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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)

2022 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights for the year ended 31 December

	2022	2021	Changes
	HK\$'000	HK\$'000	%
Revenue	<u>23,196,238</u>	<u>29,715,492</u>	-21.9
Profit before tax	<u>7,243,538</u>	<u>8,456,844</u>	-14.3
Profit for the year	<u>5,524,193</u>	<u>5,487,586</u>	+0.7
Profit attributable to owners of the Company	<u>4,763,503</u>	<u>4,696,962</u>	+1.4
Earnings per share – Basic	<u>HK 72.86 cents</u>	<u>HK 71.84 cents</u>	+1.4
Dividends per share			
Interim	HK 18.71 cents	HK 18.17 cents	
Proposed final	<u>HK 42.62 cents</u>	<u>HK 42.54 cents</u>	
	<u>HK 61.33 cents</u>	<u>HK 60.71 cents</u>	+1.0

CONSOLIDATED FINANCIAL INFORMATION

YEAR ENDED 31 DECEMBER 2022

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 2022 together with the comparative figures for 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	4	23,196,238	29,715,492
Cost of sales		<u>(13,373,075)</u>	<u>(18,077,696)</u>
Gross profit		9,823,163	11,637,796
Other income and gains, net	4	406,655	488,932
Changes in fair value of investment properties		937,012	640,627
Selling and distribution expenses		(739,266)	(1,018,557)
Administrative expenses		(2,820,002)	(2,647,394)
Exchange differences, net		48,028	(85,445)
Other operating income, net		403,886	24,113
Finance costs	6	(860,453)	(543,718)
Share of profits less losses of associates		<u>44,515</u>	<u>(39,510)</u>
PROFIT BEFORE TAX	5	7,243,538	8,456,844
Income tax expense	7	<u>(1,719,345)</u>	<u>(2,969,258)</u>
PROFIT FOR THE YEAR		<u>5,524,193</u>	<u>5,487,586</u>
Attributable to:			
Owners of the Company		4,763,503	4,696,962
Non-controlling interests		<u>760,690</u>	<u>790,624</u>
		<u>5,524,193</u>	<u>5,487,586</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK72.86 cents</u>	<u>HK71.84 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
PROFIT FOR THE YEAR	<u>5,524,193</u>	<u>5,487,586</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations		
- Subsidiaries	(4,683,969)	1,549,549
- Associates	<u>(400,839)</u>	<u>170,891</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(5,084,808)</u>	<u>1,720,440</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	(2,853)
Fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	23,962	569
Share of remeasurement gain/(loss) on defined benefit plans, net of tax		
- Subsidiaries	6,591	(5,705)
- An associate	<u>(206)</u>	<u>(11,718)</u>
	30,347	(19,707)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(5,054,461)</u>	<u>1,700,733</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>469,732</u></u>	<u><u>7,188,319</u></u>
Attributable to:		
Owners of the Company	977,517	5,941,055
Non-controlling interests	<u>(507,785)</u>	<u>1,247,264</u>
	<u><u>469,732</u></u>	<u><u>7,188,319</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,569,778	8,125,506
Investment properties		25,073,134	23,807,224
Right-of-use assets		611,367	798,966
Goodwill		841,202	804,957
Other intangible assets		706,345	34,461
Investments in associates		4,031,380	4,390,628
Operating concession rights		21,842,960	21,787,134
Receivables under service concession arrangements		16,296,533	14,902,721
Receivables under a cooperative arrangement		2,034,000	2,346,599
Equity investments designated at fair value through other comprehensive income		55,039	30,568
Prepayments and other receivables		950,298	613,588
Deferred tax assets		<u>1,281,832</u>	<u>1,224,167</u>
Total non-current assets		<u>81,293,868</u>	<u>78,866,519</u>
CURRENT ASSETS			
Properties held for sale under development		29,909,189	33,852,306
Completed properties held for sale		5,513,094	987,625
Tax recoverable		298,847	104,637
Inventories		302,063	309,215
Receivables under service concession arrangements		375,500	485,485
Receivables under a cooperative arrangement		105,111	-
Receivables, prepayments and other receivables	10	5,277,675	4,510,793
Due from non-controlling equity holders of subsidiaries		918,079	849,731
Restricted bank balances		583,074	469,412
Cash and bank balances		<u>8,938,120</u>	<u>9,595,100</u>
Total current assets – page 5		<u>52,220,752</u>	<u>51,164,304</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Total current assets – page 4		<u>52,220,752</u>	<u>51,164,304</u>
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(14,835,801)	(21,783,591)
Contract liabilities		(6,830,491)	(3,658,674)
Tax payables		(3,206,500)	(3,704,614)
Due to non-controlling equity holders of subsidiaries		(672,969)	(1,080,315)
Bank and other borrowings	12	(10,044,788)	(6,928,489)
Lease liabilities		<u>(77,733)</u>	<u>(89,116)</u>
Total current liabilities		<u>(35,668,282)</u>	<u>(37,244,799)</u>
NET CURRENT ASSETS		<u>16,552,470</u>	<u>13,919,505</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>97,846,338</u>	<u>92,786,024</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings	12	(30,690,800)	(21,812,864)
Lease liabilities		(563,173)	(937,322)
Due to non-controlling equity holders of subsidiaries		(113,000)	(115,732)
Other liabilities and contract liabilities		(1,393,240)	(1,584,899)
Deferred tax liabilities		<u>(6,576,808)</u>	<u>(6,430,330)</u>
Total non-current liabilities		<u>(39,337,021)</u>	<u>(30,881,147)</u>
Net assets		<u>58,509,317</u>	<u>61,904,877</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,966,177	8,966,177
Reserves		<u>34,362,465</u>	<u>37,244,521</u>
		43,328,642	46,210,698
Non-controlling interests		<u>15,180,675</u>	<u>15,694,179</u>
Total equity		<u>58,509,317</u>	<u>61,904,877</u>

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2022 and 2021 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 2021 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 2022 in due course. The Company's former and present auditor have reported on those consolidated financial statements for the years ended 31 December 2021 and 2022, respectively. 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 2022. 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 applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting year:

Amendments to HKAS 16	<i>Property, plant and equipment: Proceeds before intended use</i>
Amendments to HKAS 37	<i>Provisions, contingent liabilities and contingent assets: Onerous contract – cost of fulfilling a contract</i>

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

- (a) Amendments to HKAS 16 prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.
- (b) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

