Attributable to:			
Owners of the Company		4,509,944	5,044,370
Non-controlling interests		<u>1,128,421</u>	<u>602,013</u>
		<u>5,638,365</u>	<u>5,646,383</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK68.98 cents</u>	<u>HK77.16 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*Year ended 31 December 2020*

	2020 HK\$'000	2019 HK\$'000
PROFIT FOR THE YEAR	<u>5,638,365</u>	<u>5,646,383</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations		
- Subsidiaries	2,835,452	(999,455)
- Associates	<u>269,017</u>	<u>(94,156)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>3,104,469</u>	<u>(1,093,611)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	136	137
Fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	38,685	364,222
Share of an associate's remeasurement gain on defined benefit plan, net of tax	<u>729</u>	<u>3,217</u>
	39,550	367,576
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>3,144,019</u>	<u>(726,035)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>8,782,384</u></u>	<u><u>4,920,348</u></u>
Attributable to:		
Owners of the Company	6,934,528	4,503,700
Non-controlling interests	<u>1,847,856</u>	<u>416,648</u>
	<u><u>8,782,384</u></u>	<u><u>4,920,348</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 December 2020**

	Note	2020 HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		7,683,847	6,848,039
Investment properties		21,295,440	18,177,573
Right-of-use assets		604,667	586,680
Goodwill		594,086	574,242
Other intangible assets		30,025	-
Investments in associates		4,457,613	4,136,983
Operating concession rights		15,060,664	13,889,229
Receivables under service concession arrangements		9,391,825	4,477,977
Receivables under a cooperative arrangement		1,899,957	1,151,590
Equity investments designated at fair value through other comprehensive income		15,031	10,146
Prepayments and other receivables		533,271	163,271
Deferred tax assets		<u>684,334</u>	<u>385,948</u>
Total non-current assets		<u>62,250,760</u>	<u>50,401,678</u>
<b>CURRENT ASSETS</b>			
Properties held for sale under development		6,213,674	6,624,204
Completed properties held for sale		4,258,089	3,980,357
Tax recoverable		7,695	109,098
Inventories		223,280	199,630
Receivables under service concession arrangements		155,694	86,972
Receivables, prepayments and other receivables	10	5,190,380	1,612,470
Due from non-controlling equity holders of subsidiaries		816,232	65,703
Pledged bank deposits		-	42,895
Restricted bank balances		117,254	954,719
Cash and cash equivalents		<u>10,367,484</u>	<u>12,346,768</u>
Total current assets – page 5		<u>27,349,782</u>	<u>26,022,816</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**31 December 2020**

	Note	2020 HK\$'000	2019 HK\$'000
Total current assets – page 4		<u>27,349,782</u>	<u>26,022,816</u>
<b>CURRENT LIABILITIES</b>			
Payables, accruals and other liabilities	11	(6,881,504)	(4,594,861)
Contract liabilities		(3,381,512)	(3,091,704)
Tax payables		(2,577,480)	(1,328,697)
Due to non-controlling equity holders of subsidiaries		(1,180,059)	(167,215)
Bank and other borrowings		(5,690,306)	(1,417,013)
Lease liabilities		<u>(56,073)</u>	<u>(42,663)</u>
Total current liabilities		<u>(19,766,934)</u>	<u>(10,642,153)</u>
NET CURRENT ASSETS		<u>7,582,848</u>	<u>15,380,663</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>69,833,608</u>	<u>65,782,341</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		(5,511,539)	(6,720,265)
Lease liabilities		(473,140)	(630,171)
Other liabilities and contract liabilities		(1,927,114)	(1,555,193)
Deferred tax liabilities		<u>(5,965,854)</u>	<u>(6,183,719)</u>
Total non-current liabilities		<u>(13,877,647)</u>	<u>(15,089,348)</u>
Net assets		<u>55,955,961</u>	<u>50,692,993</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		8,966,177	8,966,177
Reserves		<u>35,261,621</u>	<u>32,190,190</u>
Non-controlling interests		<u>44,227,798</u>	<u>41,156,367</u>
		<u>11,728,163</u>	<u>9,536,626</u>
Total equity		<u>55,955,961</u>	<u>50,692,993</u>

Notes:

## 1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2020 and 2019 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 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) and will deliver the consolidated financial statements for the year ended 31 December 2020 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 and equity investments designated at fair value through other comprehensive income 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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any material impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.



### 3. OPERATING SEGMENT INFORMATION

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

- (i) The water resources segment engages in water distribution, sewage treatment, construction of water supply and sewage treatment infrastructure and water pipeline installation 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, interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost, dividends received from equity investments designated at fair value through other comprehensive income, changes in fair value of financial assets at fair value through profit or loss, net gain on disposal of subsidiaries, 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, equity investments designated at fair value through other comprehensive income and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, tax payables, deferred tax liabilities 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	12,990,887	9,470,077	7,077,895	3,942,474	519,900	665,100
Intersegment sales	-	-	89,744	106,267	-	-
Other income and gains from external sources	4,579	33,123	3,619	3,861	67,587	66,640
Other income from intersegment transactions	-	1,457	7,820	8,745	-	-
<b>Total</b>	<u>12,995,466</u>	<u>9,504,657</u>	<u>7,179,078</u>	<u>4,061,347</u>	<u>587,487</u>	<u>731,740</u>
<b>Segment results</b>	<u>4,271,303</u>	<u>4,462,493</u>	<u>2,956,813</u>	<u>1,605,018</u>	<u>106,734</u>	<u>182,732</u>
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Dividends received from equity investment designated at fair value through other comprehensive income	1,013	-	-	-	-	-
Changes in fair value of financial assets at fair value through profit or loss						
Net gain on disposal of subsidiaries	-	-	76,809	-	-	-
Finance costs						
Share of profits less losses of associates	112,186	96,737	-	-	(25,390)	3,964
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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	1,204,982	1,224,791	307,745	618,384	1,071,913	770,383
Intersegment sales	252,776	222,522	-	-	-	-
Other income and gains from external sources	51,445	34,338	1,029	671	89,579	43,968
Other income from intersegment transactions	-	-	-	-	-	-
<b>Total</b>	<u>1,509,203</u>	<u>1,481,651</u>	<u>308,774</u>	<u>619,055</u>	<u>1,161,492</u>	<u>814,351</u>
<b>Segment results</b>	<u>188,527</u>	<u>357,949</u>	<u>(122,118)</u>	<u>94,852</u>	<u>316,478</u>	<u>534,486</u>
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Dividends received from equity investment designated at fair value through other comprehensive income	-	-	-	-	-	-
Changes in fair value of financial assets at fair value through profit or loss						
Net gain on disposal of subsidiaries	-	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	129,349	112,178	105	51	-	-
Profit before tax						
Income tax expense						
Profit for the year						

