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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)

2023 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights for the year ended 31 December

	2023	2022	Changes
	HK\$'000	HK\$'000	%
Revenue	<u>24,199,894</u>	<u>23,196,238</u>	+4.3%
<i>Write-down of properties</i>			
<i>held for sale under development</i>	(841,970)	-	
<i>Write-down of completed properties</i>			
<i>held for sale</i>	(967,026)	-	
<i>Changes in fair value of investment</i>			
<i>properties</i>	330,313	937,012	
Profit before tax	<u>4,604,055</u>	<u>7,243,538</u>	-36.4%
Profit for the year	<u>2,813,855</u>	<u>5,524,193</u>	-49.1%
Profit attributable to owners of the Company	<u>3,122,069</u>	<u>4,763,503</u>	-34.5%
Earnings per share – Basic	<u>HK 47.75 cents</u>	<u>HK 72.86 cents</u>	-34.5%
Dividends per share			
Interim	HK 18.71 cents	HK 18.71 cents	
Proposed final	HK 12.33 cents	HK 42.62 cents	
	<u>HK 31.04 cents</u>	<u>HK 61.33 cents</u>	-49.4%

CONSOLIDATED FINANCIAL INFORMATION YEAR ENDED 31 DECEMBER 2023

The board of directors (the “Board”) of Guangdong Investment Limited (the “Company”) hereby presents the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with the comparative figures for 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *Year ended 31 December 2023*

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	4	24,199,894	23,196,238
Cost of sales		<u>(14,124,708)</u>	<u>(13,373,075)</u>
Gross profit		10,075,186	9,823,163
Other income and gains, net	4	525,852	406,655
Changes in fair value of investment properties		330,313	937,012
Selling and distribution expenses		(916,631)	(739,266)
Administrative expenses		(2,759,558)	(2,820,002)
Exchange differences, net		(7,404)	48,028
Other operating (expenses)/income, net		(1,547,812)	403,886
Finance costs	6	(1,289,302)	(860,453)
Share of profits less losses of associates		<u>193,411</u>	<u>44,515</u>
PROFIT BEFORE TAX	5	4,604,055	7,243,538
Income tax expense	7	<u>(1,790,200)</u>	<u>(1,719,345)</u>
PROFIT FOR THE YEAR		<u>2,813,855</u>	<u>5,524,193</u>
Attributable to:			
Owners of the Company		3,122,069	4,763,503
Non-controlling interests		<u>(308,214)</u>	<u>760,690</u>
		<u>2,813,855</u>	<u>5,524,193</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK47.75 cents</u>	<u>HK72.86 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
PROFIT FOR THE YEAR	<u>2,813,855</u>	<u>5,524,193</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
- Subsidiaries	(806,706)	(4,683,969)
- Associates	<u>(53,863)</u>	<u>(400,839)</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(860,569)</u>	<u>(5,084,808)</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	2,039	-
Fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	31,965	23,962
Share of remeasurement gain/(loss) on defined benefit plans, net of tax		
- Subsidiaries	39,053	6,591
- An associate	<u>15,344</u>	<u>(206)</u>
	88,401	30,347
