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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)

2021 ANNUAL RESULTS ANNOUNCEMENT
and
PROPOSED CHANGE OF INDEPENDENT AUDITOR

Financial highlights for the year ended 31 December

	2021 HK\$'000	2020 HK\$'000	Changes %
Revenue	<u><u>29,715,492</u></u>	<u><u>23,173,322</u></u>	+28.2
Profit before tax	<u><u>8,456,844</u></u>	<u><u>8,201,247</u></u>	+3.1
Profit for the year	<u><u>5,487,586</u></u>	<u><u>5,638,365</u></u>	-2.7
Profit attributable to owners of the Company	<u><u>4,696,962</u></u>	<u><u>4,509,944</u></u>	+4.1
Earnings per share – Basic	<u><u>HK 71.84 cents</u></u>	<u><u>HK 68.98 cents</u></u>	+4.1
Dividends per share			
Interim	<u><u>HK 18.17 cents</u></u>	HK 17.64 cents	
Proposed final	<u><u>HK 42.54 cents</u></u>	<u><u>HK 41.30 cents</u></u>	
	<u><u>HK 60.71 cents</u></u>	<u><u>HK 58.94 cents</u></u>	+3.0

CONSOLIDATED FINANCIAL INFORMATION

YEAR ENDED 31 DECEMBER 2021

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 2021 together with the comparative figures for 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	4	29,715,492	23,173,322
Cost of sales		<u>(18,077,696)</u>	<u>(13,789,293)</u>
Gross profit		11,637,796	9,384,029
Other income and gains, net	4	488,932	661,559
Changes in fair value of investment properties		640,627	757,279
Selling and distribution expenses		(1,018,557)	(520,003)
Administrative expenses		(2,647,394)	(1,980,661)
Exchange differences, net		(85,445)	(88,269)
Other operating income, net		24,113	62,933
Finance costs	6	(543,718)	(291,870)
Share of profits less losses of associates		<u>(39,510)</u>	<u>216,250</u>
PROFIT BEFORE TAX	5	8,456,844	8,201,247
Income tax expense	7	<u>(2,969,258)</u>	<u>(2,562,882)</u>
PROFIT FOR THE YEAR		<u>5,487,586</u>	<u>5,638,365</u>
Attributable to:			
Owners of the Company		4,696,962	4,509,944
Non-controlling interests		<u>790,624</u>	<u>1,128,421</u>
		<u>5,487,586</u>	<u>5,638,365</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK71.84 cents</u>	<u>HK68.98 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
PROFIT FOR THE YEAR	<u>5,487,586</u>	<u>5,638,365</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations		
- Subsidiaries	1,549,549	2,835,452
- Associates	<u>170,891</u>	<u>269,017</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>1,720,440</u>	<u>3,104,469</u>
Other comprehensive income/(loss) 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	(2,853)	136
Fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	569	38,685
Share of remeasurement gain/(loss) on defined benefit plans, net of tax		
- Subsidiaries	(5,705)	-
- Associates	<u>(11,718)</u>	<u>729</u>
	(19,707)	39,550
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>1,700,733</u>	<u>3,144,019</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>7,188,319</u></u>	<u><u>8,782,384</u></u>
Attributable to:		
Owners of the Company	5,941,055	6,934,528
Non-controlling interests	<u>1,247,264</u>	<u>1,847,856</u>
	<u><u>7,188,319</u></u>	<u><u>8,782,384</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		8,125,506	7,683,847
Investment properties		23,807,224	21,295,440
Right-of-use assets		798,966	604,667
Goodwill		804,957	594,086
Other intangible assets		34,461	30,025
Investments in associates		4,390,628	4,457,613
Operating concession rights		21,787,134	15,060,664
Receivables under service concession arrangements		14,902,721	9,391,825
Receivables under a cooperative arrangement		2,346,599	1,899,957
Equity investments designated at fair value through other comprehensive income		30,568	15,031
Prepayments and other receivables		613,588	533,271
Deferred tax assets		<u>1,224,167</u>	<u>684,334</u>
Total non-current assets		<u>78,866,519</u>	<u>62,250,760</u>
CURRENT ASSETS			
Properties held for sale under development		33,852,306	6,213,674
Completed properties held for sale		987,625	4,258,089
Tax recoverable		104,637	7,695
Inventories		309,215	223,280
Receivables under service concession arrangements		485,485	155,694
Receivables, prepayments and other receivables	10	4,510,793	5,190,380
Due from non-controlling equity holders of subsidiaries		849,731	816,232
Restricted bank balances		469,412	117,254
Cash and cash equivalents		<u>9,595,100</u>	<u>10,367,484</u>
Total current assets – page 5		<u>51,164,304</u>	<u>27,349,782</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Total current assets – page 4		<u>51,164,304</u>	<u>27,349,782</u>
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(21,783,591)	(6,881,504)
Contract liabilities		(3,658,674)	(3,381,512)
Tax payables		(3,704,614)	(2,577,480)
Due to non-controlling equity holders of subsidiaries		(1,080,315)	(1,180,059)
Bank and other borrowings		(6,928,489)	(5,690,306)
Lease liabilities		<u>(89,116)</u>	<u>(56,073)</u>
Total current liabilities		<u>(37,244,799)</u>	<u>(19,766,934)</u>
NET CURRENT ASSETS		<u>13,919,505</u>	<u>7,582,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>92,786,024</u>	<u>69,833,608</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings		(21,812,864)	(5,511,539)
Lease liabilities		(937,322)	(473,140)
Due to non-controlling equity holders of subsidiaries		(115,732)	-
Other liabilities and contract liabilities		(1,584,899)	(1,927,114)
Deferred tax liabilities		<u>(6,430,330)</u>	<u>(5,965,854)</u>
Total non-current liabilities		<u>(30,881,147)</u>	<u>(13,877,647)</u>
Net assets		<u>61,904,877</u>	<u>55,955,961</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,966,177	8,966,177
Reserves		<u>37,244,521</u>	<u>35,261,621</u>
Non-controlling interests		<u>46,210,698</u>	<u>44,227,798</u>
		<u>15,694,179</u>	<u>11,728,163</u>
Total equity		<u>61,904,877</u>	<u>55,955,961</u>

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2021 and 2020 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 2020 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 2021 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, 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 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