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	-	-	-	-	23,173,322	16,691,209
Intersegment sales	-	-	(342,520)	(328,789)	-	-
Other income and gains from external sources	6,122	842	-	-	223,960	183,443
Other income from intersegment transactions	11,027	4,520	(18,847)	(14,722)	-	-
<b>Total</b>	<u>17,149</u>	<u>5,362</u>	<u>(361,367)</u>	<u>(343,511)</u>	<u>23,397,282</u>	<u>16,874,652</u>
<b>Segment results</b>	<u>88,958</u>	<u>(206,083)</u>	<u>2,002</u>	<u>2,547</u>	7,808,697	7,033,994
Bank interest income					359,777	254,255
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost					-	273,800
Dividends received from equity investment designated at fair value through other comprehensive income	-	-	-	-	1,013	-
Changes in fair value of financial assets at fair value through profit or loss					-	(37,689)
Net gain on disposal of subsidiaries	-	-	-	-	76,809	-
Finance costs					(261,299)	(255,867)
Share of profits less losses of associates	-	-	-	-	216,250	212,930
Profit before tax					8,201,247	7,481,423
Income tax expense					(2,562,882)	(1,835,040)
Profit for the year					<u>5,638,365</u>	<u>5,646,383</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments (continued)

	Water resources		Property investment and development		Department store operation	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment assets	27,473,043	20,539,872	36,294,345	29,269,462	542,901	522,121
Investments in associates	3,067,803	2,825,583	-	-	179,171	193,516
Unallocated assets						
Total assets						
Segment liabilities	5,782,699	3,097,603	5,113,616	4,495,527	1,428,769	1,341,558
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	1,107,318	1,023,020	74,550	60,734	37,152	33,015
Exchange differences, net	170,570	(51,270)	154,615	(102,017)	(27,231)	4,384
Reversal of impairment losses for trade receivables, net	(389)	(3,159)	-	-	(66)	(42)
Reversal of impairment on an investment in an associate	-	-	-	-	-	-
Impairment/(reversal) of impairment on property, plant and equipment	160	-	-	-	-	-
Changes in fair value of investment properties	236	(173)	(830,068)	(181,651)	27,458	9,484
Net gain on disposal of subsidiaries	-	-	(76,809)	-	-	-
Loss/(gain) on disposal of property, plant and equipment, net	(1,052)	(2,936)	89	667	149	169
Capital expenditure*	<u>1,875,204</u>	<u>2,528,052</u>	<u>997,624</u>	<u>395,093</u>	<u>20,291</u>	<u>166,900</u>

\* Capital expenditure consists of additions to property, plant and equipment, operating concession rights, right-of-use assets, other intangible 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment assets	2,500,857	2,423,294	2,138,052	2,000,859	5,026,837	3,645,339
Investments in associates	1,210,639	1,114,547	-	3,337	-	-
Unallocated assets						
Total assets						
Segment liabilities	477,736	403,232	210,382	167,307	728,595	426,599
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	119,367	121,419	110,207	117,017	157,560	172,100
Exchange differences, net	39,379	(16,987)	(9,601)	3,410	(17,632)	(9,448)
Reversal of impairment losses for trade receivables, net	-	(11)	(2)	(269)	-	-
Reversal of impairment on an investment in an associate	-	(46,026)	-	-	-	-
Impairment/(reversal) of impairment on property, plant and equipment	-	-	-	(15,634)	-	-
Changes in fair value of investment properties	-	-	45,314	-	-	-
Net gain on disposal of subsidiaries	-	-	-	-	-	-
Loss/(gain) on disposal of property, plant and equipment, net	(2)	-	1,059	380	4	8
Capital expenditure*	11,418	30,138	224,321	83,647	633,890	64,751

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

### 3. OPERATING SEGMENT INFORMATION (continued)

#### (a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment assets	19,727	17,990	(100,315)	(7,650)	73,895,447	58,411,287
Investments in associates	-	-	-	-	4,457,613	4,136,983
Unallocated assets					<u>11,247,482</u>	<u>13,876,224</u>
Total assets					<u>89,600,542</u>	<u>76,424,494</u>
Segment liabilities	141,747	134,161	-	-	13,883,544	10,065,987
Unallocated liabilities					<u>19,761,037</u>	<u>15,665,514</u>
Total liabilities					<u>33,644,581</u>	<u>25,731,501</u>
Other segment information:						
Depreciation and amortisation	2,749	1,925	-	-	1,608,903	1,529,230
Exchange differences, net	(215,676)	91,942	(6,155)	(2,546)	88,269	(82,532)
Reversal of impairment losses for trade receivables, net	-	-	-	-	(457)	(3,481)
Reversal of impairment on an investment in an associate	-	-	-	-	-	(46,026)
Impairment/(reversal) of impairment on property, plant and equipment	-	-	-	-	160	(15,634)
Changes in fair value of investment properties	(219)	-	-	-	(757,279)	(172,340)
Net gain on disposal of subsidiaries	-	-	-	-	(76,809)	-
Loss/(gain) on disposal of property, plant and equipment, net	(1)	(2)	-	-	246	(1,714)
Capital expenditure*	<u>3,341</u>	<u>5,403</u>	<u>(14,716)</u>	<u>(5,841)</u>	<u>3,751,373</u>	<u>3,268,143</u>

\* Capital expenditure consists of additions to property, plant and equipment, operating concession rights, right-of-use assets, other intangible 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 2020 and 2019.