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(772,168)</u>	<u>(5,054,461)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>2,041,687</u></u>	<u><u>469,732</u></u>
Attributable to:		
Owners of the Company	2,484,022	977,517
Non-controlling interests	<u>(442,335)</u>	<u>(507,785)</u>
	<u><u>2,041,687</u></u>	<u><u>469,732</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		10,289,697	7,569,778
Investment properties		25,502,014	25,073,134
Right-of-use assets		1,056,960	611,367
Goodwill		851,725	841,202
Other intangible assets		660,065	706,345
Investments in associates		3,702,949	4,031,380
Operating concession rights		21,638,190	21,842,960
Receivables under service concession arrangements		17,191,845	16,296,533
Receivables under a cooperative arrangement		1,966,103	2,034,000
Equity investments designated at fair value through other comprehensive income		56,829	55,039
Prepayments and other receivables		510,304	950,298
Deferred tax assets		<u>1,261,480</u>	<u>1,281,832</u>
Total non-current assets		<u>84,688,161</u>	<u>81,293,868</u>
CURRENT ASSETS			
Properties held for sale under development		23,591,871	29,909,189
Completed properties held for sale		9,236,027	5,513,094
Tax recoverable		617,911	298,847
Inventories		355,818	302,063
Receivables under service concession arrangements		578,348	375,500
Receivables under a cooperative arrangement		256,293	105,111
Receivables, prepayments and other receivables	10	6,658,147	5,277,675
Due from non-controlling equity holders of subsidiaries		901,896	918,079
Restricted bank balances		487,884	583,074
Cash and bank balances		<u>12,593,616</u>	<u>8,938,120</u>
Total current assets – page 5		<u>55,277,811</u>	<u>52,220,752</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Total current assets – page 4		<u>55,277,811</u>	<u>52,220,752</u>
CURRENT LIABILITIES			
Payables, accruals and other liabilities	11	(16,375,510)	(14,835,801)
Contract liabilities		(10,818,229)	(6,830,491)
Tax payable		(2,683,487)	(3,206,500)
Due to non-controlling equity holders of subsidiaries		(488,767)	(672,969)
Bank and other borrowings	12	(15,252,492)	(10,044,788)
Lease liabilities		<u>(47,707)</u>	<u>(77,733)</u>
Total current liabilities		<u>(45,666,192)</u>	<u>(35,668,282)</u>
NET CURRENT ASSETS		<u>9,611,619</u>	<u>16,552,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>94,299,780</u>	<u>97,846,338</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings	12	(27,175,184)	(30,690,800)
Lease liabilities		(558,113)	(563,173)
Due to non-controlling equity holders of subsidiaries		(4,416)	(113,000)
Other liabilities and contract liabilities		(1,383,185)	(1,393,240)
Deferred tax liabilities		<u>(7,149,257)</u>	<u>(6,576,808)</u>
Total non-current liabilities		<u>(36,270,155)</u>	<u>(39,337,021)</u>
Net assets		<u>58,029,625</u>	<u>58,509,317</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,966,177	8,966,177
Reserves		<u>32,836,033</u>	<u>34,362,465</u>
		41,802,210	43,328,642
Non-controlling interests		<u>16,227,415</u>	<u>15,180,675</u>
Total equity		<u>58,029,625</u>	<u>58,509,317</u>