1. BASIS OF PREPARATION (continued)

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") as at 31 December 2021. The Group expects HIBOR will continue to exist and there is no impact on the Group's HIBOR-based borrowings.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendments did not have any material 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 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, and management and sub-letting of operating area, in Mainland China;
- (iv) The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province, 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, dividends received from equity investments designated at fair value through other comprehensive income, net gain on disposal of subsidiaries, loss on deemed disposal of an associate, 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, 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue:						
Revenue from external customers	17,805,801	12,990,887	7,878,330	7,077,895	636,688	519,900
Intersegment sales	-	-	98,086	89,744	-	-
Other income and gains from external sources	46,995	4,579	10,004	3,619	20,205	67,587
Other income from intersegment transactions	-	-	-	7,820	-	-
Total	<u>17,852,796</u>	<u>12,995,466</u>	<u>7,986,420</u>	<u>7,179,078</u>	<u>656,893</u>	<u>587,487</u>
Segment results	<u>4,851,684</u>	<u>4,271,303</u>	<u>3,611,902</u>	<u>2,956,813</u>	<u>77,890</u>	<u>106,734</u>
Bank interest income						
Dividends received from equity investments designated at fair value through other comprehensive income	2	1,013	-	-	-	-
Net gain on disposal of subsidiaries	-	-	-	76,809	-	-
Loss on deemed disposal of an associate	(3,064)	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	151,007	112,186	-	-	(30,936)	(25,390)
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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue:						
Revenue from external customers	1,605,205	1,204,982	398,033	307,745	1,391,435	1,071,913
Intersegment sales	292,073	252,776	-	-	-	-
Other income and gains from external sources	61,416	51,445	501	1,029	139,084	89,579
Other income from intersegment transactions	-	-	-	-	-	-
Total	<u>1,958,694</u>	<u>1,509,203</u>	<u>398,534</u>	<u>308,774</u>	<u>1,530,519</u>	<u>1,161,492</u>
Segment results	<u>(193,222)</u>	<u>188,527</u>	<u>(31,389)</u>	<u>(122,118)</u>	<u>545,359</u>	<u>316,478</u>
Bank interest income						
Dividends received from equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-
Net gain on disposal of subsidiaries	-	-	-	-	-	-
Loss on deemed disposal of an associate	-	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	(159,581)	129,349	-	105	-	-
Profit before tax						
Income tax expense						
Profit for the year						

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue:						
Revenue from external customers	-	-	-	-	29,715,492	23,173,322
Intersegment sales	15,539	-	(405,698)	(342,520)	-	-
Other income and gains from external sources	36	6,122	-	-	278,241	223,960
Other income from intersegment transactions	11,977	11,027	(11,977)	(18,847)	-	-
Total	<u>27,552</u>	<u>17,149</u>	<u>(417,675)</u>	<u>(361,367)</u>	<u>29,993,733</u>	<u>23,397,282</u>
Segment results	<u>(37,239)</u>	<u>88,958</u>	<u>(22,442)</u>	<u>2,002</u>	8,802,543	7,808,697
Bank interest income					213,753	359,777
Dividends received from equity investments designated at fair value through other comprehensive income	-	-	-	-	2	1,013
Net gain on disposal of subsidiaries	-	-	-	-	-	76,809
Loss on deemed disposal of an associate	-	-	-	-	(3,064)	-
Finance costs					(516,880)	(261,299)
Share of profits less losses of associates	-	-	-	-	(39,510)	216,250
Profit before tax					8,456,844	8,201,247
Income tax expense					(2,969,258)	(2,562,882)
Profit for the year					<u>5,487,586</u>	<u>5,638,365</u>

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Water resources		Property investment and development		Department store operation	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	41,796,613	27,473,043	60,625,635	36,294,345	1,430,738	542,901
Investments in associates	3,286,170	3,067,803	-	-	153,020	179,171
Unallocated assets						
Total assets						
Segment liabilities	10,939,312	5,782,699	14,559,955	5,113,616	2,203,460	1,428,769
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	1,275,973	1,107,318	67,407	74,550	62,533	37,152
Exchange differences, net	120,133	170,570	94,743	154,615	(14,214)	(27,231)
Impairment/(reversal) of impairment losses for trade receivables, net	(1,887)	(389)	-	-	13	(66)
Impairment on items of property, plant and equipment	-	160	-	-	-	-
Impairment on operating concession rights	2,492	-	-	-	-	-
Changes in fair value of investment properties	361	236	(653,773)	(830,068)	26,163	27,458
Net gain on disposal of subsidiaries	-	-	-	(76,809)	-	-
Loss on deemed disposal of an associate	3,064	-	-	-	-	-
Loss/(gain) on disposal of property, plant and equipment, net	2,395	(1,052)	(188)	89	43	149
Capital expenditure*	<u>7,395,715</u>	<u>1,875,204</u>	<u>1,025,149</u>	<u>997,624</u>	<u>638,582</u>	<u>20,291</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.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	2,482,404	2,500,857	2,257,931	2,138,052	6,215,021	5,026,837
Investments in associates	951,438	1,210,639	-	-	-	-
Unallocated assets						
Total assets						
Segment liabilities	703,569	477,736	212,663	210,382	744,346	728,595
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	128,432	119,367	130,360	110,207	221,464	157,560
Exchange differences, net	16,290	39,379	(4,662)	(9,601)	(23,061)	(17,632)
Impairment/(reversal) of impairment losses for trade receivables, net	-	-	-	(2)	-	-
Impairment on items of property, plant and equipment	-	-	-	-	-	-
Impairment on operating concession rights	-	-	-	-	-	-
Changes in fair value of investment properties	-	-	(13,197)	45,314	-	-
Net gain on disposal of subsidiaries	-	-	-	-	-	-
Loss on deemed disposal of an associate	-	-	-	-	-	-
Loss/(gain) on disposal of property, plant and equipment, net	14	(2)	41	1,059	20	4
Capital expenditure*	<u>23,705</u>	<u>11,418</u>	<u>204,533</u>	<u>224,321</u>	<u>714,426</u>	<u>633,890</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.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	31,777	19,727	(698,554)	(100,315)	114,141,565	73,895,447
Investments in associates	-	-	-	-	4,390,628	4,457,613
Unallocated assets					11,498,630	11,247,482
Total assets					<u>130,030,823</u>	<u>89,600,542</u>
Segment liabilities	164,090	141,747	(339,791)	-	29,187,604	13,883,544
Unallocated liabilities					38,938,342	19,761,037
Total liabilities					<u>68,125,946</u>	<u>33,644,581</u>
Other segment information:						
Depreciation and amortisation	3,271	2,749	-	-	1,889,440	1,608,903
Exchange differences, net	(101,353)	(215,676)	(2,431)	(6,155)	85,445	88,269
Impairment/(reversal) of impairment losses for trade receivables, net	-	-	-	-	(1,874)	(457)
Impairment on items of property, plant and equipment	-	-	-	-	-	160
Impairment on operating concession rights	-	-	-	-	2,492	-
Changes in fair value of investment properties	(181)	(219)	-	-	(640,627)	(757,279)
Net gain on disposal of subsidiaries	-	-	-	-	-	(76,809)
Loss on deemed disposal of an associate	-	-	-	-	3,064	-
Loss/(gain) on disposal of property, plant and equipment, net	-	(1)	-	-	2,325	246
Capital expenditure*	<u>4,574</u>	<u>3,341</u>	<u>(15,666)</u>	<u>(14,716)</u>	<u>9,991,018</u>	<u>3,751,373</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.

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 2021 and 2020.