3. OPERATING SEGMENT INFORMATION

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

- (i) The water resources segment engages in water distribution, sewage treatment, construction of water supply and sewage treatment infrastructure, water pipeline installation and consultancy services and sale of machineries for customers in the mainland of the People's Republic of China (the "PRC") ("Mainland China") and Hong Kong;
- (ii) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development and sale of properties in Mainland China. This segment also provides property management services to certain commercial properties;
- (iii) The department store operation segment operates department stores, which engages in sale of goods and concessionaire sales, and management and sub-letting of operating area in Mainland China;
- (iv) The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province, 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, loss on 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 bank balances, restricted bank balances, equity investments designated at fair value through other comprehensive income and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, tax payables, deferred tax liabilities 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue:						
Revenue from external customers	16,949,113	17,805,801	2,870,880	7,878,330	798,860	636,688
Intersegment sales	-	-	94,866	98,086	-	-
Other income and gains from external sources	50,805	46,995	7,846	10,004	17,434	20,205
Other income from intersegment transactions	-	-	-	-	-	-
Total	<u>16,999,918</u>	<u>17,852,796</u>	<u>2,973,592</u>	<u>7,986,420</u>	<u>816,294</u>	<u>656,893</u>
Segment results	<u>5,634,624</u>	<u>4,851,684</u>	<u>2,150,806</u>	<u>3,611,902</u>	<u>33,797</u>	<u>77,890</u>
Bank interest income						
Dividends received from equity investments designated at fair value through other comprehensive income	-	2	-	-	-	-
Net gain on disposal of subsidiaries	27,893	-	-	-	-	-
Loss on deemed disposal of an associate	-	(3,064)	-	-	-	-
Loss on disposal of an associate	(4,602)	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	166,422	151,007	-	-	(16,213)	(30,936)
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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue:						
Revenue from external customers	1,529,210	1,605,205	386,660	398,033	661,515	1,391,435
Intersegment sales	361,423	292,073	-	-	-	-
Other income and gains from external sources	43,385	61,416	92	501	119,775	139,084
Other income from intersegment transactions	-	-	-	-	-	-
Total	<u>1,934,018</u>	<u>1,958,694</u>	<u>386,752</u>	<u>398,534</u>	<u>781,290</u>	<u>1,530,519</u>
Segment results	<u>(54,339)</u>	<u>(193,222)</u>	<u>(56,454)</u>	<u>(31,389)</u>	<u>440,499</u>	<u>545,359</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	-	-	-	-	-	-
Loss on disposal of an associate	-	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	(105,694)	(159,581)	-	-	-	-
Profit before tax						
Income tax expense						
Profit for the year						

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue:						
Revenue from external customers	-	-	-	-	23,196,238	29,715,492
Intersegment sales	21,664	15,539	(477,953)	(405,698)	-	-
Other income and gains from external sources	-	36	-	-	239,337	278,241
Other income from intersegment transactions	6,295	11,977	(6,295)	(11,977)	-	-
Total	<u>27,959</u>	<u>27,552</u>	<u>(484,248)</u>	<u>(417,675)</u>	<u>23,435,575</u>	<u>29,993,733</u>
Segment results	<u>(305,823)</u>	<u>(37,239)</u>	<u>16,865</u>	<u>(22,442)</u>	7,859,975	8,802,543
Bank interest income					144,027	213,753
Dividends received from equity investments designated at fair value through other comprehensive income	-	-	-	-	-	2
Net gain on disposal of subsidiaries	-	-	-	-	27,893	-
Loss on deemed disposal of an associate	-	-	-	-	-	(3,064)
Loss on disposal of an associate	-	-	-	-	(4,602)	-
Finance costs					(828,270)	(516,880)
Share of profits less losses of associates	-	-	-	-	44,515	(39,510)
Profit before tax					7,243,538	8,456,844
Income tax expense					(1,719,345)	(2,969,258)
Profit for the year					<u>5,524,193</u>	<u>5,487,586</u>

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Water resources		Property investment and development		Department store operation	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment assets	48,622,369	45,082,783	62,740,301	60,625,635	1,156,597	1,583,758
Unallocated assets						
Total assets						
Segment liabilities	10,991,013	10,939,312	10,899,101	14,559,955	1,560,953	2,203,460
Unallocated liabilities						
Total liabilities						
Other segment information:						
Investments in associates	3,136,029	3,286,170	-	-	124,493	153,020
Depreciation and amortisation	1,429,576	1,275,973	74,490	67,407	74,101	62,533
Exchange differences, net	14,144	120,133	(267,306)	94,743	42,193	(14,214)
Impairment/(reversal) of impairment losses for trade receivables, net	(12,813)	(1,887)	3,771	-	164	13
Impairment on operating concession rights	-	2,492	-	-	-	-
Changes in fair value of investment properties	-	361	(925,645)	(653,773)	(12,806)	26,163
Loss/(gain) on disposal of property, plant and equipment, net	(1,953)	2,395	78	(188)	129	43
Capital expenditure*	<u>4,266,881</u>	<u>7,395,715</u>	<u>2,256,824</u>	<u>1,025,149</u>	<u>70,445</u>	<u>638,582</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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment assets	2,926,730	3,433,842	2,210,789	2,257,931	5,395,507	6,215,021
Unallocated assets						
Total assets						
Segment liabilities	427,816	703,569	217,555	212,663	393,828	744,346
Unallocated liabilities						
Total liabilities						
Other segment information:						
Investments in associates	770,858	951,438	-	-	-	-
Depreciation and amortisation	132,566	128,432	123,799	130,360	226,986	221,464
Exchange differences, net	(39,459)	16,290	1,999	(4,662)	24,969	(23,061)
Impairment/(reversal) of impairment losses for trade receivables, net	-	-	-	-	-	-
Impairment on operating concession rights	-	-	-	-	-	-
Changes in fair value of investment properties	-	-	900	(13,197)	-	-
Loss/(gain) on disposal of property, plant and equipment, net	-	14	152	41	33	20
Capital expenditure*	11,179	23,705	123,505	204,533	9,237	714,426

* 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment assets	37,989	31,777	(744,399)	(698,554)	122,345,883	118,532,193
Unallocated assets					<u>11,168,737</u>	<u>11,498,630</u>
Total assets					<u>133,514,620</u>	<u>130,030,823</u>
Segment liabilities	159,207	164,090	(241,331)	(339,791)	24,408,142	29,187,604
Unallocated liabilities					<u>50,597,161</u>	<u>38,938,342</u>
Total liabilities					<u>75,005,303</u>	<u>68,125,946</u>
Other segment information:						
Investments in associates	-	-	-	-	4,031,380	4,390,628
Depreciation and amortisation	3,618	3,271	-	-	2,065,136	1,889,440
Exchange differences, net	176,271	(101,353)	(839)	(2,431)	(48,028)	85,445
Impairment/(reversal) of impairment losses for trade receivables, net	-	-	-	-	(8,878)	(1,874)
Impairment on operating concession rights	-	-	-	-	-	2,492
Changes in fair value of investment properties	539	(181)	-	-	(937,012)	(640,627)
Loss/(gain) on disposal of property, plant and equipment, net	-	-	-	-	(1,561)	2,325
Capital expenditure*	<u>1,635</u>	<u>4,574</u>	<u>(3,958)</u>	<u>(15,666)</u>	<u>6,735,748</u>	<u>9,991,018</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 2022 and 2021.