	2020 HK\$'000	2019 HK\$'000
<u>Revenue from external customers</u>		
Hong Kong	123,910	233,097
Mainland China	<u>23,049,412</u>	<u>16,458,112</u>
	<u>23,173,322</u>	<u>16,691,209</u>

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

	2020 HK\$'000	2019 HK\$'000
<u>Non-current assets</u>		
Hong Kong	2,380,795	2,368,604
Mainland China	<u>59,170,600</u>	<u>47,636,980</u>
	<u>61,551,395</u>	<u>50,005,584</u>

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

#### (c) Information about a major customer

Revenue of approximately HK\$4,821,410,000 (2019: HK\$4,807,000,000) 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

	2020 HK\$'000	2019 HK\$'000
<b>(a) Types of goods or services:</b>		
<u>Water resources segment</u>		
Income from water distribution — Hong Kong	4,821,410	4,807,000
Income from water distribution — the PRC	2,403,142	2,288,024
Income from sewage treatment services	294,722	202,445
Income from construction services	4,386,877	1,249,659
Income from water pipeline installation and consultancy services	731,379	566,984
Sale of machineries	59,674	230,072
<u>Property investment and development segment</u>		
Sale of properties	5,829,714	2,529,243
Management fee income	147,542	206,762
<u>Department store operation segment</u>		
Commission income from concessionaire sales	430,994	587,158
Sale of goods	88,906	77,942
<u>Electric power generation segment</u>		
Sale of electricity and steam	1,204,982	1,224,791
<u>Hotel operation and management segment</u>		
Hotel income	265,182	597,569
Management fee income	13,349	20,815
<u>Road and bridge segment</u>		
Toll revenue	422,374	754,134
Income from construction services	634,349	-
Management and maintenance fee income	15,190	16,249
<i>Revenue from contracts with customers</i>	21,749,786	15,358,847
<i>Revenue from other sources</i>		
<u>Water resources segment</u>		
Finance income from service concession arrangements	293,683	125,893
<u>Property investment and development segment</u>		
Rental income	1,100,639	1,206,469
<u>Hotel operation and management segment</u>		
Rental income	29,214	-
Total revenue	<u>23,173,322</u>	<u>16,691,209</u>

#### 4. REVENUE, OTHER INCOME AND GAINS (continued)

##### Revenue (continued)

Disaggregated revenue information (continued)

	2020 HK\$'000	2019 HK\$'000
<b>(b) Geographical locations*:</b>		
<u>Mainland China</u>		
Water resources segment	12,697,204	9,344,184
Property investment and development segment	5,977,256	2,736,005
Department store operation segment	519,900	665,100
Electric power generation segment	1,204,982	1,224,791
Hotel operation and management segment	219,478	444,480
Road and bridge segment	<u>1,071,913</u>	<u>770,383</u>
	<u>21,690,733</u>	<u>15,184,943</u>
<u>Hong Kong</u>		
Hotel operation and management segment	<u>59,053</u>	<u>173,904</u>
<i>Revenue from contracts with customers</i>	21,749,786	15,358,847
<i>Revenue from other sources</i>		
Rental income	1,129,853	1,206,469
Finance income from service concession arrangements	<u>293,683</u>	<u>125,893</u>
	<u>23,173,322</u>	<u>16,691,209</u>

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

##### Other income and gains

	2020 HK\$'000	2019 HK\$'000
Bank interest income	359,777	254,255
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost	-	273,800
Interest income from receivables under a cooperative arrangement	85,025	35,915
Changes in fair value of financial assets at fair value through profit or loss	-	(37,689)
Net gain on disposal of subsidiaries	76,809	-
Others	<u>139,948</u>	<u>147,528</u>
	<u>661,559</u>	<u>673,809</u>

## 5. PROFIT BEFORE TAX

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

	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold*	1,148,435	1,055,969
Cost of services rendered*	7,905,073	3,950,476
Cost of properties sold*	3,674,238	1,875,426
Depreciation of property, plant and equipment	482,939	428,196
Depreciation of right-of-use assets	62,046	50,026
Amortisation of operating concession rights*	1,061,547	1,051,008
Amortisation of other intangible assets	2,371	-
Reversal of impairment losses for trade receivables, net <sup>^</sup>	(457)	(3,481)
Reversal of impairment on an investment in an associate <sup>^</sup>	-	(46,026)
Impairment/(reversal) of impairment on property, plant and equipment <sup>^</sup>	160	(15,634)
Lease payments not included in the measurement of lease liabilities	49,397	49,386
Auditor's remuneration	11,073	12,585
Employee benefit expenses:		
Wages and salaries (excluding directors' fee)	1,536,815	1,427,088
Pension scheme contributions	86,451	161,532
Less: Forfeited contributions	<u>(33)</u>	<u>(54)</u>
Net pension scheme contributions#	86,418	161,478
Less: Amount capitalised	<u>(174,822)</u>	<u>(100,203)</u>
	<u>1,448,411</u>	<u>1,488,363</u>
Gross rental income from investment properties	(1,117,924)	(1,204,717)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<u>115,839</u>	<u>159,127</u>
Net rental income from investment properties	<u>(1,002,085)</u>	<u>(1,045,590)</u>
Loss/(gain) on disposal of property, plant and equipment, net <sup>^</sup>	246	(1,714)
Net gain on disposal of subsidiaries	(76,809)	-
Government subsidies** <sup>^</sup>	<u>(55,930)</u>	<u>(48,791)</u>

\* 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 2020 and 2019, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years.

<sup>^</sup> Included in "Other operating income, net" on the face of the consolidated statement of profit or loss.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK\$'000	2019 HK\$'000
Interest on bank and other borrowings	294,754	286,850
Interest on loans from fellow subsidiaries	15,212	16,215
Interest on lease liabilities	<u>30,830</u>	<u>34,004</u>
Finance costs incurred	340,796	337,069
Less: Interest capitalised	<u>(48,926)</u>	<u>(47,354)</u>
Finance costs charged for the year	<u>291,870</u>	<u>289,715</u>

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale and investment properties under development are between 3.83% and 4.75% per annum (2019: between 4.75% and 4.90% per annum).

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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.