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2023 and 2022 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 2022 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 2023 in due course. The Company's auditor have reported on those consolidated financial statements for the years ended 31 December 2022 and 2023. 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") 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 2023. 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 equity holders of subsidiaries, 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 new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

HKFRS 17	<i>Insurance contracts</i>
Amendments to HKAS 8	<i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>
Amendments to HKAS 1	<i>Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies</i>
Amendments to HKAS 12	<i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>
Amendments to HKAS 12	<i>Income taxes: International tax reform - Pillar Two model rules</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 new and amended HKFRSs are discussed below:

- (a) HKFRS 17 replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.
- (b) Amendments to HKAS 8 provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.
- (c) Amendments to HKAS 1 require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (d) Amendments to HKAS 12 narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The amendments do not have a material impact on financial statements.
- (e) Amendments to HKAS 12 introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments do not have a material impact on these financial statements.

3. OPERATING SEGMENT INFORMATION

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

- (i) The water resources segment engages in water distribution, sewage treatment, 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 Special Administrative Region of the PRC ("Hong Kong");
- (ii) The property investment and development segment mainly invests in various properties in Mainland China and Hong Kong 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 Guangdong Province, the PRC;
- (v) The hotel operation and management segment operates the Group's hotels and provides hotel management services to certain third parties' hotels in Mainland China and Hong Kong;
- (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 Mainland China and Hong Kong 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, (loss)/gain on disposal of subsidiaries, gain on deemed disposal of associates, 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 include total 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 include total liabilities, exclude bank and other borrowings, tax payable, 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment revenue:						
Revenue from external customers	15,329,381	16,949,113	5,304,259	2,870,880	758,786	798,860
Intersegment sales	-	-	92,272	94,866	-	-
Other income and gains from external sources	75,711	50,805	8,349	7,846	16,531	17,434
Other income from intersegment transactions	-	-	-	-	-	-
Total	<u>15,405,092</u>	<u>16,999,918</u>	<u>5,404,880</u>	<u>2,973,592</u>	<u>775,317</u>	<u>816,294</u>
Segment results	<u>5,593,782</u>	<u>5,634,624</u>	<u>(864,652)</u>	<u>2,150,806</u>	<u>(18,218)</u>	<u>33,797</u>
Bank interest income						
(Loss)/gain on disposal of subsidiaries, net	(3,544)	27,893	-	-	-	-
Gain on deemed disposal of associates	13,814	-	-	-	-	-
Loss on disposal of an associate	-	(4,602)	-	-	-	-
Finance costs						
Share of profits less losses of associates	95,201	166,422	-	-	8,584	(16,213)
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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment revenue:						
Revenue from external customers	1,475,698	1,529,210	648,780	386,660	682,990	661,515
Intersegment sales	342,295	361,423	-	-	-	-
Other income and gains from external sources	41,113	43,385	97	92	147,731	119,775
Other income from intersegment transactions	-	-	-	-	-	-
Total	1,859,106	1,934,018	648,877	386,752	830,721	781,290
Segment results	105,664	(54,339)	144,849	(56,454)	500,713	440,499
Bank interest income						
(Loss)/gain on disposal of subsidiaries, net	-	-	-	-	-	-
Gain on deemed disposal of associates	-	-	-	-	-	-
Loss on disposal of an associate	-	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	89,626	(105,694)	-	-	-	-
Profit before tax						
Income tax expense						
Profit for the year						

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment revenue:						
Revenue from external customers	-	-	-	-	24,199,894	23,196,238
Intersegment sales	21,660	21,664	(456,227)	(477,953)	-	-
Other income and gains from external sources	-	-	-	-	289,532	239,337
Other income from intersegment transactions	5,786	6,295	(5,786)	(6,295)	-	-
Total	<u>27,446</u>	<u>27,959</u>	<u>(462,013)</u>	<u>(484,248)</u>	<u>24,489,426</u>	<u>23,435,575</u>
Segment results	<u>(148,169)</u>	<u>(305,823)</u>	<u>122,029</u>	<u>16,865</u>	5,435,998	7,859,975
Bank interest income					226,050	144,027
(Loss)/gain on disposal of subsidiaries, net	-	-	-	-	(3,544)	27,893
Gain on deemed disposal of associates	-	-	-	-	13,814	-
Loss on disposal of an associate	-	-	-	-	-	(4,602)
Finance costs					(1,261,674)	(828,270)
Share of profits less losses of associates	-	-	-	-	193,411	44,515
Profit before tax					4,604,055	7,243,538
Income tax expense					(1,790,200)	(1,719,345)
Profit for the year					<u>2,813,855</u>	<u>5,524,193</u>