	2022 HK\$'000	2021 HK\$'000
<u>Revenue from external customers</u>		
Hong Kong	196,775	160,857
Mainland China	<u>22,999,463</u>	<u>29,554,635</u>
	<u>23,196,238</u>	<u>29,715,492</u>

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

	2022 HK\$'000	2021 HK\$'000
<u>Non-current assets</u>		
Hong Kong	2,310,502	2,370,498
Mainland China	<u>77,646,495</u>	<u>75,241,286</u>
	<u>79,956,997</u>	<u>77,611,784</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 HK\$4,947,376,000 (2021: 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

	2022 HK\$'000	2021 HK\$'000
(a) Types of goods or services:		
<u>Water resources segment</u>		
Income from water distribution — Hong Kong	4,947,376	4,821,410
Income from water distribution — Mainland China	3,718,429	3,439,961
Income from sewage treatment services	855,874	569,822
Income from construction services	4,712,693	6,790,344
Income from water pipeline installation and consultancy services	1,513,197	1,225,434
Sale of machineries	460,145	365,879
<u>Property investment and development segment</u>		
Sale of properties	1,359,405	6,338,484
Management fee income	194,386	172,575
<u>Department store operation segment</u>		
Commission income from concessionaire sales	387,899	480,997
Sale of goods	345,990	87,477
Management fee income	11,241	9,952
<u>Electric power generation segment</u>		
Sale of electricity and steam	1,529,210	1,605,205
<u>Hotel operation and management segment</u>		
Hotel income	343,463	343,934
Management fee income	12,493	15,623
<u>Road and bridge segment</u>		
Toll revenue	647,855	659,081
Income from construction services	-	710,453
Management and maintenance fee income	13,660	21,901
<i>Revenue from contracts with customers</i>	21,053,316	27,658,532
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	741,399	592,951
Rental income	1,401,523	1,464,009
Total revenue	<u>23,196,238</u>	<u>29,715,492</u>

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

Revenue (continued)

Disaggregated revenue information (continued)

	2022 HK\$'000	2021 HK\$'000
(b) Geographical locations*:		
<u>Mainland China</u>		
Water resources segment	16,207,714	17,212,850
Property investment and development segment	1,553,791	6,511,059
Department store operation segment	745,130	578,426
Electric power generation segment	1,529,210	1,605,205
Hotel operation and management segment	223,220	265,206
Road and bridge segment	<u>661,515</u>	<u>1,391,435</u>
	<u>20,920,580</u>	<u>27,564,181</u>
<u>Hong Kong</u>		
Hotel operation and management segment	<u>132,736</u>	<u>94,351</u>
<i>Revenue from contracts with customers</i>	21,053,316	27,658,532
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	741,399	592,951
Rental income	<u>1,401,523</u>	<u>1,464,009</u>
	<u>23,196,238</u>	<u>29,715,492</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

	2022 HK\$'000	2021 HK\$'000
Bank interest income	144,027	213,753
Interest income from receivables under a cooperative arrangement	114,913	135,752
Others	<u>147,715</u>	<u>139,427</u>
	<u>406,655</u>	<u>488,932</u>

5. PROFIT BEFORE TAX

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

	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold*	2,174,816	1,992,367
Cost of services rendered*	8,975,974	11,462,308
Cost of properties sold*	901,930	3,373,040
Depreciation of property, plant and equipment	651,580	559,356
Depreciation of right-of-use assets	75,714	77,531
Amortisation of operating concession rights*	1,320,355	1,249,981
Amortisation of other intangible assets	17,487	2,572
Reversal of impairment losses for trade receivables, net^	(8,878)	(1,874)
Impairment of operating concession rights^	-	2,492
Auditor's remuneration	8,650	11,480
Employee benefit expenses:		
Wages and salaries (excluding directors' fee)	2,237,540	2,022,690
Pension schemes contributions:		
- defined contribution plans	272,794	266,690
- defined benefit plans	3,434	4,954
Less: Forfeited contributions	<u>(51)</u>	<u>(196)</u>
Net pension scheme contributions#	276,177	271,448
Less: Amount capitalised	<u>(228,160)</u>	<u>(239,098)</u>
	<u>2,285,557</u>	<u>2,055,040</u>
Gross rental income from investment properties	(1,245,542)	(1,391,493)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<u>146,129</u>	<u>152,523</u>
Net rental income from investment properties	<u>(1,099,413)</u>	<u>(1,238,970)</u>
Lease payments not included in the measurement of lease liabilities	10,971	14,747
Gain on lease modification^	(78,553)	-
(Gain)/loss on disposal of property, plant and equipment, net^	(1,561)	2,325
Gain on disposal of an investment property^	(102,519)	-
Gain on disposal of the operating concession rights, net^	(61,101)	-
Net gain on disposal of subsidiaries	(27,893)	-
Loss on disposal of an associate	4,602	-
Loss on deemed disposal of an associate	-	3,064
Government subsidies***^	<u>(67,186)</u>	<u>(56,775)</u>

5. PROFIT BEFORE TAX (continued)

- * These costs and expenses are included in “Cost of sales” on the face of the consolidated statement of profit or loss.
- ** The government subsidies recognised during the year mainly represented subsidies received from certain government authorities in respect of the fulfilment of certain specific criteria by the Group.
- # As at 31 December 2022 and 2021, 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:

	2022 HK\$'000	2021 HK\$'000
Interest on bank and other borrowings	902,796	626,044
Interest on loans from 廣東粵海控股集團有限公司 (Guangdong Holdings Limited [▲]) (“Guangdong Holdings”), the Company's ultimate holding company	193,659	93,852
Interest on loans from fellow subsidiaries	369,128	99,197
Interest on loans from associates	702	-
Interest on lease liabilities	32,183	26,973
Interest related to defined benefit obligations	<u>3,937</u>	<u>4,592</u>
Finance costs incurred	1,502,405	850,658
Less: Interest capitalised	<u>(641,952)</u>	<u>(306,940)</u>
Finance costs charged for the year	<u>860,453</u>	<u>543,718</u>

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale, investment properties under development and operating concession rights are between 2.05% and 6.65% per annum (2021: between 1.21% and 6.50% per annum).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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, 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.

	2022 HK\$'000	2021 HK\$'000
Current - Hong Kong		
Charge for the year	10,736	9,549
(Over)/under-provision in prior years	(238)	13
Current - Mainland China		
Charge for the year	1,415,608	3,640,758
(Over)/under-provision in prior years	(14,981)	2,262
Deferred tax	<u>308,220</u>	<u>(683,324)</u>
Total tax charge for the year	<u>1,719,345</u>	<u>2,969,258</u>

8. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Interim – HK18.71 cents (2021: HK18.17 cents) per ordinary share	1,223,226	1,187,922
Proposed final – HK42.62 cents (2021: HK42.54 cents) per ordinary share	<u>2,786,420</u>	<u>2,781,000</u>
	<u>4,009,646</u>	<u>3,968,922</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:

	2022 HK\$'000	2021 HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	<u>4,763,503</u>	<u>4,696,962</u>
	Number of shares	
	2022	2021
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 2022 and 2021 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the years ended 31 December 2022 and 2021.

10. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in the Group's receivables, prepayments and other receivables as at 31 December 2022 are trade and bills receivables of HK\$2,722,968,000 (2021: HK\$2,134,546,000), 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 and sewage treatment businesses. The Group has a certain concentration of credit risk whereby 6% (2021: 5%) 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:

	2022 HK\$'000	2021 HK\$'000
Current or less than 3 months past due	2,104,472	1,646,679
3 months to 6 months past due	258,780	161,285
6 months to 1 year past due	105,652	128,548
More than 1 year past due	<u>289,961</u>	<u>252,430</u>
	2,758,865	2,188,942
Less: Loss allowance	<u>(35,897)</u>	<u>(54,396)</u>
	<u>2,722,968</u>	<u>2,134,546</u>

11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

The Group's payables, accruals and other liabilities are non-interest-bearing and normally settled on 60-day terms except for certain bills payables and payables for land use rights. Included in the Group's payables, accruals and other liabilities as at 31 December 2022 are trade and bills payables of HK\$6,224,663,000 (2021: HK\$3,827,705,000). 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:

	2022 HK\$'000	2021 HK\$'000
Within 3 months	6,066,868	3,207,803
3 months to 6 months	37,226	188,216
6 months to 1 year	<u>120,569</u>	<u>431,686</u>
	<u>6,224,663</u>	<u>3,827,705</u>

12. BANK AND OTHER BORROWINGS

As at 31 December 2022, included in the Group's bank and other borrowings represented loans from Guangdong Holdings of HK\$4,189,169,000 (31 December 2021: HK\$2,130,640,000) and loans from fellow subsidiaries of HK\$8,765,148,000 (31 December 2021: HK\$2,004,519,000).

13. CONTINGENT LIABILITIES

As at 31 December 2022, 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 2022, the Group's outstanding guarantees amounted to HK\$2,596,836,000 (2021: HK\$898,781,000) for these guarantees.

14. EVENT AFTER REPORTING PERIOD

On 22 November 2022, the Group entered into several agreements with Guangdong Holdings and 廣東粵海水務股份有限公司 (Guangdong Yuehai Water Co., Ltd.▲) (a wholly-owned subsidiary of Guangdong Holdings), pursuant to which the Group has agreed to purchase equity interests of eight companies of water business segment at an aggregate cash consideration of RMB795,293,000 (equivalent to approximately HK\$890,331,000). Further details are set out in the announcement of the Company dated 22 November 2022. These transactions were completed on 1 January 2023. Management is in the process of assessing the financial impact of these transactions including but not limited to the purchase price allocation as required under HKFRS 3 (Revised) *Business Combinations* as at the approval date of this announcement.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report to the shareholders our results of 2022. The Group's consolidated profit attributable to owners of the Company for 2022 amounted to HK\$4,764 million (2021: HK\$4,697 million), increased by 1.4% over 2021. Basic earnings per share increased by 1.4% over the last year to HK 72.86 cents (2021: HK 71.84 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 42.62 cents per share for 2022. Aggregating such dividend with the interim dividend of HK 18.71 cents per share paid in 2022, the total dividend for the entire year will be HK 61.33 cents (2021: HK 60.71 cents) per share. The said 2022 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 27 July 2023.

REVIEW

In 2022, the global economic growth trend gradually reversed and entered a stage of volatile downturn once again, which was mainly due to multiple factors such as the resurgence of the pandemic, the outbreak of geopolitical conflicts, the persistence of supply chain bottlenecks, the increase in commodity prices, and the accelerated tightening of monetary policies of developed economies. Faced with the impact of unexpected domestic and foreign factors, the foundation for China's economic recovery was still unstable. Under the "triple pressures" of continuous shrinking demand, supply shocks and weakening expectations, the turbulent external environment deepened the impact on the Chinese economy. Nevertheless, the Chinese government managed to maintain economic and social stability by coordinating pandemic prevention and control with social and economic development as well as strengthening macro-control efforts. 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 to expand its capacity and enrich its project operation model by expanding its footprint to the recycled water business market, and increasing its overall contribution to the Group's performance. The property investment and development segment optimized its asset portfolio, innovated business models, and steadily promoted property sales. Hotel operation and management segment actively adjusted its business strategies to overcome external environmental resistance to minimize losses. The department store retail segment continued the integration of online and offline operations, proactively attracting customer traffic and increasing its revenue, resulting in an overall increase in operating revenue compared to that in the previous year. The power segment actively overcame the pressure of soaring coal prices which leads to significant increase in operating costs; its operating efficiency has improved as compared to last year with the loss having been narrowed significantly. The road and bridge segment continued to be impacted by the pandemic as its traffic flow and operating performance were yet to recover, 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.

Climate change is a global challenge nowadays. In response to China’s strategic goals of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”, the Group strengthens climate change management, energy conservation and emissions reduction in its business operating cycle, ensuring the Group is resilient to climate change.

PROSPECTS

Looking ahead into 2023, the global economic recovery is far from optimistic. The impact of high inflation and rising interest rates continued to exist. The supply of bulk commodities was restricted. The financial space of various countries was limited. As a result, the risks of “stagflation” will increase and the external environment will be more complex and severe. With the better coordination of pandemic prevention and control with economic and social development by the Chinese government, it is expected that the domestic economy and society will gradually get back on track in 2023, however it will take time to boost market confidence in the post-pandemic era. Under the general trend of economic recovery, facing the uncertainties of customer traffic, logistics, business operations, capital markets, interest rate and exchange rate markets, 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 endeavors to proactively seek potential opportunities arising from a series of major strategic opportunities, such as the task of China-style Modernization, the strategic goals of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”, the strategic planning of the development of the “Guangdong-Hong Kong-Macao Greater Bay Area”, and Hong Kong’s entry into a new stage of “from governance to prosperity” which have been comprehensively explained in the report of 20th National People’s Congress, 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 provide support to the high-quality development of Company in the long run, and ultimately further enhance the Company’s financial performance and create long-term value.

Last but not the least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their support as well as our dedicated and hardworking management team and employees who strived for excellence during the year.

HOU Wailin

Chairman

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2022 was HK\$23,196 million (2021: HK\$29,715 million), a decrease of 21.9% as compared with that of 2021. The decrease in revenue was mainly attributable to a drop of revenue in property investment and development business during the year.

The consolidated profit before tax for 2022 decreased by 14.3% or HK\$1,213 million to HK\$7,244 million (2021: HK\$8,457 million), of which, the profit before tax of water resources business maintained steady growth, which partially offset the impact of the decrease in property investment and development business. The net gain arising from fair value adjustments for investment properties was HK\$937 million (2021: HK\$641 million) and the net exchange gain amounted to HK\$48 million (2021: net exchange loss of HK\$85 million) for the year. Net finance costs of the Group for the year was HK\$684 million (2021: HK\$303 million). The consolidated profit attributable to owners of the Company for 2022 increased by 1.4% or HK\$67 million to HK\$4,764 million (2021: HK\$4,697 million).

Basic earnings per share was HK 72.86 cents (2021: HK 71.84 cents), increased by 1.4% as compared with that in 2021.

BUSINESS REVIEW

A summary of the performance of the Group's major businesses during 2022 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 2022, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (2021: 96.04%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total volume of water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 2.249 billion tons (2021: 2.355 billion tons), a decrease of 4.5%, which generated a revenue of HK\$6,456 million (2021: HK\$6,468 million), a decrease of 0.2% over 2021.