	2020 HK\$'000	2019 HK\$'000
Current - Hong Kong		
Charge for the year	10,133	10,751
Overprovision in prior years	(44)	(100)
Current - Mainland China		
Charge for the year	3,459,282	2,275,387
Underprovision in prior years	7,427	4,194
Deferred tax	<u>(913,916)</u>	<u>(455,192)</u>
Total tax charge for the year	<u>2,562,882</u>	<u>1,835,040</u>

## 8. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Interim – HK17.64 cents (2019: HK17.30 cents) per ordinary share	1,153,272	1,131,043
Proposed final – HK41.30 cents (2019: HK40.50 cents) per ordinary share	<u>2,700,000</u>	<u>2,648,000</u>
	<u>3,853,272</u>	<u>3,779,043</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 calculations of the basic earnings per share are based on:

	2020 HK\$'000	2019 HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	<u>4,509,944</u>	<u>5,044,370</u>
		Number of shares
		2020                      2019
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>6,537,821,440</u>	<u>6,537,821,440</u>

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2020 and 2019 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the years ended 31 December 2020 and 2019.

## 10. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in the Group's receivables, prepayments and other receivables are trade receivables of HK\$1,097,927,000 (2019: HK\$810,694,000), 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% (2019: 11%) 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:

	2020 HK\$'000	2019 HK\$'000
Current or less than 3 months past due	967,479	734,731
3 months to 6 months past due	5,706	535
6 months to 1 year past due	52,748	5,499
More than 1 year past due	<u>99,255</u>	<u>93,694</u>
	1,125,188	834,459
Less: Loss allowance	<u>(27,261)</u>	<u>(23,765)</u>
	<u>1,097,927</u>	<u>810,694</u>

## 11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

Included in the Group's payables, accruals and other liabilities are trade payables of HK\$1,330,800,000 (2019: HK\$868,078,000). 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:

	2020 HK\$'000	2019 HK\$'000
Within 3 months	1,260,388	848,422
3 months to 6 months	67,009	4,496
6 months to 1 year	<u>3,403</u>	<u>15,160</u>
	<u>1,330,800</u>	<u>868,078</u>

## **12. CONTINGENT LIABILITIES**

As at 31 December 2020, 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 2020, the Group's outstanding guarantees amounted to HK\$1,284,465,000 (2019: HK\$736,124,000) for these guarantees.

# CHAIRMAN'S STATEMENT

## RESULTS

I am pleased to report to the shareholders our results of 2020. The Group's consolidated profit attributable to owners of the Company for 2020 amounted to HK\$4,510 million (2019: HK\$5,044 million), decreasing by 10.6% over 2019. Basic earnings per share decreased by 10.6% over the same period last year to HK 68.98 cents (2019: HK 77.16 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 41.30 cents per share for 2020. Aggregating such dividend with the interim dividend of HK 17.64 cents per share paid in 2020, the total dividend for the entire year will be HK 58.94 cents (2019: HK 57.80 cents) per share. The said 2020 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 29 July 2021.

## REVIEW

In 2020, global economy suffered a deep recession due to the outbreak of the COVID-19 Pandemic (the "Pandemic"). Confronted with impacts from the outbreak, China prioritized pandemic control before economic growth and subsequently achieved rapid economic recovery. China's economic performance maintained a steady and progressive growth trend and displayed resilience and potential. Faced with increasingly complex and difficult external 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 of newly signed projects reaching historical high. Property investment and development segment maintained relatively stable occupancy rates at most properties, with increasing profit contributions from property sales. Hotel operation and management segment suffered a loss due to unfavorable external social circumstances and declining tourists in Hong Kong, as the Group strived to implement strategy adjustments in order to maintain sustainable operations. Faced with impacts from the Pandemic and macroeconomic downward pressure, the department store retail segment experienced downward pressure. The performance of infrastructure segment was in line with expectation. Profit from the power segment experienced slight decline amid the Pandemic and coal price volatility, as the Group closely monitored impacts due to fluctuations in coal prices and industry policy changes. Our road and bridge segment suffered a decline in traffic flow and profit due to the waiving of toll fees during the early stage of the Pandemic. Meanwhile, the Group closely monitored foreign exchange risks and utilised various strategies to minimise the Group's currency risk exposure.



## **PROSPECTS**

Looking ahead to 2021, though expanding vaccination and global monetary policy easing may lead to a synchronized global economic rebound, global economic recovery is likely to be subdued and uneven, as most economies may experience the need for structural change as well as continuous disruption of supply chain in the post Pandemic era. Successful second wave Pandemic control, securing the healthy development of domestic economic flow, and effective handling of global liquidity spillover are the most crucial risks and challenges hindering China's continuous economic growth. Faced with economic policy uncertainties as well as adverse impact on population flow, logistics, business operations, capital markets, interest rates and exchange rate market fluctuations due to the Pandemic, 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.

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. In accordance with its existing business and resources, the Group endeavours to proactively seek potential opportunities arising from “The Greater Bay Area Initiative”, and continue to monitor potential industry consolidation, public-private-partnership projects as well as core business industry chain extension market acquisition opportunities 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, 26 March 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL OVERVIEW

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 the Group's core business, water resources business, remains stable.

The consolidated revenue of the Group for 2020 was HK\$23,173 million (2019: HK\$16,691 million), an increase of 38.8% as compared with that of 2019. 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 2020 increased by 9.6% or HK\$720 million to HK\$8,201 million (2019: HK\$7,481 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 during the year. Furthermore, the net surplus arising from fair value adjustments for investment properties for the year was HK\$757 million (2019: HK\$172 million), HK\$585 million higher than that in 2019. The net exchange loss of the Group for the year amounted to HK\$88 million (2019: net exchange gain of HK\$83 million), causing a reduction in profit before tax by HK\$171 million as compared to 2019. 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 57.9% to HK\$99 million (2019: HK\$235 million) for the year.

The consolidated profit attributable to owners of the Company for 2020 decreased by 10.6% or HK\$534 million to HK\$4,510 million (2019: HK\$5,044 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 31.2% (2019: 24.5%).

Basic earnings per share was HK 68.98 cents (2019: HK 77.16 cents), decreased by 10.6% as compared with that in 2019.

## BUSINESS REVIEW

A summary of the performance of the Group's major businesses during 2020 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 2020, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (2019: 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 2.205 billion tons (2019: 2.071 billion tons), an increase of 6.5%, which generated a revenue of HK\$6,229 million (2019: HK\$6,195 million), an increase of 0.5% over 2019.

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

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

The revenue from water sales to Hong Kong for the year increased by 0.3% to HK\$4,821 million (2019: HK\$4,807 million). The revenue from water sales to Shenzhen and Dongguan areas for the year increased by 1.4% to HK\$1,408 million (2019: HK\$1,388 million). The profit before tax, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project for the year was HK\$3,863 million (2019: HK\$3,853 million), 0.3% higher than that in 2019.