	2021 HK\$'000	2020 HK\$'000
<u>Revenue from external customers</u>		
Hong Kong	160,857	123,910
Mainland China	<u>29,554,635</u>	<u>23,049,412</u>
	<u>29,715,492</u>	<u>23,173,322</u>

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

	2021 HK\$'000	2020 HK\$'000
<u>Non-current assets</u>		
Hong Kong	2,370,498	2,380,795
Mainland China	<u>75,241,286</u>	<u>59,170,600</u>
	<u>77,611,784</u>	<u>61,551,395</u>

The non-current assets 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 (2020: HK\$4,821,410,000) 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, AND OTHER INCOME AND GAINS, NET

Revenue

Disaggregated revenue information

	2021 HK\$'000	2020 HK\$'000
(a) Types of goods or services:		
<u>Water resources segment</u>		
Income from water distribution — Hong Kong	4,821,410	4,821,410
Income from water distribution — the PRC	3,439,961	2,403,142
Income from sewage treatment services	569,822	294,722
Income from construction services	6,790,344	4,386,877
Income from water pipeline installation and consultancy services	1,225,434	731,379
Sale of machineries	365,879	59,674
<u>Property investment and development segment</u>		
Sale of properties	6,338,484	5,829,714
Management fee income	172,575	147,542
<u>Department store operation segment</u>		
Commission income from concessionaire sales	480,997	430,994
Sale of goods	87,477	88,906
Management fee income	9,952	-
<u>Electric power generation segment</u>		
Sale of electricity and steam	1,605,205	1,204,982
<u>Hotel operation and management segment</u>		
Hotel income	343,934	265,182
Management fee income	15,623	13,349
<u>Road and bridge segment</u>		
Toll revenue	659,081	422,374
Income from construction services	710,453	634,349
Management and maintenance fee income	21,901	15,190
<i>Revenue from contracts with customers</i>	27,658,532	21,749,786

4. **REVENUE, AND OTHER INCOME AND GAINS, NET** (continued)

Revenue (continued)

Disaggregated revenue information (continued)

	2021 HK\$'000	2020 HK\$'000
(a) Types of goods or services (continued):		
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	592,951	293,683
Rental income	<u>1,464,009</u>	<u>1,129,853</u>
Total revenue	<u>29,715,492</u>	<u>23,173,322</u>

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

Revenue (continued)

Disaggregated revenue information (continued)

	2021 HK\$'000	2020 HK\$'000
(b) Geographical locations*:		
<u>Mainland China</u>		
Water resources segment	17,212,850	12,697,204
Property investment and development segment	6,511,059	5,977,256
Department store operation segment	578,426	519,900
Electric power generation segment	1,605,205	1,204,982
Hotel operation and management segment	265,206	219,478
Road and bridge segment	<u>1,391,435</u>	<u>1,071,913</u>
	<u>27,564,181</u>	<u>21,690,733</u>
<u>Hong Kong</u>		
Hotel operation and management segment	<u>94,351</u>	<u>59,053</u>
<i>Revenue from contracts with customers</i>	27,658,532	21,749,786
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	592,951	293,683
Rental income	<u>1,464,009</u>	<u>1,129,853</u>
	<u>29,715,492</u>	<u>23,173,322</u>

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

Other income and gains, net

	2021 HK\$'000	2020 HK\$'000
Bank interest income	213,753	359,777
Interest income from receivables under a cooperative arrangement	135,752	85,025
Net gain on disposal of subsidiaries	-	76,809
Others	<u>139,427</u>	<u>139,948</u>
	<u>488,932</u>	<u>661,559</u>

5. PROFIT BEFORE TAX

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

	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold*	1,992,367	1,148,435
Cost of services rendered*	11,462,308	7,905,073
Cost of properties sold*	3,373,040	3,674,238
Depreciation of property, plant and equipment	559,356	482,939
Depreciation of right-of-use assets	77,531	62,046
Amortisation of operating concession rights*	1,249,981	1,061,547
Amortisation of other intangible assets	2,572	2,371
Reversal of impairment losses for trade receivables, net^	(1,874)	(457)
Impairment on items of property, plant and equipment^	-	160
Impairment of operating concession rights^	2,492	-
Lease payments not included in the measurement of lease liabilities	14,747	49,397
Auditor's remuneration	11,480	11,073
Employee benefit expenses:		
Wages and salaries (excluding directors' fee)	2,022,690	1,536,815
Pension schemes contributions:		
- defined contribution plans	266,690	86,451
- defined benefit plans	4,954	-
Less: Forfeited contributions	<u>(196)</u>	<u>(33)</u>
Net pension scheme contributions#	271,448	86,418
Less: Amount capitalised	<u>(239,098)</u>	<u>(174,822)</u>
	<u>2,055,040</u>	<u>1,448,411</u>
Gross rental income from investment properties	(1,391,493)	(1,117,924)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<u>152,523</u>	<u>115,839</u>
Net rental income from investment properties	<u>(1,238,970)</u>	<u>(1,002,085)</u>
Loss on disposal of property, plant and equipment, net^	2,325	246
Net gain on disposal of subsidiaries	-	(76,809)
Loss on deemed disposal of an associate	3,064	-
Government subsidies**^	<u>(56,775)</u>	<u>(55,930)</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 2021 and 2020, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK\$'000	2020 HK\$'000
Interest on bank and other borrowings	626,044	294,754
Interest on a loan from Guangdong Holdings Limited (the Company's ultimate holding company)	93,852	-
Interest on loans from fellow subsidiaries	99,197	15,212
Interest on lease liabilities	26,973	30,830
Interest related to defined benefit obligations	<u>4,592</u>	<u>-</u>
Finance costs incurred	850,658	340,796
Less: Interest capitalised	<u>(306,940)</u>	<u>(48,926)</u>
Finance costs charged for the year	<u>543,718</u>	<u>291,870</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 1.21% and 6.50% per annum (2020: between 3.83% and 4.75% per annum).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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.

	2021 HK\$'000	2020 HK\$'000
Current - Hong Kong		
Charge for the year	9,549	10,133
Under/(over) provision in prior years	13	(44)
Current - Mainland China		
Charge for the year	3,640,758	3,459,282
Underprovision in prior years	2,262	7,427
Deferred tax	<u>(683,324)</u>	<u>(913,916)</u>
Total tax charge for the year	<u>2,969,258</u>	<u>2,562,882</u>

8. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Interim – HK18.17 cents (2020: HK17.64 cents) per ordinary share	1,187,922	1,153,272
Proposed final – HK42.54 cents (2020: HK41.30 cents) per ordinary share	<u>2,781,000</u>	<u>2,700,000</u>
	<u>3,968,922</u>	<u>3,853,272</u>

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

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

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

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

The calculation of the basic and diluted earnings per share is based on:

	2021 HK\$'000	2020 HK\$'000	
Earnings:			
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	<u>4,696,962</u>	<u>4,509,944</u>	
		Number of shares	
		2021	2020
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 2021 and 2020 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the years ended 31 December 2021 and 2020.

10. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in the Group's receivables, prepayments and other receivables as at 31 December 2021 are trade and bills receivables of HK\$2,134,546,000 (2020: HK\$1,097,927,000), 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 and bills receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has a certain concentration of credit risk whereby 5% (2020: 11%) of the total trade and bills receivables was due from one customer. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest bearing.