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Water resources		Property investment and development		Department store operation	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	53,267,723	48,622,369	60,992,028	62,740,301	963,169	1,156,597
Unallocated assets						
Total assets						
Segment liabilities	11,799,551	10,991,013	15,286,140	10,899,101	1,510,226	1,560,953
Unallocated liabilities						
Total liabilities						
Other segment information:						
Investments in associates	2,722,596	3,136,029	-	-	131,240	124,493
Depreciation and amortisation	1,798,318	1,429,576	128,896	74,490	65,137	74,101
Exchange differences, net	8,329	14,144	(36,221)	(267,306)	6,516	42,193
Provision/(reversal) of impairment losses for trade receivables, net	2,752	(12,813)	1,113	3,771	29	164
Changes in fair value of investment properties	(3,370)	-	(337,154)	(925,645)	51,666	(12,806)
Loss/(gain) on disposal of property, plant and equipment, net	(156)	(1,953)	(149,064)	78	89	129
Write-down of properties held for sale under development	-	-	841,970	-	-	-
Write-down of completed properties held for sale	-	-	967,026	-	-	-
Capital expenditure*	<u>5,636,629</u>	<u>4,266,881</u>	<u>571,426</u>	<u>2,256,824</u>	<u>64,268</u>	<u>70,445</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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	2,900,129	2,926,730	2,112,463	2,210,789	5,301,994	5,395,507
Unallocated assets						
Total assets						
Segment liabilities	447,202	427,816	234,580	217,555	274,451	393,828
Unallocated liabilities						
Total liabilities						
Other segment information:						
Investments in associates	849,113	770,858	-	-	-	-
Depreciation and amortisation	126,854	132,566	131,508	123,799	232,184	226,986
Exchange differences, net	(6,123)	(39,459)	133	1,999	4,702	24,969
Provision/(reversal) of impairment losses for trade receivables, net	-	-	-	-	-	-
Changes in fair value of investment properties	-	-	(41,329)	900	-	-
Loss/(gain) on disposal of property, plant and equipment, net	8	-	117	152	30	33
Write-down of properties held for sale under development	-	-	-	-	-	-
Write-down of completed properties held for sale	-	-	-	-	-	-
Capital expenditure*	<u>1,266</u>	<u>11,179</u>	<u>24,040</u>	<u>123,505</u>	<u>3,474</u>	<u>9,237</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	46,636	37,989	(662,010)	(744,399)	124,922,132	122,345,883
Unallocated assets					<u>15,043,840</u>	<u>11,168,737</u>
Total assets					<u>139,965,972</u>	<u>133,514,620</u>
Segment liabilities	163,627	159,207	(158,359)	(241,331)	29,557,418	24,408,142
Unallocated liabilities					<u>52,378,929</u>	<u>50,597,161</u>
Total liabilities					<u>81,936,347</u>	<u>75,005,303</u>
Other segment information:						
Investments in associates	-	-	-	-	3,702,949	4,031,380
Depreciation and amortisation	3,621	3,618	(698)	-	2,485,820	2,065,136
Exchange differences, net	29,852	176,271	216	(839)	7,404	(48,028)
Provision/(reversal) of impairment losses for trade receivables, net	-	-	-	-	3,894	(8,878)
Changes in fair value of investment properties	(126)	539	-	-	(330,313)	(937,012)
Loss/(gain) on disposal of property, plant and equipment, net	(27)	-	-	-	(149,003)	(1,561)
Write-down of properties held for sale under development	-	-	-	-	841,970	-
Write-down of completed properties held for sale	-	-	-	-	967,026	-
Capital expenditure*	<u>3,130</u>	<u>1,635</u>	<u>(2,395)</u>	<u>(3,958)</u>	<u>6,301,838</u>	<u>6,735,748</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 2023 and 2022.

	2023 HK\$'000	2022 HK\$'000
<u>Revenue from external customers</u>		
Mainland China	23,924,635	22,999,463
Hong Kong	<u>275,259</u>	<u>196,775</u>
	<u>24,199,894</u>	<u>23,196,238</u>

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

	2023 HK\$'000	2022 HK\$'000
<u>Non-current assets</u>		
Mainland China	81,106,996	77,646,495
Hong Kong	<u>2,262,856</u>	<u>2,310,502</u>
	<u>83,369,852</u>	<u>79,956,997</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\$5,016,305,000 (2022: HK\$4,947,376,000) 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

	2023 HK\$'000	2022 HK\$'000
(a) Types of goods or services:		
<u>Water resources segment</u>		
Income from water distribution — Mainland China	4,532,910	3,718,429
Income from water distribution — Hong Kong	5,016,305	4,947,376
Income from sewage treatment services	868,706	855,874
Income from construction services	2,199,388	4,712,693
Income from water pipeline installation and consultancy services	1,556,107	1,513,197
Sale of machineries	318,484	460,145
<u>Property investment and development segment</u>		
Sale of properties	3,842,660	1,359,405
Management fee income	203,992	194,386
<u>Department store operation segment</u>		
Commission income from concessionaire sales	401,606	387,899
Sale of goods	298,433	345,990
Management fee income	12,717	11,241
<u>Electric power generation segment</u>		
Sale of electricity and steam	1,475,698	1,529,210
<u>Hotel operation and management segment</u>		
Hotel income	603,703	343,463
Management fee income	11,316	12,493
<u>Road and bridge segment</u>		
Toll revenue	664,252	647,855
Management and maintenance fee income	18,738	13,660
<i>Revenue from contracts with customers</i>	22,025,015	21,053,316
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	837,481	741,399
Rental income	1,337,398	1,401,523
Total revenue	<u>24,199,894</u>	<u>23,196,238</u>