#### *Other Water Resources Projects*

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

During the year, the Group had successfully bid/contracted for certain new water resources projects located in Fengshun County, Huilai County, Shanwei City, Yunfu City, Jieyang City, Nansha District, Wuhua County, Shaoguan City, Puning City and Pingyuan County of Guangdong Province, Wujin City of Jiangsu Province, Xiangyin County of Hunan Province and Nanchang County of Jiangxi Province, the PRC, with total designed water supply capacity and waste water processing capacity of 3,309,500 tons per day and 408,500 tons per day, respectively. The expected total investment amount of these projects are approximately RMB10,319 million (equivalent to approximately HK\$12,261 million). In addition, the Group acquired 75% equity interest of 哈爾濱粵海水務科技有限公司 (Harbin Guangdong Water Technology Co., Ltd.▲) (formerly known as 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.▲)) (“Harbin Water Technology”) and its subsidiaries at a cash consideration of approximately RMB60 million (equivalent to approximately HK\$66 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 such, the total designed water supply capacity of the water supply plants and the total designed waste water processing capacity of the sewage treatment plants of the Group’s Other Water Resources Projects as at 31 December 2020 are 12,412,000 tons per day (2019: 9,003,000 tons per day) and 1,739,200 tons per day (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:

Name of subsidiaries of the Company	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd. ▲)	290,000	-
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd. ▲)	310,000	250,000
Yizheng Yuehai Water Supply Co., Ltd.	150,000	-
Gaoyou GDH Water Co., Ltd.	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	-
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. ▲) (name subsequently changed to 東莞市常平粵海環保有限公司 (Dongguan Changping Guangdong Huanbao Co., Ltd. ▲))	-	70,000
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd. ▲)	-	50,000
五華粵海環保有限公司 (Wuhua Guangdong Huanbao Co., Ltd. ▲)	-	40,000
東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd. ▲) (name subsequently changed to 東莞市道滘粵海環保有限公司 (Dongguan Daojiao Guangdong Huanbao 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. ▲)	-	21,500
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	28,500
陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd. ▲)	-	11,300
雲浮市自來水有限公司 (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
陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd. ▲)	-	20,000
Total for year 2020	<u>2,833,500</u>	<u>1,091,300</u>
Total for year 2019	<u>2,673,500</u>	<u>735,000</u>

<u>Name of associates of the Company</u>	<u>Water supply capacity (tons per day)</u>
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. ▲)	430,000
汕頭市粵海水務有限公司 (Shantou Guangdong Water Co., Ltd. ▲)	920,000
Total for year 2020	<u>1,950,000</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 and the waste water processing capacity of the sewage treatment plants under construction 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>
恩施粵海水務有限公司 (Enshi Guangdong Water Co., Ltd. ▲) (formerly known as 恩施粵海正源水務有限公司 (Enshi Guangdong Zheng Yuan Water Co., Ltd. ▲))	400,000	-
Jiangxi Guangdong Group	50,000	-
Gaoyou GDH Water Co., Ltd.	50,000	-
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd. ▲)	1,060,000	-
邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd. ▲)	250,000	-
荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd. ▲)	80,000	-
吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd. ▲)	-	25,000
潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd. ▲)	-	20,000
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd. ▲)	50,000	-
昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd. ▲)	34,000	10,000
惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	8,500
惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	20,000
海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd. ▲)	50,000	-
廣東粵海韶投水務有限責任公司 (Guangdong Shaotou Water Co., Ltd. ▲)	674,000	-
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	200,000
Total for year 2020	<u>2,698,000</u>	<u>283,500</u>

<u>Name of associate of the Company</u>	<u>Water supply capacity (tons per day)</u>
興化粵海水務有限公司 (Xinghua Guangdong Water Co., Ltd. ▲)	<u>430,000</u>

Revenue of Other Water Resources Projects for the year in aggregate amounted to HK\$6,786,342,000 (2019: HK\$3,293,698,000), 106.0% higher than that in 2019. 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. Since the acquisition, Harbin Water Technology incurred research and development cost of approximately HK\$33,890,000 for water resources technology development. Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences and net finance costs, amounted to HK\$667,566,000 (2019: HK\$648,410,000) in aggregate, 3.0% higher than that in 2019.

### *New Water Resources Projects*

After the end of the reporting period, the Group successfully bid/contracted for three new water resources projects respectively located in Jieyang City of Guangdong Province, Pizhou City of Jiangsu Province and Nanchang County of Jiangxi Province, the PRC. Total designed water supply capacity and designed waste water processing capacity of these projects are 432,000 tons per day and 68,000 tons per day, respectively. The expected total investment amount of these projects is approximately RMB1,976 million (equivalent to approximately HK\$2,347 million).

## **Property Investment and Development**

### *Mainland China*

#### *GDH Teem*

As at 31 December 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<sup>▲</sup>) (“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 decreased by 13.6% to HK\$1,061,393,000 (2019: HK\$1,229,070,000), which was mainly caused by the rental concession granted to tenants following the Pandemic and the decrease in the Hong Kong dollar equivalent of revenue from rental operation as a result of decrease in average exchange rate of Renminbi by 1.0% compared with that in last year. The profit before tax for the year, excluding changes in fair value of investment properties and net interest income, decreased by 3.9% to HK\$753,001,000 (2019: HK\$783,451,000).

The shopping mall of Teem Plaza, known as the Teemall, is one of the most popular shopping malls in the prime area of Guangzhou and it has a total gross floor area (“GFA”) of approximately 160,000 square metres (“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 (2019: 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 94.9% (2019: 96.8%), the revenue for the year was HK\$198,283,000 (2019: HK\$223,404,000), decreasing by 11.2%. The profit before tax for the year, excluding changes in fair value of investment properties, decreased by 9.2% to HK\$169,770,000 (2019: HK\$187,040,000).

During the year, 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. <sup>▲</sup>) at a consideration of RMB97,584,000 (equivalent to approximately HK\$109,811,000), resulting in a gain on disposal of approximately HK\$77,205,000.