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

	2021 HK\$'000	2020 HK\$'000
Current or less than 3 months past due	1,646,679	967,479
3 months to 6 months past due	161,285	5,706
6 months to 1 year past due	128,548	52,748
More than 1 year past due	<u>252,430</u>	<u>99,255</u>
	2,188,942	1,125,188
Less: Loss allowance	<u>(54,396)</u>	<u>(27,261)</u>
	<u>2,134,546</u>	<u>1,097,927</u>

11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

The Group's payables, accruals and other liabilities are non-interest-bearing except for certain bills payables and payables for land use rights are normally settled on 60-day terms. Included in the Group's payables, accruals and other liabilities as at 31 December 2021 are trade and bills payables of HK\$3,827,705,000 (2020: HK\$1,330,800,000). An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 3 months	3,207,803	1,260,388
3 months to 6 months	188,216	67,009
6 months to 1 year	<u>431,686</u>	<u>3,403</u>
	<u>3,827,705</u>	<u>1,330,800</u>

12. CONTINGENT LIABILITIES

As at 31 December 2021, 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 2021, the Group's outstanding guarantees amounted to HK\$898,781,000 (2020: HK\$1,284,465,000) for these guarantees.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report to the shareholders our results of 2021. The Group's consolidated profit attributable to owners of the Company for 2021 amounted to HK\$4,697 million (2020: HK\$4,510 million), increasing by 4.1% over 2020. Basic earnings per share increased by 4.1% over the last year to HK 71.84 cents (2020: HK 68.98 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 42.54 cents per share for 2021. Aggregating such dividend with the interim dividend of HK 18.17 cents per share paid in 2021, the total dividend for the entire year will be HK 60.71 cents (2020: HK 58.94 cents) per share. The said 2021 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 28 July 2022.

REVIEW

In 2021, the global economy managed to rebound somewhat but still lacked momentum in the face of multiple headwinds amid the spreading of COVID-19 and its variants, weakening fiscal support in various economies and bottlenecks in supply chains. Despite widespread economic slowdowns around the world, China's economy maintained steady growth with overall balanced supply and demand, demonstrating good momentum. Faced with an increasingly complex and changing external environment, the Group adhered to the development strategy of "balancing progress and stability and enhancing quality and efficiency". On the one hand, the Group continued to strengthen operational efficiency of its core operations while further optimizing its corporate governance and risk management mechanisms. On the other hand, the Group actively seized market opportunities and intensified efforts to scale up its core operations, thus strengthening the foundation for the sustainable development of the Company.

Among the Group's business segments, water resources segment continued its capacity expansion and accelerated the pace of new project acquisition, initially expanding its footprint to the core areas of Beijing-Tianjin-Hebei region. 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 still suffered a loss due to unfavorable external social circumstances and declining tourists in Hong Kong, yet through proactive adjustment of business strategies, its operating efficiency has improved as compared to last year. The department store retail segment made progress in the integration of online and offline operations, effectively easing the pressure on its offline operations caused by the impacts of the pandemic and economic downturn. The power segment saw a sharp rise in operating costs and a severe squeeze on profitability due to soaring coal prices, actively transferred the pressure of rising coal prices to downstream customers by fully exploiting the advantages of its cogeneration plants. The road and bridge segment continued to be impacted by the pandemic as its traffic flow and operating performance were yet to be recovered, and will keep monitoring the impact of changes in national highway policies. Meanwhile, the Group closely monitored foreign exchange risks and utilized various strategies to minimize the Group's currency risk exposure.

PROSPECTS

Looking into 2022, the external environment will be even more complex and uncertain amid ongoing global pandemic, weak global economic recovery momentum and fluctuating commodity prices at elevated levels. China's economic development is under "triple pressure" -- shrinking demand, supply shocks and weakening expectations, and the resurgence of the COVID-19 pandemic may cause further disruptions to the economic activities. Faced with uncertain prospects for the economic recovery as well as adverse impact on human mobility, logistics, business operations, capital markets, interest rates and exchange rate market fluctuations due to the treacherous pandemic, the Group will adhere to the development strategy of "balancing progress and stability and enhancing quality and efficiency", maintain stable growth of its core operations and strengthen its risk management capabilities to create long-term value for its stakeholders.

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, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2021 was HK\$29,715 million (2020: HK\$23,173 million), an increase of 28.2% as compared with that of 2020. The increase 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 2021 increased by 3.1% or HK\$256 million to HK\$8,457 million (2020: HK\$8,201 million), which was mainly due to a better performance in water resources business and property investment and development business during the year. Furthermore, the performance in road and bridge business, department store operation business and hotel operation and management business for the year had various degree of recovery as compared to the outbreak of COVID-19 pandemic (the “Pandemic”) in 2020. Nevertheless, the increase was partially offset by the decrease in electric power generation business. The net gain arising from fair value adjustments for investment properties for the year was HK\$641 million (2020: HK\$757 million), causing a reduction in profit before tax by HK\$116 million for the year. The net exchange loss of the Group for the year amounted to HK\$85 million (2020: HK\$88 million). Net finance costs of the Group for the year was HK\$303 million (2020: net interest income of HK\$99 million). The consolidated profit attributable to owners of the Company for 2021 increased by 4.1% or HK\$187 million to HK\$4,697 million (2020: HK\$4,510 million).

Basic earnings per share was HK 71.84 cents (2020: HK 68.98 cents), increased by 4.1% as compared with that in 2020.

BUSINESS REVIEW

A summary of the performance of the Group’s major businesses during 2021 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 2021, the Company’s interest in GH Water Supply (Holdings) Limited (“GH Water Holdings”) was 96.04% (2020: 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 2.355 billion tons (2020: 2.205 billion tons), an increase of 6.8%, which generated a revenue of HK\$6,468 million (2020: HK\$6,229 million), an increase of 3.8% over 2020.

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 between the Government of the Hong Kong Special Administrative Region and the Guangdong Provincial Government was signed 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 was frozen at the 2020 level (i.e. HK\$4,821.41 million), which is a special arrangement of the Guangdong Provincial Government in consideration of the impact of the Pandemic in Hong Kong.

According to the water price deduction mechanism adopted and applicable for the years from 2021 to 2029, the annual basic water price shall be deducted basing 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 the three years of 2021, 2022 and 2023 are HK\$0.300, HK\$0.304 and HK\$0.308, respectively.

The revenue from water sales to Hong Kong for the year was HK\$4,821 million (2020: HK\$4,821 million). The revenue from water sales to Shenzhen and Dongguan areas for the year increased by 17.0% to HK\$1,647 million (2020: HK\$1,408 million). The profit before tax, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project for the year was HK\$3,785 million (2020: HK\$3,863 million), 2.0% lower than that in 2020.