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

According to the water price deduction mechanism adopted and applicable for the years from 2021 to 2029, the annual basic water price shall be deducted based on the quantity of water supplied to Hong Kong which is conserved (i.e. the difference between the annual supply ceiling of 820 million tons and the actual quantity of water imported, with a minimum annual water supply quantity of 615 million tons from 2021 to 2023) in a particular year 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\$4,947 million (2021: HK\$4,821 million). The revenue from water sales to Shenzhen and Dongguan areas for the year decreased by 8.4% to HK\$1,509 million (2021: HK\$1,647 million). The profit before tax, excluding gains on disposal of assets, net exchange differences and net finance costs, of the Dongshen Water Supply Project for the year was HK\$3,952 million (2021: HK\$3,785 million), 4.4% more than that in 2021.

Other Water Resources Projects

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

During the year, the Group entered into equity transfer agreements for the acquisition of eight companies with 廣東粵海控股集團有限公司 (Guangdong Holdings Ltd.▲) ("Guangdong Holdings"), the ultimate holding company of the Company, and 廣東粵海水務股份有限公司 (Guangdong Yuehai Water Co., Ltd.▲), a wholly-owned subsidiary of Guangdong Holdings, at a total cash consideration of RMB795,293,000 (equivalent to approximately HK\$890,331,000). Further details of the transaction are set out in the Company's announcement dated 22 November 2022. Other than the above investment, the Group successfully acquired/contracted for four new water resources projects which are located in Heyuan City, Jiexi County and Shanwei City of Guangdong Province, as well as Wuxi City of Jiangsu Province, the PRC, respectively. In addition, the Group had two new water plant expansion projects in Yunfu City and Nansha District, Guangzhou City of Guangdong Province, the PRC, respectively. The total designed water supply capacity and waste water processing capacity are 2,160,000 tons per day and 710,700 tons per day, respectively. The expected total investment amount of these projects is approximately RMB3,652 million (equivalent to approximately HK\$4,088 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 2022 are 15,893,200 tons per day (2021: 13,783,200 tons per day) and 3,342,900 tons per day (2021: 2,635,200 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 Group</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.▲)	310,000	-
Zhaoqing HZ GDH Water Co., Ltd.	130,000	-
遂溪粵海水務有限公司 (Suixi Guangdong Water Co., Ltd.▲)	70,000	-
海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd.▲)	100,000	20,000
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲)	123,500	-
盱眙粵海水務有限公司 (Xuyi Guangdong Water Co., Ltd.▲)	150,000	-
Wuzhou GDH Environmental Protection Development Co., Ltd.	-	140,000
東莞市常平粵海環保有限公司 (Dongguan Changping Guangdong Huanbao Co., Ltd.▲)	-	70,000
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.▲)	-	50,000
五華粵海環保有限公司 (Wuhua Guangdong Huanbao Co., Ltd.▲)	-	66,000
東莞市道滘粵海環保有限公司 (Dongguan Daojiao Guangdong Huanbao Co., Ltd.▲)	-	40,000
開平粵海污水處理有限公司 (Kaiping Guangdong Sewage Treatment Co., Ltd.▲)	-	25,000
汕尾粵海環保有限公司 (Shanwei Guangdong Huanbao Co., Ltd.▲)	-	30,000
高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd.▲)	100,000	-
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd.▲) and its subsidiaries	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
雲浮市粵海水務自來水有限公司 (Yunfu City Guangdong Water Supply Co., Ltd.▲) (formerly known as 雲浮市自來水有限公司 (Yunfu City Water Supply Co., Ltd.▲))	100,000	-
雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Co., Ltd.▲) (name subsequently changed to 雲浮市粵海水務發展有限公司 (Yunfu City Guangdong Water Development Co., Ltd.▲))	-	145,000
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.▲)	560,000	-
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd.▲)	500,000	-
潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd.▲)	-	20,000
廣東粵海韶投水務有限責任公司 (Guangdong Shaotou Water Co., Ltd.▲)	674,000	-
吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲)	-	25,000
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd.▲)	40,000	-
河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.▲) and its subsidiaries	10,000	453,000
邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd.▲)	250,000	-

Capacity of Water Resources Projects in Operation (continued)

<u>Name of subsidiaries of the Group</u> (continued)	<u>Water supply capacity</u> <u>(tons per day)</u>	<u>Waste water processing capacity</u> <u>(tons per day)</u>
惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd.▲)	-	8,500
惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd.▲)	-	20,000
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd.▲)	134,200	-
揭西粵海水務有限公司 (Jiexi Guangdong Water Co., Ltd.▲)	70,000	-
五華粵海碧源環保有限公司 (Wuhua Guangdong Biyuan Huanbao Co., Ltd.▲)	-	40,000
雲浮市雲安粵海城鄉供水有限公司 (Yunfu City Yunan Guangdong Urban and Rural Water Supply Co., Ltd.▲)	24,600	-
河源市粵海水務有限公司 (Heyuan City Guangdong Water Co., Ltd.▲)	100,000	-
無錫德寶水務投資有限公司 (Wuxi Debao Water Investment Co., Ltd.▲)	-	225,700
Total as at 31 December 2022	<u>5,431,800</u>	<u>1,925,900</u>
Total as at 31 December 2021	<u>4,927,200</u>	<u>1,573,200</u>

<u>Name of associates of the Group</u>	<u>Water supply capacity</u> <u>(tons per day)</u>
Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd	600,000
Guangzhou Nansha GDH Water Co., Ltd.	550,000
汕頭市粵海水務有限公司 (Shantou Guangdong Water Co., Ltd.▲)	920,000
興化粵海水務有限公司 (Xinghua Guangdong Water Co., Ltd.▲)	430,000
Total as at 31 December 2022	<u>2,500,000</u>
Total as at 31 December 2021	<u>2,380,000</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 of the Group as at 31 December 2022 are as follows:

<u>Name of subsidiaries of the Group</u>	<u>Water supply capacity</u> <u>(tons per day)</u>	<u>Waste water processing capacity</u> <u>(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	-
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd.▲)	-	200,000
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd.▲)	200,000	-
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	-	3,500
揭陽粵海國業水務有限公司 (Jieyang Guangdong Guoye Water Co., Ltd.▲) (formerly known as 揭陽粵海四航國業水務有限公司 (Jieyang Guangdong Sihang Guoye Water Co., Ltd.▲))	220,000	-
邳州粵海環保有限公司 (Pizhou Guangdong Huanbao Co., Ltd.▲)	-	35,000
河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.▲) and its subsidiaries	-	15,000

Capacity of Water Resources Projects under Construction (continued)

<u>Name of subsidiaries of the Group (continued)</u>	<u>Water supply capacity (tons per day)</u>	<u>Waste water processing capacity (tons per day)</u>
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd. ▲)	100,000	-
開平粵海淨水有限公司 (Kaiping Guangdong Water Purification Co., Ltd. ▲)	-	25,000
汕尾粵海供水有限公司 (Shanwei Guangdong Water Supply Co., Ltd. ▲)	410,000	-
河源市粵海水務有限公司 (Heyuan City Guangdong Water Co., Ltd. ▲)	<u>200,000</u>	<u>-</u>
Total	<u>2,670,000</u>	<u>278,500</u>

Revenue of Other Water Resources Projects for the year in aggregate decreased by 7.5% to HK\$10,522,070,000 (2021: HK\$11,369,997,000), of which income from construction services amounted to HK\$4,712,693,000 (2021: HK\$6,790,344,000). The decrease was mainly due to the decrease of construction services. Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences and net finance costs, amounted to HK\$1,834,379,000 (2021: HK\$1,332,977,000) in aggregate, 37.6% higher than that in 2021.