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

Revenue (continued)

Disaggregated revenue information (continued)

	2023 HK\$'000	2022 HK\$'000
(b) Geographical locations*:		
<u>Mainland China</u>		
Water resources segment	14,491,900	16,207,714
Property investment and development segment	4,046,652	1,553,791
Department store operation segment	712,756	745,130
Electric power generation segment	1,475,698	1,529,210
Hotel operation and management segment	403,562	223,220
Road and bridge segment	682,990	661,515
	<u>21,813,558</u>	<u>20,920,580</u>
<u>Hong Kong</u>		
Hotel operation and management segment	<u>211,457</u>	<u>132,736</u>
<i>Revenue from contracts with customers</i>	22,025,015	21,053,316
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	837,481	741,399
Rental income	<u>1,337,398</u>	<u>1,401,523</u>
	<u>24,199,894</u>	<u>23,196,238</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

	2023 HK\$'000	2022 HK\$'000
Bank interest income	226,050	144,027
Interest income from receivables under a cooperative arrangement	144,649	114,913
Others	<u>155,153</u>	<u>147,715</u>
	<u>525,852</u>	<u>406,655</u>

5. PROFIT BEFORE TAX

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

	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold*	1,836,942	2,174,816
Cost of services rendered*	7,237,779	8,975,974
Cost of properties sold*	3,538,797	901,930
Depreciation of property, plant and equipment	859,130	651,580
Depreciation of right-of-use assets	79,070	75,714
Amortisation of operating concession rights*	1,511,190	1,320,355
Amortisation of other intangible assets	36,430	17,487
Impairment on items of property, plant and equipment	1,047	-
Provision/(reversal) of impairment losses for trade receivables, net^	3,894	(8,878)
Auditor's remuneration	8,700	8,650
Employee benefit expenses:		
Wages and salaries (excluding directors' fee)	2,212,815	2,237,540
Pension schemes contributions:		
- defined contribution plans	289,356	272,794
- defined benefit plans	331	3,434
Less: Forfeited contributions	(31)	(51)
Net pension scheme contributions#	289,656	276,177
Less: Amount capitalised	(161,888)	(228,160)
	<u>2,340,583</u>	<u>2,285,557</u>
Gross rental income from investment properties	(1,159,137)	(1,245,542)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<u>177,219</u>	<u>146,129</u>
Net rental income from investment properties	<u>(981,918)</u>	<u>(1,099,413)</u>
Lease payments not included in the measurement of lease liabilities	9,784	10,971
Gain on lease modification^	(616)	(78,553)
Gain on disposal of property, plant and equipment, net^	(149,003)	(1,561)
Gain on disposal of an investment property^	-	(102,519)
Gain on disposal of the operating concession rights, net^	-	(61,101)
Loss/(gain) on disposal of subsidiaries, net	3,544	(27,893)
Loss on disposal of an associate	-	4,602
Gain on deemed disposal of associates	(13,814)	-
Government subsidies**^	(83,603)	(67,186)
Write-down of properties held for sale under development^	841,970	-
Write-down of completed properties held for sale^	<u>967,026</u>	<u>-</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 2023 and 2022, 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 (expenses)/income, net” on the face of the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on bank and other borrowings	1,317,368	902,796
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	130,137	193,659
Interest on loans from fellow subsidiaries	377,137	369,128
Interest on loans from associates	23,449	702
Interest on lease liabilities	27,628	32,183
Interest related to defined benefit obligations	<u>3,627</u>	<u>3,937</u>
Finance costs incurred	1,879,346	1,502,405
Less: Interest capitalised	<u>(590,044)</u>	<u>(641,952)</u>
Finance costs charged for the year	<u>1,289,302</u>	<u>860,453</u>

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale, investment properties under development, construction in progress and operating concession rights are between 2.28% and 6.78% per annum (2022: between 2.05% and 6.65% per annum).