Other Water Resources Projects

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

On 20 April 2021, the Group completed the acquisition of 53% equity interest of 河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.[▲]) ("Hebei Guangdong Water") (formerly known as 嘉誠環保工程有限公司 (Jiacheng Environmental Engineering Co., Ltd.[▲])) and its subsidiaries ("Hebei Guangdong Water Group"). Hebei Guangdong Water Group is mainly engaged in environmental engineering works in Henan Province and Hebei Province, the PRC. Pursuant to the share transfer agreements, an aggregate amount of no more than RMB3,970 million (equivalent to approximately HK\$4,856 million), comprising share transfer considerations, guarantee for bank refinancing and commitments to provide financial assistance to existing and new water investment projects, is contemplated to be provided by the Group. The total designed water supply capacity and designed waste water processing capacity of its existing water projects are 50,000 tons per day and 468,000 tons per day, respectively. In addition, Hebei Guangdong Water has successfully bid for certain water resources projects and the total designed waste water processing capacity of these potential projects is 320,000 tons per day. Further details of the transaction are set out in the Company's announcement dated 19 April 2021. Other than the above investment, the Group also successfully bid/contracted for nine new water resources projects respectively located in Jieyang City, Yunfu City, Kaiping City, Shanwei City and Xinyi City of Guangdong Province, Pizhou City and Xuyi County of Jiangsu Province, Nanchang County of Jiangxi Province and Danzhou City of Hainan Province, the PRC, and the expansion of an existing water resources project in Puning City of Guangdong Province, the PRC, with total designed water supply capacity and waste water processing capacity of 1,371,200 tons per day and 108,000 tons per day, respectively. The expected total investment amount of these projects, including Hebei Guangdong Water Group, is approximately up to RMB7,739 million (equivalent to approximately HK\$9,466 million).

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 2021 are 13,783,200 tons per day (2020: 12,412,000 tons per day) and 2,635,200 tons per day (2020: 1,739,200 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 Group are as follows:

<u>Name of subsidiaries of the Company</u>	<u>Water supply capacity (tons per day)</u>	<u>Waste water processing capacity (tons per day)</u>
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd. ▲)	290,000	-
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd. ▲)	310,000	250,000
Yizheng Yuehai Water Supply Co., Ltd.	150,000	-
Gaoyou GDH Water Co., Ltd.	150,000	-
Baoying GDH Water Co., Ltd.	130,000	-
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd. ▲)	100,000	-
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. ▲)	100,000	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. ▲)	100,000	-
Wuzhou GDH Environmental Protection Development Co., Ltd.	-	140,000
東莞市常平粵海環保有限公司 (Dongguan Changping Guangdong Huanbao Co., Ltd. ▲)	-	70,000
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd. ▲)	-	50,000
五華粵海環保有限公司 (Wuhua Guangdong Huanbao Co., Ltd. ▲)	-	66,000
東莞市道滘粵海環保有限公司 (Dongguan Daojiao Guangdong Huanbao Co., Ltd. ▲)	-	40,000
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
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	781,500	81,000
六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Co., Ltd. ▲)	-	115,000
昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd. ▲)	24,000	20,000
雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd. ▲)	50,000	-
大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd. ▲)	-	21,900
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	28,500
陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd. ▲)	-	11,300
雲浮市自來水有限公司 (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
揭陽粵海水務有限公司 (Jieyang Guangdong Water Co., Ltd. ▲)	460,000	-
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd. ▲)	370,000	-
潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd. ▲)	-	20,000
廣東粵海韶投水務有限責任公司 (Guangdong Shaotou Water Co., Ltd. ▲)	674,000	-
吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd. ▲)	-	25,000
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd. ▲)	20,000	-
Hebei Guangdong Water Group	10,000	403,000
邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd. ▲)	250,000	-
惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	8,500
惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd. ▲)	-	20,000
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd. ▲)	134,200	-
Total for year 2021	<u>4,927,200</u>	<u>1,573,200</u>
Total for year 2020	<u>2,833,500</u>	<u>1,091,300</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
Guangzhou Nansha GDH Water Co., Ltd.	430,000
汕頭市粵海水務有限公司 (Shantou Guangdong Water Co., Ltd. ▲)	920,000
興化粵海水務有限公司 (Xinghua Guangdong Water Co., Ltd. ▲)	430,000
Total for year 2021	<u>2,380,000</u>
Total for year 2020	<u>1,950,000</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 Group as at 31 December 2021 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. ▲)	400,000	-
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd. ▲)	1,060,000	-
荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd. ▲)	80,000	-
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd. ▲)	50,000	-
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	200,000
五華粵海碧源環保有限公司 (Wuhua Guangdong Biyuan Huanbao Co., Ltd. ▲)	-	40,000
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd. ▲)	200,000	-
揭陽粵海水務有限公司 (Jieyang Guangdong Water Co., Ltd. ▲)	100,000	-
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd. ▲)	110,000	-
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd. ▲)	-	3,500
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd. ▲)	20,000	-
揭陽粵海四航國業水務有限公司 (Jieyang Guangdong Sihang Guoye Water Co., Ltd. ▲) (name subsequently changed to 揭陽粵海國業水務有限公司 (Jieyang Guangdong Guoye Water Co., Ltd. ▲))	220,000	-
邳州粵海環保有限公司 (Pizhou Guangdong Huanbao Co., Ltd. ▲)	-	35,000
Hebei Guangdong Water Group	-	65,000
雲浮市雲安粵海城鄉供水有限公司 (Yunfu City Yunan Guangdong Urban and Rural Water Supply Co., Ltd. ▲)	24,600	-
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd. ▲)	100,000	-
Total	<u>2,364,600</u>	<u>343,500</u>

Revenue of Other Water Resources Projects for the year in aggregate amounted to HK\$11,369,997,000 (2020: HK\$6,786,342,000), 67.5% higher than that in 2020, of which income from construction services amounted to HK\$6,790,344,000 (2020: HK\$4,386,877,000). The growth was mainly attributable to additional returns from those water resources projects newly acquired or launched as well as an increase in construction revenue from those projects under construction. Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences and net finance costs, amounted to HK\$1,332,977,000 (2020: HK\$667,566,000) in aggregate, 99.7% higher than that in 2020.

New Water Resources Projects

After the end of the reporting period, the Group entered into a supplemental concession agreement for expansion of an existing sewage treatment plant in Yunfu City of Guangdong Province, the PRC. The designed waste water processing capacity of the project is 40,000 tons per day and the expected total investment amount of the project is approximately RMB161 million (equivalent to approximately HK\$197 million).

Property Investment and Development

Mainland China

GDH Teem

As at 31 December 2021, the Group held an effective interest of 76.13% in 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited[▲]) (“GDH Teem”), the property owner of Teem Plaza. Teem Plaza comprises a shopping mall, an office building and a hotel. The shopping mall and the office building are held for investment purposes by the Group.

Revenue of GDH Teem’s property investment business mainly comprises rental income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building of Teem Plaza. In 2020, 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.[▲]). Revenue of GDH Teem, excluding property management fee income, increased by 7.6% to HK\$1,032,765,000 (2020: HK\$959,378,000), which was mainly due to recovery from the Pandemic during the year. In addition, the effect of the real estate tax exemption policy introduced last year ceased to exist, the profit before tax for the year, excluding changes in fair value of investment properties and net interest income, decreased by 1.3% to HK\$743,341,000 (2020: HK\$753,001,000).

The shopping mall of Teem Plaza, known as the Teemall, had an average occupancy rate of nearly 99.9% for the year (2020: 99.9%). The mall is successful in retaining existing brand-name tenants and attracting new ones.

The office building of Teem Plaza, known as Teem Tower, with an average occupancy rate of 95.0% (2020: 94.9%) during the year, had a total revenue for the year of HK\$226,665,000 (2020: HK\$198,283,000), increased by 14.3%. The profit before tax for the year, excluding changes in fair value of investment properties, increased by 12.5% to HK\$191,050,000 (2020: HK\$169,770,000).