Property Investment and Development

Mainland China

GDH Teem

As at 31 December 2022, the Group held an effective interest of 76.13% in 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited ▲) (“Guangdong Teem”) and its subsidiaries, and held an effective interest of 76.02% in Tianjin Yuehai Teem Shopping Center Co., Ltd. (collectively the “GDH Teem”). GDH Teem operates several shopping malls in the PRC which included GDH Teem Plaza, Panyu GDH Plaza, Guangzhou Comic City, Shenzhen Teemall and Tianjin Yuehai Teem Shopping Mall.

During the year, Guangdong Teem as the purchaser entered into an equity transfer agreement with Guangdong Holdings and 廣州粵海仰忠匯置業有限公司 (Guangzhou Yuehai Yangzhonghui Land Co., Ltd. ▲), a direct wholly-owned subsidiary of Guangdong Holdings, to purchase 85% equity interest in 廣州粵海動漫星城有限公司 (Guangzhou Yuehai Comic City Co., Ltd. ▲) (“Yuehai Comic City”), for an aggregate adjusted consideration of approximately RMB764,360,000 (equivalent to approximately HK\$900,646,000). Yuehai Comic City is the property owner of Guangzhou Comic City, and is responsible for operating and managing Guangzhou Comic City.

During the year, 深圳粵海天河城購物中心有限公司 (Shenzhen GDH Teem Shopping Center Co., Ltd. ▲) (“Shenzhen GDH Teem”), a direct wholly-owned subsidiary of GDH Teem, is responsible for operating a shopping mall located at Northern Land and Southern Land of GDH City, known as Shenzhen Teemall. The shopping mall is wholly-owned by Guangdong Land Holdings Limited (“GD Land”), a direct subsidiary of the Company. Northern Land of Shenzhen Teemall was opened on 24 December 2022 while the Southern Land of Shenzhen Teemall was under construction. Shenzhen Teemall has a total gross floor area (“GFA”) of approximately 186,000 sq.m. (including car-parking spaces), of which the commercial area for lease in operation is approximately 58,700 sq.m while the expected commercial area of Southern Land of Shenzhen Teemall for lease is approximately 43,300 sq.m.. As at 31 December 2022, Shenzhen Teemall had an occupancy rate of 85.2%. As at 31 December 2022, the cumulative land and development cost incurred by GD Land for Shenzhen Teemall amounted to approximately HK\$4,205 million.

Revenue of GDH Teem's property investment and development business mainly comprises rental income (including rentals from the department stores operated by the Group) from properties held and income from sale of properties. The revenue and profit before tax (excluding net interest income) of GDH Teem's property development business (sales of properties by Panyu GDH Plaza) in year 2021 was HK\$352,367,000 and HK\$156,125,000 respectively. There were no sales of properties for the year. The revenue of GDH Teem's property investment business for the year decreased by 1.8% to HK\$1,504,513,000 (2021: HK\$1,532,734,000). The profit before tax, excluding changes in fair value of investment properties, net interest income and other operating income, of GDH Teem's property investment business for the year decreased by 14.3% to HK\$845,682,000 (2021: HK\$987,362,000).

The revenue of the GDH Teem's property investment business for the year ended 31 December 2022 was as follows:

	Area for lease sq.m.	Average occupancy rate %	2022 HK\$'000	2021 HK\$'000	Changes %
Teem Plaza - Teemall	106,000	99.4	774,466	806,100	-3.9
Teem Plaza - Teem Tower	88,000	93.1	207,819	226,665	-8.3
Panyu GDH Plaza - Panyu Teemall	144,000	94.3	255,642	263,768	-3.1
Tianjin Yuehai Teem Shopping Mall	145,000	93.4	230,254	236,201	-2.5
Guangzhou Comic City (acquired in June 2022)	23,000	88.3	32,082	-	+100.0
Shenzhen Teemall (opened in December 2022)	<u>58,700</u>	85.2	<u>4,250</u>	<u>-</u>	<u>+100.0</u>
	<u>564,700</u>		<u>1,504,513</u>	<u>1,532,734</u>	<u>-1.8</u>

GD Land

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

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

General Information of the Projects

Name of the property project	Status	Use	Interest held by the Group	Approximate GFA of project (sq. m.)	Approximate GFA included in calculation of plot ratio* (sq. m.)	Expected completion and filing date
Shenzhen City						
Northwestern Land of Shenzhen GDH City	Completed	Business apartment/ Commercial	100%	167,008	122,083	N/A
Northern Land of Shenzhen GDH City	Completed	Commercial/ Offices	100%	218,854	153,126	N/A
Southern Land of Shenzhen GDH City	Under development	Offices/Mall	100%	255,308	199,500	2023
Guangzhou City						
Guangzhou Yungang City	In sale	Residential/ Commercial	100%	730,000	506,000	2025
Guangzhou Laurel House	Completed	Car-parking spaces	100%	N/A	N/A	N/A
Ruyingju	Completed	Car-parking spaces	80%	N/A	N/A	N/A
Foshan City						
Foshan Laurel House	In sale	Residential/ Commercial	100%	200,385	151,493	2023
Foshan Jihua (note)	Under development	Residential/ Commercial/ Offices	51%	150,382	118,122	2026
Zhuhai City						
Zhuhai Jinwan	In sale	Residential/ Commercial	100%	249,918	166,692	2024
Zhongshan City						
Zhongshan GDH City	In sale	Residential	97.64%	321,456	247,028	2025
Jiangmen City						
Chenyuan Road	Completed	Residential/ Commercial service	100%	222,684	164,216	N/A
Chenyuan Road	Completed	Car-parking spaces	100%	N/A	N/A	N/A
Jiangmen Ganhua (Land No. 3)	Completed	Residential	51%	163,511	122,331	N/A
Jiangmen Ganhua (Land No. 4)	In sale	Residential	51%	299,623	207,419	2023

General Information of the Projects (continued)

Name of the property project	Status	Use	Interest held by the Group	Approximate GFA of project (sq. m.)	Approximate GFA included in calculation of plot ratio* (sq. m.)	Expected completion and filing date
Jiangmen Ganhua (Land No. 5)	Under development	Residential	51%	89,201	63,150	2026
Huizhou City						
Huizhou Dayawan	In sale	Residential/Commercial	100%	140,163	92,094	2024

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

Note: On 25 November 2022, GD Land succeeded in the bid for the land use rights of a land parcel located at Chancheng District of Foshan City, the PRC with consideration amounted to approximately RMB1,299 million (equivalent to approximately HK\$1,423 million).