### *Tianjin Teemall*

The Group held an effective interest of 76.02% in Tianjin YueHai Teem Shopping Center Co., Ltd., the property owner of Tianjin Teemall. Tianjin Teemall, which has 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 Teemall with tenants ranging from local enterprises to well-known multinationals, had an average occupancy rate of 90.1% (2019: 95.9%), down by 5.8% as compared with last year which is due to termination of certain tenancy during the Pandemic. Revenue of Tianjin Teemall for the year was HK\$167,680,000 (2019: HK\$190,090,000), decreasing by 11.8%. The profit before tax of Tianjin Teemall for the year, excluding changes in fair value of investment properties and net finance costs, was HK\$68,950,000 (2019: HK\$60,378,000), increasing by 14.2% mainly due to certain cost saving measures implemented to outweigh the drop in revenue.

### *Panyu GDH Plaza (formerly known as 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<sup>▲</sup>) (“Wanye”) is 31.06%. 廣州粵海天河城投資有限公司 (Guangzhou YueHai Tianhecheng Investment Co., Ltd.<sup>▲</sup>), 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 a new commercial area in Guangzhou City. This parcel of land has been developed into a large-scale integrated commercial project with a total GFA of approximately 383,000 sq. m. (including car-parking spaces). As at 31 December 2020, the cumulative land and development cost incurred by the Group for Panyu GDH Plaza amounted to approximately HK\$3,706 million (2019: approximately HK\$3,230 million).

The development of the commercial residential units and offices of Panyu GDH Plaza with a total GFA of approximately 166,000 sq. m. (including car-parking spaces) had been completed and are available for sale, of which properties with GFA of approximately 109,700 sq. m. are held for sale. As at 31 December 2020, sales contracts for accumulated GFA of approximately 102,800 sq.m. (2019: approximately 89,000 sq.m.) had been signed, in which properties with accumulated GFA of approximately 99,000 sq.m. (2019: approximately 27,900 sq.m.) had been delivered, representing 90.2% of available completed properties held for sale.

The shopping mall complex of Panyu GDH Plaza, known as Panyu Teemall, comprises two connected shopping areas and grand opened on 25 December 2020. Panyu Teemall has a total GFA of approximately 217,000 sq. m. (including car-parking spaces), of which the commercial area for lease is approximately 144,000 sq. m.. As at 31 December 2020, Panyu Teemall had an occupancy rate of 84.0%. Panyu Teemall recognised a valuation gain of HK\$805 million upon its completion.

Revenue of Panyu GDH Plaza for the year was HK\$1,855,108,000 (2019: HK\$702,873,000). Profit before tax for the year, excluding changes in fair value of investment properties and net interest income amounted to HK\$804,653,000 (2019: HK\$336,603,000).

## Guangdong Land Holdings Limited (“GD Land”)

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

During the year, GD Land succeeded in the bid for the land use rights of the land parcels in Zhuhai City, Foshan City, Zhongshan City, the PRC for cash considerations of RMB2,295 million (equivalent to approximately HK\$2,495 million), RMB2,707 million (equivalent to approximately HK\$3,191 million) and RMB3,705 million (equivalent to approximately HK\$4,404 million), respectively. As at 31 December 2020, deposits for the land parcels in Foshan City and Zhongshan City, the PRC amounted to approximately HK\$2,954 million (2019: Nil) was attributable to "receivables, prepayments and other receivables" under the current assets.

Further, on 29 October 2020, GD Land entered into agreements with certain subsidiaries of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited<sup>▲</sup>) (“Guangdong Holdings”), the ultimate holding company of the Company, to acquire 51% interest in 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.<sup>▲</sup>) and its 51% outstanding shareholder’s loan at a total consideration of approximately RMB954 million (equivalent to approximately HK\$1,086 million) and 100% interest in 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.<sup>▲</sup>) at a consideration of approximately RMB274 million (equivalent to approximately HK\$316 million). The two acquisitions were completed in January 2021.

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

### Completed Properties Held for Sale

Property project	Location	Usage	Interest held by GD Land	Approximate GFA (sq.m.)	Accumulated GFA contracted (sq.m.)	Approximate GFA delivered		The proportion of GFA delivered to GFA available for sale
						Year under review (sq.m.)	Accumulated (sq.m.)	Accumulated
Northwestern Land of the GDH City	Shenzhen City, the PRC	Business apartment/ Commercial	100%	114,654	38,902	22,159	22,159	19.3%
Laurel House	Guangzhou City, the PRC	Residential	100%	65,636	62,741	31,478	54,196	82.6%
Baohuaxuan	Guangzhou City, the PRC	Residential	100%	3,884	3,884	126	3,684	94.9%
Ruyingju	Guangzhou City, the PRC	Residential	80%	94,617	94,519	2,325	94,424	99.8%
Ruyingju	Guangzhou City, the PRC	Car-parking spaces	80%	8,052	4,979	1,138	4,979	61.8%



## Properties Held for Sale under Development and Investment Properties under Development

Property project	Location	Usage	Interest held by GD Land	Approximate total site area (sq.m.)	Approximate GFA* (sq.m.)	Progress	Expected completion and filing date
Northern Land of the GDH City Project	Shenzhen City, the PRC	Commercial/ Office/Mall	100%	33,802	146,551	Commercial properties superstructure topped out, and construction works of tower superstructure in progress	2 <sup>nd</sup> half of 2022
Southern Land of the GDH City Project	Shenzhen City, the PRC	Office/Mall	100%	16,044	199,500	Construction works of tower superstructure and commercial shopping buildings's structure in progress	2023
Chenyuan Road Project	Jiangmen City, the PRC	Residential/ Commercial service	100%	59,705	164,216	Earthworks, piling, superstructure construction and masonry works all underway	2 <sup>nd</sup> half of 2022
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential/ Commercial	100%	66,090	166,692	Foundation works for the first phase properties completed, and earthworks and foundation pit support works for other properties underway	2024
Foshan Laurel House Project	Foshan City, the PRC	Residential/ Commercial	100%	43,284	151,493	Preliminary work such as project positioning and design study underway	2023
Zhongshan GDH City Project	Zhongshan City, the PRC	Residential	80%	98,811	247,028	Preliminary work such as project positioning and design study underway	2023

*\*Note: Including (1) underground commercial GFA of the GDH City Project of 30,000 sq. m.; and (2) common area and area transfer to the local government for each project.*

During the year, GD Land's properties recorded total contracted GFA and delivered GFA of approximately 60,000 sq.m. (2019: 43,000 sq.m.) and 57,000 sq.m. (2019: 25,000 sq.m.), respectively. Revenue of GD Land for the year increased by 117.8% to HK\$4,000,332,000 (2019: HK\$1,836,676,000), of which sales of properties amounted to HK\$3,983,827,000 (2019: HK\$1,826,370,000). The profit before tax of GD Land for the year, excluding changes in fair value of investment properties and net finance costs, was HK\$596,655,000 (2019: HK\$70,209,000).