Panyu GDH Plaza

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

Wanye owns Panyu GDH Plaza which is a large-scale integrated commercial project with a total gross floor area (“GFA”) of approximately 383,000 sq.m. (including car-parking spaces) and located in Panyu Wanbo Central Business District. As at 31 December 2021, the cumulative land and development cost incurred by the Group for Panyu GDH Plaza amounted to approximately HK\$3,815 million (2020: approximately HK\$3,706 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 2021, sales contracts for accumulated GFA of approximately 109,200 sq.m. (2020: approximately 102,800 sq.m.) had been signed, in which properties with accumulated GFA of approximately 109,200 sq.m. (2020: approximately 99,000 sq.m.) had been delivered, representing 99.5% (2020: 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 was 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.. During the year, Panyu Teemall had an occupancy rate of 90.4% (2020: 84.0%).

Revenue of Panyu GDH Plaza for the year was HK\$616,135,000 (2020: HK\$1,855,108,000), of which income from sales of properties and revenue of Panyu Teemall amounted to HK\$352,367,000 (2020: HK\$1,845,887,000) and HK\$263,768,000 (2020: HK\$9,221,000), respectively. Profit before tax for the year, excluding changes in fair value of investment properties and net interest income amounted to HK\$311,206,000 (2020: HK\$804,653,000), of which profit from sales of properties and profit from Panyu Teemall amounted to HK\$156,125,000 (2020: HK\$860,325,000) and HK\$155,081,000 (2020: loss before tax of HK\$55,672,000), respectively.

Tianjin Yuehai Teem Shopping Mall

The Group held an effective interest of 76.02% in Tianjin Yuehai Teem Shopping Center Co., Ltd., the property owner of Tianjin Yuehai Teem Shopping Mall. Tianjin Yuehai Teem Shopping Mall, with a total GFA of approximately 205,000 sq.m., of which 145,000 sq.m. was held for rental purposes, is situated at a convenient location above underground railroads and is one of the leading shopping and leisure destinations in the renowned “Binjiang Dao - Heping Road” Commercial District in Tianjin.

Tianjin Yuehai Teem Shopping Mall with tenants comprising of local and well-known multinationals enterprises, had an average occupancy rate of 95.0% (2020: 90.1%) during the year. Revenue of Tianjin Yuehai Teem Shopping Mall for the year was HK\$236,201,000 (2020: HK\$167,680,000), increased by 40.9%. The profit before tax of Tianjin Yuehai Teem Shopping Mall for the year, excluding changes in fair value of investment properties and net finance costs, was HK\$88,940,000 (2020: HK\$68,950,000), increased by 29.0%.

Guangdong Land Holdings Limited (“GD Land”)

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

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[▲]) (“Guangdong Holdings”), the ultimate holding company of the Company, to acquire (i) 51% interest in 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.[▲]) and its 51% outstanding shareholder’s loan at a total consideration of approximately RMB954 million (equivalent to approximately HK\$1,143 million) and (ii) 100% interest in 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.[▲]) at a consideration of approximately RMB274 million (equivalent to approximately HK\$328 million). The two acquisitions were completed in January 2021.

Further, on 26 September 2021, GD Land succeeded in the bid for the land use rights of the land parcel at Baiyun New Town, Baiyun District, Guangzhou City (the “Land Parcel”) through the public listing-for-sale process with consideration amounted to RMB10,187 million (equivalent to approximately HK\$12,278 million). The Land Parcel consists of three pieces of land with an aggregate site area of approximately 116,471 sq.m. and a total GFA included in the calculation of the plot ratio of approximately 506,000 sq.m.. Further details of the transaction are set out in the joint announcement of the Company and GD Land dated 26 September 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	Use	Interest held by GD Land	Approximate GFA of project (sq.m.)	Accumulated GFA contracted (sq.m.)	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
						Year under review (sq.m.)	Accumulated (sq.m.)	
Northwestern Land of Shenzhen GDH City	Shenzhen City, the PRC	Business apartment/ Commercial	100%	114,654	99,452	71,538	93,696	81.7%
Guangzhou Laurel House	Guangzhou City, the PRC	Residential	100%	65,636	65,636	11,440	65,636	100.0%
Guangzhou Laurel House	Guangzhou City, the PRC	Car-parking spaces	100%	2,764	2,197	1,779	1,779	64.4%
Baohuaxuan	Guangzhou City, the PRC	Residential	100%	3,884	3,884	199	3,884	100.0%
Ruyingju	Guangzhou City, the PRC	Residential	80%	94,617	94,617	193	94,617	100.0%
Ruyingju	Guangzhou City, the PRC	Car-parking spaces	80%	8,052	5,896	917	5,896	73.2%

Properties Held for Sale under Development and Investment Properties under Development

Property project	Location	Use	Interest held by GD Land	Approximate total site area (sq.m.)	Approximate GFA* (sq.m.)	Progress	Expected completion and filing date
Northern Land of Shenzhen GDH City Project	Shenzhen City, the PRC	Commercial/ Offices/Mall	100%	33,802	146,551	Commercial shopping building superstructure and tower superstructure topped out, and renovation works in progress	2nd half of 2022
Southern Land of Shenzhen GDH City Project	Shenzhen City, the PRC	Offices/Mall	100%	16,044	199,500	Commercial shopping building structure topped out and the masonry works and renovation works in progress, and superstructure construction and masonry works and renovation of the office tower underway	2023
Chenyuan Road Project	Jiangmen City, the PRC	Residential/ Commercial service	100%	59,705	164,216	Superstructure of all phases topped out, and renovation works in progress	2nd half of 2022
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential/ Commercial	100%	66,090	166,692	Superstructure construction works of the first phase of the properties in progress, and basement structural works for other properties underway	2024
Foshan Laurel House Project	Foshan City, the PRC	Residential/ Commercial	100%	43,284	151,493	Superstructure construction works of each phase of the properties in progress	2023
Zhongshan GDH City Project	Zhongshan City, the PRC	Residential	97.64%	98,811	247,028	Superstructure construction works of each phase of the properties in progress	2023
Jiangmen Ganhua Project (Jiangmen Land No. 3 - 5)	Jiangmen City, the PRC	Residential/ Commercial	51%	174,538	396,600	Superstructure of all properties on Land No.3 topped out and renovation works in progress, and superstructure of some properties on Land No.4 topped out and superstructure construction works of other properties in progress	2026
Huizhou Dayawan Project	Huizhou City, the PRC	Residential/ Commercial	100%	30,698	92,094	Superstructure construction works of each phase of the properties in progress	2023
Guangzhou Yungang City Project	Guangzhou City, the PRC	Residential/ Commercial	100%	114,463	506,000	Basement and earthwork excavation of each phase of the properties underway	2025