Sales of the Projects

Name of the property project	Approximate GFA available for sale (sq. m.)	Approximate GFA contracted		The proportion of accumulated GFA contracted to GFA available for sale	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
		Year under review (sq. m.)	Accumulated (sq. m.)		Year under review (sq. m.)	Accumulated (sq. m.)	
Shenzhen City							
Northwestern Land of Shenzhen GDH City	114,986	1,225	100,678	87.6%	6,932	100,628	87.5%
Northern Land of Shenzhen GDH City	84,246	-	-	0.0%	-	-	0.0%
Southern Land of Shenzhen GDH City	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Guangzhou City							
Guangzhou Yungang City	506,000	26,339	26,339	5.2%	-	-	N/A
Guangzhou Laurel House	2,764	447	2,644	95.7%	865	2,644	95.7%
Ruyingju	8,052	605	6,502	80.8%	605	6,502	80.8%
Foshan City							
Foshan Laurel House	151,493	36,504	39,805	26.3%	-	-	N/A
Foshan Jihua	118,122	N/A	N/A	N/A	N/A	N/A	N/A
Zhuhai City							
Zhuhai Jinwan	138,429	21,418	34,363	24.8%	-	-	N/A

Sales of the Projects (continued)

Name of the property project	Approximate GFA available for sale (sq. m.)	Approximate GFA contracted		The proportion of accumulated GFA contracted to GFA available for sale	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
		Year under review (sq. m.)	Accumulated (sq. m.)		Year under review (sq. m.)	Accumulated (sq. m.)	
Zhongshan City							
Zhongshan GDH City	247,028	12,238	29,615	12.0%	-	-	N/A
Jiangmen City							
Chenyuan Road	158,407	41,030	71,634	45.2%	53,281	53,281	33.6%
Chenyuan Road (Car-parking spaces)	41,834	N/A	N/A	N/A	N/A	N/A	N/A
Jiangmen Ganhua (Land No. 3)	119,334	26,124	49,826	41.8%	13,962	13,962	11.7%
Jiangmen Ganhua (Land No. 4)	205,078	1,800	4,017	2.0%	-	-	N/A
Jiangmen Ganhua (Land No. 5)	62,254	N/A	N/A	N/A	N/A	N/A	N/A
Huizhou City							
Huizhou Dayawan	89,240	1,540	1,540	1.7%	-	-	N/A

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 169,000 sq.m. (2021: 157,000 sq.m.) and 76,000 sq.m. (2021: 86,000 sq.m.), respectively. Revenue of GD Land for the year decreased by 77.1% to HK\$1,377,691,000 (2021: HK\$6,006,392,000), of which income from sales of properties amounted to HK\$1,351,831,000 (2021: HK\$5,986,116,000). The net gain arising from fair value adjustments for investment properties and gain on disposal of an investment property was HK\$762,820,000 (2021: HK\$405,582,000) and HK\$102,519,000 (2021: Nil), respectively, causing a decrease in loss before tax by HK\$459,757,000 for the year. The loss before tax of GD Land for the year, excluding changes in fair value of investment properties, gain on disposal of an investment property and net finance costs, was HK\$85,907,000 (2021: profit before tax of HK\$1,914,932,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 95.8% (2021: 92.5%). The total revenue for the year decreased by 5.9% to HK\$48,500,000 (2021: HK\$51,527,000).

Department Store Operation

As at 31 December 2022, the Group operated six stores with a total leased area of approximately 222,300 sq.m. (2021: approximately 123,900 sq.m.). The total revenue for the year increased by 25.5% to HK\$798,860,000 (2021: HK\$636,688,000). The profit before tax, excluding changes in fair value of investment properties, for the year increased by 28.4% to HK\$136,329,000 (2021: HK\$106,137,000), which includes a gain arising from the shortening of lease period of a store (including the write-back of corresponding lease liabilities) amounting to approximately HK\$78,553,000 (2021: Nil).

The revenue of the stores operated by the Group for the year ended 31 December 2022 was as follows:

	Leased area sq.m.	2022 HK\$'000	2021 HK\$'000	Changes %
Teemall Store	42,000	597,916	407,925	+46.6
Wan Bo Store	20,100	52,229	66,027	-20.9
Ming Sheng Store	11,900	17,801	24,889	-28.5
Dong Pu Store	28,300	75,211	92,220	-18.4
Ao Ti Store	21,500	42,596	45,241	-5.8
Nanhai Store (closed in October 2021)	-	-	386	-100.0
Hua Du Store (opened in January 2022)	98,500	13,107	-	+100.0
	<u>222,300</u>	<u>798,860</u>	<u>636,688</u>	<u>+25.5</u>

Hotel Ownership, Operation and Management

As at 31 December 2022, the Group's hotel management team managed a total of 24 hotels (2021: 27 hotels), of which three were located in Hong Kong and twenty-one in Mainland China. As at 31 December 2022, five star-rated hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou and Zhuhai, were owned by the Group. Of these five hotels, four were managed by our hotel management team with the exception of the one located in Guangzhou, namely Sheraton Guangzhou Hotel, which was managed by another hotel management group. The construction of the Holiday Inn Zhuhai City Center which is situated in Zhuhai and was originally used as staff dormitory, was completed during the year and opened in November 2022.

During the year, the average room rate of Sheraton Guangzhou Hotel was HK\$857 (2021: HK\$904) whereas the average room rate of the remaining four star-rated hotels and the newly opened hotel was HK\$452 (2021: HK\$380). The average occupancy rate of Sheraton Guangzhou Hotel was 69.6% (2021: 74.8%) and that of the other four star-rated hotels and the newly opened hotel was 59.1% (2021: 57.6%) during the year.

The revenue of hotel ownership, operation and management business for the year decreased by 2.9% to HK\$386,660,000 (2021: HK\$398,033,000). The loss before tax for the year, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$52,798,000 (2021: HK\$48,394,000).

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 2,604 million kwh (2021: 2,969 million kwh), decreased by 12.3%. Due to the mixed impact of decrease in sales of electricity and increase in electricity tariff, revenue of GDH Energy project (including intersegment sales) generated from electricity sales and related operations for the year decreased by 0.4% to HK\$1,890,633,000 (2021: HK\$1,897,278,000). The loss before tax of GDH Energy for the year, excluding net finance costs, was HK\$93,614,000 (2021: HK\$176,670,000), representing a decrease of 47.0% as compared to that of the previous year.

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 2022, 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 15,054 million kwh (2021: 16,742 million kwh), a decrease of 10.1%. Due to the increase in electricity tariff, revenue for the year increased by 1.8% to HK\$8,166,239,000 (2021: HK\$8,018,941,000). As a result of the fluctuation in coal price, Yudean Jinghai Power recorded a loss before tax of HK\$561,191,000 (2021: HK\$848,630,000) for the year. The Group’s share of loss in Yudean Jinghai Power amounted to HK\$105,694,000 (2021: HK\$159,581,000) during the year, representing a decrease of 33.8% as compared to that of the previous 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.