### **Hong Kong**

#### *Guangdong Investment Tower*

The average occupancy rate of Guangdong Investment Tower for the year was 95.5% (2019: 98.6%). The total revenue for the year decreased by 4.6% to HK\$55,094,000 (2019: HK\$57,737,000).

## Department Store Operation

As at 31 December 2020, the Group held an effective interest of approximately 85.2% in both 廣東粵海天河城百貨有限公司(GDH Teem Department Store Co., Ltd.▲) (name subsequently changed to 廣東粵海天河城商業有限公司 (GDH Teem Commercial Co., Ltd.▲)) (“GDTDS”) and 廣州市粵海天河城百貨商業有限公司 (“天河城百貨商業”). 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”) and 佛山南海百貨店 (“Nanhai Store”). 天河城百貨商業 operates 天河城百貨歐萊斯折扣店 (“Wan Bo Store”).

As at 31 December 2020, the Group operated six stores (2019: seven stores) with a total leased area of approximately 125,800 sq. m. (2019: approximately 136,000 sq. m.). The total revenue for the year decreased by 21.8% to HK\$519,900,000 (2019: HK\$665,100,000). The profit before tax for the year decreased by 48.6% to HK\$118,425,000 (2019: HK\$230,364,000). The decrease in total revenue and profit before tax for the year was mainly due to the reduced foot traffic and sales volume as a result of the Pandemic.

The revenue of the stores operated by the Group for the year ended 31 December 2020 was as follows:

	Leased area sq. m.	2020 HK\$'000	2019 HK\$'000	Changes %
Teemall Store	39,500	332,110	437,450	-24.1
Wan Bo Store	19,600	60,933	82,810	-26.4
Ming Sheng Store	11,900	21,190	40,644	-47.9
Dong Pu Store	28,300	70,356	58,125	+21.0
Ao Ti Store	21,500	33,640	41,213	-18.4
Dongguan Store (closed in April 2020)	-	1,040	3,554	-70.7
Nanhai Store	5,000	631	1,304	-51.6
	<u>125,800</u>	<u>519,900</u>	<u>665,100</u>	<u>-21.8</u>

## Hotel Ownership, Operation and Management

As at 31 December 2020, the Group’s hotel management team managed a total of 37 hotels (2019: 35 hotels), of which three were located in Hong Kong, one in Macau and 33 in Mainland China. As at 31 December 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. One new star-rated hotel situated in Zhuhai was under construction by the Group as at 31 December 2020.

During the year, the average room rate of Sheraton Guangzhou Hotel was HK\$876 (2019: HK\$1,235) whereas the average room rate of the remaining four star-rated hotels were HK\$359 (2019: HK\$641). The average occupancy rate of Sheraton Guangzhou Hotel was 66.1% (2019: 93.8%) and that of the other four star-rated hotels was 34.2% (2019: 71.7%) during the year.

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 year decreased by 50.2% to HK\$307,745,000 (2019: HK\$618,384,000). The loss before tax for the year, excluding changes in fair value of investment properties and the net exchange differences amounted to HK\$79,595,000 (2019: profit before tax excluding net exchange differences of HK\$109,781,000).

## Energy Projects

### *Zhongshan Energy Project*

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% equity 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 year amounted to 2,877 million kwh (2019: 2,693 million kwh), increasing by 6.8%. Due to the mixed impact of increase in sales of electricity and decrease in electricity tariff, revenue of Zhongshan Energy Project (including intersegment sales) generated from electricity sales and related operations for the year increased by 0.7% to HK\$1,457,758,000 (2019: HK\$1,447,313,000). The profit before tax for the year, excluding net exchange differences and net finance costs, was HK\$228,175,000 (2019: HK\$295,131,000), a decrease of 22.7%.

### *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 2020, 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 13,214 million kwh (2019: 12,485 million kwh), increasing by 5.8%. Revenue for the year increased by 0.3% to HK\$5,469,551,000 (2019: HK\$5,454,784,000). The profit before tax of Yudean Jinghai Power for the year was HK\$690,320,000 (2019: HK\$600,823,000), an increase of 14.9%. The Group’s share of profit in Yudean Jinghai Power amounted to HK\$129,349,000 (2019: HK\$112,178,000) during the year, an increase of 15.3%.

## 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.

According to a policy issued by the Ministry of Transport of the PRC on 15 February 2020, GDH Highway 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”). On 10 July 2020, the relevant government authorities in Guangxi, 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 Xingliu Expressway will be automatically extended by 79 days.

During the year, GDH Highway launched the highway enhancement project with a budget of approximately RMB1,351 million (equivalent to approximately HK\$1,605 million). As at 31 December 2020, construction costs of approximately RMB564 million (equivalent to approximately HK\$670 million) have been incurred, accounting for 41.7% of the total budget.

As affected by the 79 days toll-free period and the highway enhancement project, the average daily toll traffic flow of the Xingliu Expressway was 14,305 vehicle trips during the year (2019: 24,359 vehicle trips), decreasing by 41.3%. The revenue of GDH Highway for the year amounted to HK\$1,056,723,000 (2019: HK\$754,134,000), increasing by 40.1%, due to the increase in construction revenue of HK\$634,349,000 (2019: Nil) arising from the highway enhancement project outweighing the impact of reduction in traffic flow. Profit before tax during the year, excluding net finance costs, amounted to HK\$212,166,000 (2019: HK\$486,467,000), decreasing by 56.4%.

## *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 2020, out of a total of eight Project Roads, two Project Roads (2019: Nil) were completed and three Project Roads (2019: three Project Roads) were under construction. As at 31 December 2020, Development Costs amounting to approximately RMB1,453 million (equivalent to approximately HK\$1,726 million) (2019: approximately RMB911 million (equivalent to approximately HK\$1,017 million)) have been paid in relation to the Yinping PPP Project.