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

Properties Held for Sale under Development which Pre-sale has Commenced

Property project	Location	Use	Interest held by GD Land	Approximate GFA included in calculation of plot ratio (sq.m.)	Approximate GFA contracted		The proportion of accumulated GFA contracted to GFA available for sale	Date of pre-sale
					Year under review (sq.m.)	Accumulated (sq.m.)		
Chenyuan Road Project	Jiangmen City, the PRC	Residential / Commercial service	100%	164,216	30,605	30,605	18.6%	January 2021
Jiangmen Ganhua Project (Jiangmen Land No. 3 - 5)	Jiangmen City, the PRC	Residential / Commercial	51%	396,600	25,920	25,920	6.5%	May 2021
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential / Commercial	100%	166,692	12,945	12,945	7.8%	June 2021
Zhongshan GDH City Project	Zhongshan City, the PRC	Residential	97.64%	247,028	17,376	17,376	7.0%	September 2021
Foshan Laurel House Project	Foshan City, the PRC	Residential/ Commercial	100%	151,493	3,301	3,301	2.2%	October 2021

During the year, GD Land's properties recorded total contracted GFA (including completed properties held for sale and properties held for sale under development) and delivered GFA of approximately 157,000 sq.m. (2020: 60,000 sq.m.) and 86,000 sq.m. (2020: 57,000 sq.m.), respectively. Revenue of GD Land for the year increased by 50.1% to HK\$6,006,392,000 (2020: HK\$4,000,332,000), of which income from sales of properties amounted to HK\$5,986,116,000 (2020: HK\$3,983,828,000). The profit before tax of GD Land for the year, excluding changes in fair value of investment properties and net finance costs, was HK\$1,914,932,000 (2020: HK\$596,655,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 92.5% (2020: 95.5%). The total revenue for the year decreased by 6.5% to HK\$51,527,000 (2020: HK\$55,094,000).

Department Store Operation

As at 31 December 2021, the Group operated five stores with a total leased area of approximately 123,900 sq.m. (2020: approximately 125,800 sq.m.). The total revenue for the year increased by 22.5% to HK\$636,688,000 (2020: HK\$519,900,000). The increase in total revenue for the year was mainly due to a slight rebound in foot traffic and sales volume as compared to the outbreak of the Pandemic in 2020. The profit before tax for the year decreased by 32.5% to HK\$79,975,000 (2020: HK\$118,425,000), which was mainly due to the pre-commencement expenses of a new store incurred during the year.

The revenue of the stores operated by the Group for the year ended 31 December 2021 was as follows:

	Leased area sq.m.	2021 HK\$'000	2020 HK\$'000	Changes %
Teemall Store	42,300	407,925	332,110	+22.8
Wan Bo Store	20,200	66,027	60,933	+8.4
Ming Sheng Store	11,900	24,889	21,190	+17.5
Dong Pu Store	28,300	92,220	70,356	+31.1
Ao Ti Store	21,200	45,241	33,640	+34.5
Dongguan Store (closed in April 2020)	-	-	1,040	-100.0
Nanhai Store (closed in October 2021)	-	386	631	-38.8
	<u>123,900</u>	<u>636,688</u>	<u>519,900</u>	<u>+22.5</u>

Hotel Ownership, Operation and Management

As at 31 December 2021, the Group's hotel management team managed a total of 27 hotels (2020: 37 hotels), of which three were located in Hong Kong, one in Macau and 23 in Mainland China. As at 31 December 2021, 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 Sheraton Guangzhou Hotel in Guangzhou, which was managed by Sheraton Overseas Management Corporation. One hotel, which was originally used as staff dormitory, situated in Zhuhai City was under construction by the Group as at 31 December 2021.

During the year, the average room rate of Sheraton Guangzhou Hotel was HK\$904 (2020: HK\$876) whereas the average room rate of the remaining four star-rated hotels were HK\$380 (2020: HK\$359). The average occupancy rate of Sheraton Guangzhou Hotel was 74.8% (2020: 66.1%) and that of the other four star-rated hotels was 57.6% (2020: 34.2%) during the year.

As compared to the outbreak of the Pandemic in 2020, the overall demand for accommodation has recovered slightly. Accordingly, the revenue of hotel ownership, operation and management business for the year increased by 29.3% to HK\$398,033,000 (2020: HK\$307,745,000). The loss before tax for the year, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$48,394,000 (2020: HK\$79,595,000).

Energy Projects

GDH Energy Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% interest in 中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.▲) (“GDH Energy”). GDH Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the year amounted to 2,969 million kwh (2020: 2,877 million kwh), increased by 3.2%. Due to the increase in sales of electricity and electricity tariff, revenue of GDH Energy project (including intersegment sales) generated from electricity sales and related operations for the year increased by 30.2% to HK\$1,897,278,000 (2020: HK\$1,457,758,000). Owing to the large-scale coal supply shortage and continuously escalating coal price in China, coal-fired power producers experienced significant increase in cost of production. The coal-fired power generation industry faces tremendous difficulty in operation since the third quarter of 2021. The loss before tax of GDH Energy for the year, excluding net exchange differences and net finance costs, was HK\$176,670,000 (2020: profit before tax of HK\$228,175,000).

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 2021, 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 16,742 million kwh (2020: 13,214 million kwh), an increase of 26.7%. Due to the increase in sales of electricity and electricity tariff, revenue for the year increased by 46.6% to HK\$8,018,941,000 (2020: HK\$5,469,551,000). As affected by the significant increase in coal price, the loss before tax of Yudean Jinghai Power for the year was HK\$848,630,000 (2020: profit before tax of HK\$690,320,000). The Group’s share of loss in Yudean Jinghai Power amounted to HK\$159,581,000 (2020: share of profit of HK\$129,349,000) during the year.

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. As at 31 December 2021, the main structural work of highway enhancement project of Xingliu Expressway had been completed with accumulated construction costs incurred of approximately RMB1,167 million (equivalent to approximately HK\$1,427 million) and it has been fully opened to traffic.

The average daily toll traffic flow of the Xingliu Expressway increased by 58.8% to 22,710 vehicle trips (2020: 14,305 vehicle trips) which was mainly due to the absence of the 79 days toll-free period as announced in 2020, the effect of which was partly offset by the impact of closed lanes caused by the highway enhancement project during the year. The revenue of GDH Highway during the year amounted to HK\$1,369,534,000 (2020: HK\$1,056,723,000), increased by 29.6%, which was due to the increase in revenue from construction services of HK\$710,453,000 (2020: HK\$634,349,000) arising from the highway enhancement project. Profit before tax during the year, excluding net interest income, amounted to HK\$377,086,000 (2020: HK\$212,166,000), increased by 77.7%.

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\$5.815 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 2021, out of a total of eight Project Roads, four Project Roads (2020: two Project Roads) were completed and one Project Road (2020: three Project Roads) were under construction. As at 31 December 2021, Development Costs amounting to approximately RMB1,724 million (equivalent to approximately HK\$2,109 million) (2020: approximately RMB1,453 million (equivalent to approximately HK\$1,726 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 57.3% to HK\$157,653,000 (2020: HK\$100,215,000) and profit before tax increased by 65.7% to HK\$147,043,000 (2020: HK\$88,752,000) during the year.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2021, cash and cash equivalents of the Group decreased by HK\$772 million to HK\$9,595 million (2020: HK\$10,367 million), of which 97.26% was denominated in Renminbi, 2.73% in Hong Kong dollars and 0.01% in United States dollars.