The average daily toll traffic flow of the Xingliu Expressway increased by 1.5% to 23,060 vehicle trips (2021: 22,710 vehicle trips). The revenue of GDH Highway during the year amounted to HK\$647,855,000 (2021: HK\$1,369,534,000), decreased by 52.7%, which was due to the absence of revenue generated from construction services (2021: HK\$710,453,000) arising from the highway enhancement project during the year. Profit before tax during the year, excluding net finance costs, amounted to HK\$357,003,000 (2021: HK\$377,086,000), decreased by 5.3%.

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 Province, the PRC. Each Project Road will be budgeted for and developed separately and subject to the approval of the Xiegang Government. The Company had established Dongguan Yuehai Yinping Development and Construction Limited ("Yuehai Yinping"), a wholly-owned subsidiary of the Company, to perform the Company's obligations in the Yinping 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\$5.322 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 "Interest in the Development Period") 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 outstanding Development Costs, the Interest in the Development Period and the Management Fee are calculated on an accrued interest at 8% per annum on a reducing balance basis over the Maintenance Period (the "Interest in the Maintenance Period").

As at 31 December 2022, four Project Roads (2021: four Project Roads) were completed and one Project Road (2021: one Project Road) was under construction. As at 31 December 2022, the cumulative Development Costs in relation to the Yinping PPP Project amounted to RMB1,881 million (equivalent to approximately HK\$2,105 million) (2021: approximately RMB1,724 million (equivalent to approximately HK\$2,109 million)).

The total Interest in the Development Period, Management Fee, maintenance fee and Interest in the Maintenance Period of Yuehai Yinping recognised during the year decreased by 18.4% to HK\$128,573,000 (2021: HK\$157,653,000) and profit before tax, excluding other operating income, decreased by 21.0% to HK\$110,935,000 (2021: HK\$140,418,000) during the year, which was mainly due to the decrease in the Interest in the Development Period and Management Fee recognised during the year as two Project Roads completed last year were still in the acceptance stage.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2022, cash and bank balances of the Group decreased by HK\$657 million to HK\$8,938 million (2021: HK\$9,595 million), of which 92.35% was denominated in Renminbi, 7.64% in Hong Kong dollars and 0.01% in United States dollars.

As at 31 December 2022, the Group's financial borrowings increased by HK\$11,876 million to HK\$40,736 million (2021: HK\$28,860 million), of which 20.8% was denominated in Hong Kong dollars, 79.2% in Renminbi, including loans from the ultimate holding company and fellow subsidiaries of HK\$12,954 million (2021: HK\$4,135 million) and the non-interest-bearing advance of Nil (2021: HK\$118 million). Of the Group's total financial borrowings, HK\$10,045 million was repayable within one year while the remaining balances of HK\$21,566 million and HK\$9,125 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 79.5% floating rate borrowings, 20.3% fixed rate borrowings and 0.2% non-interest bearing borrowings as at 31 December 2022.

The Group maintained a credit facility of HK\$17,270 million as at 31 December 2022 (2021: HK\$15,324 million).

As at 31 December 2022, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was 78.4% (2021: 48.9%). The Group was in a healthy debt servicing position with the EBITDA/finance cost incurred as at 31 December 2022 being 6.7 times (2021: 12.8 times).

Net cash outflows from operating activities for the year amounted to approximately HK\$1,399 million (2021: HK\$4,939 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\$6,661 million (2021: HK\$9,643 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 2022, except for (i) certain property assets (including operating income receivables of certain investment properties) of HK\$26,353 million (2021: HK\$11,506 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\$10,625 million (2021: HK\$8,866 million); (iii) equity interest in certain subsidiaries of the Group with total costs of approximately HK\$4,659 million (2021: HK\$4,561 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\$2,597 million (2021: approximately HK\$899 million) as disclosed in note 13 of this announcement, there was no other material contingent liability as at 31 December 2022 and 2021.

CAPITAL EXPENDITURE

The Group's capital expenditure during the year amounted to HK\$9,437 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 and acquisitions of subsidiaries.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 31 December 2022, total Renminbi borrowings amounted to HK\$32,263 million (2021: HK\$21,482 million). Exchange rate risk may result from the fluctuation of RMB exchange rate. The Group did not use derivative financial instruments to hedge its foreign currency risk as there is a natural hedging mechanism. Meanwhile, the Group dynamically monitored the foreign exchange exposure and made necessary adjustments in accordance with the change in market environment.

As at 31 December 2022, the Group's total floating rate borrowings amounted to HK\$32,365 million (2021: HK\$28,560 million). Interest rate risk may result from the fluctuations in bank and other loan interest rate. The Group did not use interest rate hedging to manage its interest rate risk. The Group will continue to review the market trend as well as its business operation's needs, so as to arrange the most effective risk management tools.

PRINCIPAL RISKS AND UNCERTAINTIES

Macroeconomic Risk

As a diversified conglomerate with investments in different business segments, the financial 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 2022, the Group had a total of 10,587 employees, of which 2,366 were at the managerial level. Among the employees, 10,399 were employed by subsidiaries in Mainland China and 188 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$2,513,717,000 (2021: approximately HK\$2,294,138,000).

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 2022, 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, established the incentive and protection mechanism by strengthening the commitment of senior management and employees at all levels, improved the supporting system and performance evaluation system and promoted to form a correct orientation of "advancing the capable, rewarding the excellent, demoting the mediocre, and eliminating the inferior". Through cultivation of a committed workforce, optimisation of its operation and management and strengthening of its core competencies, the Group continuously enhances its competitiveness and market value.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In the opinion of the Directors of the Company, the Company had complied with the code provisions set out in the CG Code for the year ended 31 December 2022 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 23 June 2022 (the “2022 Annual General Meeting”) as required by Code Provision F.2.2. Nevertheless, with the consent of other Directors present, Mr. Wen Yinheng, Managing Director of the Company chaired the 2022 Annual General Meeting.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities listed on The Stock Exchange of Hong Kong Limited.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, One Harbour Road, Wanchai, Hong Kong on Friday, 16 June 2023 at 11:00 a.m. (the “2023 Annual General Meeting”).

In order to qualify for attending and voting at the 2023 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 12 June 2023.

ENTITLEMENT FOR FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK 42.62 cents per ordinary share for the year ended 31 December 2022 which is expected to be paid on or about Thursday, 27 July 2023 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 29 June 2023 subject to the final approval at the 2023 Annual General Meeting.

For the purpose of determining shareholders' entitlements to the proposed final dividend for the year ended 31 December 2022, the register of members of the Company will be closed on Thursday, 29 June 2023 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 Wednesday, 28 June 2023.

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 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and, together with the Environmental, Social and Governance Report, will be made available on the abovementioned websites in due course.

▲ *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.*

By Order of the Board
HOU Wailin
Chairman

Hong Kong, 30 March 2023

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 four Independent Non-Executive Directors, namely, Dr. CHAN Cho Chak, John, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses and Mr. LI Man Bun, Brian David.