The total Accrued Interest Amount, Management Fee and maintenance fee of Yuehai Yinping recognised during the year increased by 92.1% to HK\$100,215,000 (2019: HK\$52,164,000) and profit before tax increased by 125.0% to HK\$88,752,000 (2019: HK\$39,441,000) during the year.

## **POTENTIAL BUSINESS IMPACTS OF THE PANDEMIC**

The 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. 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 midnight of 5 May 2020. In the hotel segment, overall demand for accommodation has declined significantly due to the Pandemic, which has adversely impacted operations of the Group's hotels.

Though the Pandemic 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 Pandemic, 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 Pandemic 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.

## **LIQUIDITY, GEARING AND FINANCIAL RESOURCES**

As at 31 December 2020, cash and cash equivalents of the Group decreased by HK\$1,980 million to HK\$10,367 million (2019: HK\$12,347 million), of which 93.1% was denominated in Renminbi, 6.5% in Hong Kong dollars and 0.4% in United States dollars.

As at 31 December 2020, the Group's financial borrowings increased by HK\$2,946 million to HK\$11,438 million (2019: HK\$8,492 million), of which 42.6% was denominated in Hong Kong dollars and 57.4% in Renminbi, including the non-interest-bearing advance of HK\$236 million. Of the Group's total financial borrowings, HK\$5,808 million was repayable within one year while the remaining balances of HK\$3,218 million and HK\$2,412 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 97.1% floating rate borrowings, 0.5% fixed rate borrowings and 2.4% non-interest bearing borrowings as at 31 December 2020.

The Group maintained a credit facility of HK\$5,591 million as at 31 December 2020 (2019: HK\$1,814 million).

As at 31 December 2020, the Group's gearing ratio (i.e. net financial indebtedness / net asset value (excluded non-controlling interests)) was 6.6% (2019: net cash position). The Group was in a healthy debt servicing position as the EBITDA/finance costs incurred as at 31 December 2020 was 28.9 times (2019: 26.9 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 2020, except for (i) certain property assets and leasehold land of HK\$5,780 million (2019: HK\$2,166 million); (ii) certain revenue entitlement under the water distribution and sewage treatment concession rights as security for bank and other loans of HK\$2,957 million (2019: HK\$1,220 million); (iii) 100% equity interest of Guangdong Yuehai Property Development Co., Ltd. at the cost of approximately HK\$1,391 million (2019: approximately HK\$1,391 million); and (iv) bank deposits of HK\$43 million in 2019, which were pledged to secure certain bank and other 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 and other 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\$1,284 million (2019: approximately HK\$736 million) as disclosed in note 12 of this announcement, there was no other material contingent liability as at 31 December 2020 and 2019.

## **CAPITAL EXPENDITURE**

The Group's capital expenditure during the year amounted to HK\$8,298 million which was principally related to the construction and asset acquisition cost for water supply and sewage treatment plants (including operating concession rights and receivables under service concession arrangements), development cost for investment property projects, construction cost for the highway enhancement project, renovation cost for hotel properties and acquisitions of subsidiaries.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES**

As at 31 December 2020, total Renminbi borrowings amounted to HK\$6,563 million (2019: HK\$3,245 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 31 December 2020, the Group's total floating rate borrowings amounted to HK\$11,103 million (2019: HK\$8,045 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, global economy suffered a deep recession due to COVID-19 outbreak with increasing uncertainties stemming from complex geopolitical shifts. Domestically, the overall economic performance maintained a long-term stable and improving growth trend due to effective pandemic control measures. However, due to the combined effects of the novel coronavirus outbreak, 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 it operates in. In this regard, the Company seeks to explore new sources of revenue and reduce operating costs through product improvement, operating efficiency enhancement and strengthening of the project management team so as to enhance profitability of its projects.

### *Project Safety Management Risk*

Project safety management risk encompasses product safety management risk as well as personnel safety management risk. With respect to product safety risk, 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 from novel coronavirus epidemic, the Group will do the best to prevent and control by establishing and improving relevant management systems to guarantee safe and smooth production of different business segments and effectively minimize the product safety management risk as well as personnel safety management risk that come from the novel coronavirus epidemic.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2020, the Group had a total of 7,858 employees, of which 1,703 were at the managerial level. Among the employees, 7,631 were employed by subsidiaries in Mainland China and 227 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$1,623,233,000 (2019: approximately HK\$1,588,566,000).

In 2020, the Group upheld its corporate culture with “responsibility, performance, teamwork and efficiency” as core values, encouraged its employees to work with diligence and commitment and exceed themselves. As part of its on-going efforts in building professional teams, the Group recruited more professionals and experts that meet the needs of its business development, offered more training for employees with potential, and promoted the professional growth of its employees.

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

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

## **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 2020 and, where appropriate, the applicable recommended best practices of the CG Code, save as disclosed below:

Due to travel restrictions as a result of the Pandemic, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 12 June 2020 (the “2020 Annual General Meeting”) as required by Code Provision E.1.2 and hold meeting with the Independent Non-Executive Directors of the Company without the presence of other Directors during the year 2020 in accordance with Code Provision A.2.7. With the consent of the Directors present, another Director chaired the 2020 Annual General Meeting. The Chairman of the Board had also arranged a Non-Executive Director to have a meeting with the Independent Non-Executive Directors in the absence of other Directors.

### **REVIEW OF ANNUAL RESULTS**

The annual results of the Group for the year ended 31 December 2020 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 Tuesday, 22 June 2021 at 10:30 a.m. (the “2021 Annual General Meeting”).

In order to qualify for attending and voting at the 2021 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 Wednesday, 16 June 2021.

### **ENTITLEMENT FOR FINAL DIVIDEND**

The Board has resolved to recommend the payment of a final dividend of HK 41.30 cents per ordinary share for the year ended 31 December 2020 which is expected to be paid on or about Thursday, 29 July 2021 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 28 June 2021 subject to the final approval at the 2021 Annual General Meeting.



For the purpose of determining shareholders' entitlements to the proposed final dividend for the year ended 31 December 2020, the register of members of the Company will be closed on Monday, 28 June 2021 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 Friday, 25 June 2021.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Company ([www.gdi.com.hk](http://www.gdi.com.hk)) and The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2020 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, 26 March 2021

▲ *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.*