As at 31 December 2021, the Group's financial borrowings increased by HK\$17,422 million to HK\$28,860 million (2020: HK\$11,438 million), of which 25.5% was denominated in Hong Kong dollars, 74.5% in Renminbi, including loans from the ultimate holding company and fellow subsidiaries of HK\$4,135 million and the non-interest-bearing advance of HK\$118 million. Of the Group's total financial borrowings, HK\$7,047 million was repayable within one year while the remaining balances of HK\$14,655 million and HK\$7,158 million are repayable within two to five years and beyond five years from the end of the reporting period, respectively. Furthermore, the interest rate structure of the Group's total financial borrowings consists of 99.0% floating rate borrowings, 0.5% fixed rate borrowings and 0.5% non-interest bearing borrowings as at 31 December 2021.

The Group maintained a credit facility of HK\$15,324 million as at 31 December 2021 (2020: HK\$5,591 million).

As at 31 December 2021, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was 48.9% (2020: 6.6%). The Group was in a healthy debt servicing position with the EBITDA/finance cost incurred as at 31 December 2021 being 12.8 times (2020: 28.9 times).

Net cash outflows from operating activities for the year amounted to approximately HK\$4,939 million (2020: net cash inflows from operating activities of HK\$3,413 million), which was mainly due to completion of payment for the land parcels held by GD Land. GD Land recorded net cash outflows from operating activities for the year which amounted to approximately HK\$9,643 million (2020: net cash outflows from operating activities of HK\$2,011 million). The Group's other segments continue to remain sound with consistent positive net operating cash inflows. 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 2021, except for (i) certain property assets of HK\$11,506 million (2020: property assets and leasehold land of HK\$5,780 million); (ii) certain revenue entitlement under service concession arrangements of water distribution, sewage treatment and toll road operations as security for bank and other loans of HK\$8,866 million (2020: HK\$2,957 million); (iii) equity interest in certain subsidiaries of the Group with total costs of approximately HK\$4,561 million (2020: HK\$1,391 million), which were pledged to secure certain bank and other loans, none of the property, plant and equipment, concession rights for water distribution, sewage treatment and toll road operations (comprising operating concession rights and receivables under service concession agreements) were pledged to secure bank and other loans granted to the Group.

Except for the guarantees made to certain banks in relation to the mortgages of properties sold of approximately HK\$899 million (2020: approximately HK\$1,284 million) as disclosed in note 12 of this announcement, there was no other material contingent liability as at 31 December 2021 and 2020.

CAPITAL EXPENDITURE

The Group's capital expenditure during the year amounted to HK\$15,526 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 and acquisitions of subsidiaries.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 31 December 2021, total Renminbi borrowings amounted to HK\$21,482 million (2020: HK\$6,563 million). The Group did not use derivative financial instruments to hedge its foreign currency risk. The Group believed that no significant impact was caused by the fluctuation of RMB exchange rate on the Group's financial position as there is a natural hedging mechanism. Meanwhile, the Group dynamically monitored the foreign exchange exposure and made necessary adjustments in accordance with the change in market environment.

As at 31 December 2021, the Group's total floating rate borrowings amounted to HK\$28,560 million (2020: HK\$11,103 million). The interest rate risk exposure was considered to be low and thus no interest rate hedging was considered necessary. The Group will continue to review the market trend as well as its business operation's needs, so as to arrange the most effective risk management tools.

PRINCIPAL RISKS AND UNCERTAINTIES

Macroeconomic Risk

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

Internationally, the global economic outlook remains highly uncertain amid the novel coronavirus flare-up, global inflations, geopolitical disputes and the pressure to cope with climate change. 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 resurging 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 ongoing risks to the Company's business operations arising from the novel coronavirus epidemic, the Group has established and improved its management systems and emergency plans, and will do the best to prevent and control the pandemic 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 2021, the Group had a total of 10,236 employees, of which 2,206 were at the managerial level. Among the employees, 10,008 were employed by subsidiaries in Mainland China and 228 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$2,294,138,000 (2020: approximately HK\$1,623,233,000).

Upholding a corporate culture with "Commitment, Performance and Teamwork" at the core, the Group actively promoted its brand slogan of "Corporation Thrives on Solid Efforts" in 2021, with an aim to encourage its staff to be committed and aggressive and strive for excellence. With a firm belief that people are the most important assets of an organisation, the Group has made great efforts to recruit professionals and experts with international visions urgently needed for its business development, and created a working environment that encourages anyone to engage themselves, work hard and perform better. Through cultivation of a committed workforce, optimisation of its operation and management and strengthening of its core competencies, the Group has continuously enhance its competitiveness and market value.

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.

PROPOSED CHANGE OF INDEPENDENT AUDITOR

For the sake of promoting good corporate governance, the Company has been considering rotation of its independent auditor. Accordingly, Messrs. Ernst & Young (“EY”) will retire as the independent auditor of the Company upon the conclusion of the forthcoming annual general meeting of the Company to be held on 23 June 2022 (the “2022 AGM”).

The Board resolved, with the recommendation from the Audit Committee of the Company, to propose the appointment of Messrs. KPMG as the new independent auditor of the Company, following the retirement of EY, with effect from the conclusion of the 2022 AGM, and to hold office until the conclusion of the next annual general meeting of the Company. Such proposed appointment is subject to the approval of the shareholders of the Company at the 2022 AGM.

As the proposed change in auditor is the result of a competitive process, the result of which only became available recently, the Board has since sought, and is awaiting, EY’s confirmation as to whether there is any matter connected with its retirement which needs to be brought to the attention of the shareholders of the Company. However, subject to the aforesaid, the Board has confirmed that it is not aware of any matter in respect of the proposed change of auditor that needs to be brought to the attention of the shareholders of the Company. The Board would like to express its appreciation to EY for its services rendered to the Company in the past years.

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 2021 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 and the chairman of the Nomination Committee was unable to attend the annual general meeting of the Company held on 22 June 2021 (the “2021 Annual General Meeting”) as required by Code Provision F.2.2. With the consent of the Directors present, Mr. Lin Tiejun, Vice-Chairman and an Executive Director of the Company chaired the 2021 Annual General Meeting.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2021 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 Thursday, 23 June 2022 at 2:30 p.m. (the “2022 Annual General Meeting”).

In order to qualify for attending and voting at the 2022 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 Friday, 17 June 2022.

ENTITLEMENT FOR FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK 42.54 cents per ordinary share for the year ended 31 December 2021 which is expected to be paid on or about Thursday, 28 July 2022 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 29 June 2022 subject to the final approval at the 2022 Annual General Meeting.

For the purpose of determining shareholders' entitlements to the proposed final dividend for the year ended 31 December 2021, the register of members of the Company will be closed on Wednesday, 29 June 2022 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 Tuesday, 28 June 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.gdi.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2021 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, 30 March 2022

▲ *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 five Executive Directors, namely, Mr. HOU Wailin, Mr. LIN Tiejun, Mr. WEN Yinheng, Mr. TSANG Hon Nam and Ms. LIANG Yuanjuan; 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, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses, Mr. WU Ting Yuk, Anthony and Mr. LI Man Bun, Brian David.