7. INCOME TAX EXPENSE

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% (2022: 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.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2023 HK\$'000	2022 HK\$'000
Current - Mainland China		
Charge for the year	1,332,080	1,415,608
Over-provision in prior years	(21,626)	(14,981)
Current - Hong Kong		
Charge for the year	10,911	10,736
Over-provision in prior years	(12)	(238)
Deferred tax	<u>468,847</u>	<u>308,220</u>
Total tax charge for the year	<u>1,790,200</u>	<u>1,719,345</u>

8. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Interim – HK18.71 cents (2022: HK18.71 cents) per ordinary share	1,223,226	1,223,226
Proposed final – HK12.33 cents (2022: HK42.62 cents) per ordinary share	<u>806,113</u>	<u>2,786,420</u>
	<u>2,029,339</u>	<u>4,009,646</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:

	2023 HK\$'000	2022 HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	<u>3,122,069</u>	<u>4,763,503</u>
	Number of shares	
	2023	2022
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 2023 and 2022 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the years ended 31 December 2023 and 2022.

10. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in the Group's receivables, prepayments and other receivables as at 31 December 2023 are trade and bills receivables of HK\$3,487,921,000 (2022: HK\$2,722,968,000), 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% (2022: 6%) 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:

	2023 HK\$'000	2022 HK\$'000
Current or less than 3 months past due	2,280,458	2,104,472
3 months to 6 months past due	304,550	258,780
6 months to 1 year past due	591,212	105,652
More than 1 year past due	<u>351,275</u>	<u>289,961</u>
	3,527,495	2,758,865
Less: Loss allowance	<u>(39,574)</u>	<u>(35,897)</u>
	<u>3,487,921</u>	<u>2,722,968</u>

11. PAYABLES, ACCRUALS AND OTHER LIABILITIES

The Group's payables, accruals and other liabilities are non-interest-bearing and are normally settled on 60-day terms except for certain bills payables. Included in the Group's payables, accruals and other liabilities as at 31 December 2023 are trade and bills payables of HK\$6,070,290,000 (2022: HK\$6,224,663,000). 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:

	2023 HK\$'000	2022 HK\$'000
Within 3 months	6,053,121	6,066,868
3 months to 6 months	17,169	37,226
6 months to 1 year	<u>-</u>	<u>120,569</u>
	<u>6,070,290</u>	<u>6,224,663</u>

12. BANK AND OTHER BORROWINGS

As at 31 December 2023, included in the Group's bank and other borrowings represented loans from Guangdong Holdings of HK\$1,922,297,000 (2022: HK\$4,189,169,000), loans from fellow subsidiaries of HK\$6,551,271,000 (2022: HK\$8,765,148,000) and loans from an associate of HK\$1,103,500,000 (2022: Nil).

13. CONTINGENT LIABILITIES

As at 31 December 2023, 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 2023, the Group's outstanding guarantees amounted to HK\$4,675,936,000 (2022: HK\$2,596,836,000) for these guarantees.

CHAIRMAN'S STATEMENT

RESULTS

I hereby present our results for the year of 2023 to the shareholders. The Group's consolidated profit attributable to owners of the Company for year 2023 amounted to HK\$3,122 million (2022: HK\$4,764 million), decreased by 34.5% over year 2022. Basic earnings per share decreased by 34.5% over the last year to HK 47.75 cents (2022: HK 72.86 cents).

DIVIDEND

By striking a balance between the sharing of the Company's profit with the Shareholders and preserving sufficient funds for its development and operation, the Company aims to generate stable and sustainable returns for its shareholders. In deciding whether to recommend the payment of any dividend and in determining the amount thereof, the Company will take into account the actual and expected financial performance and position of the Group.

The Board recommends the payment of a final dividend of HK 12.33 cents per share for the year ended 31 December 2023. Aggregating such dividend with the interim dividend of HK 18.71 cents per share paid in October 2023, the total dividend for the entire year will be HK 31.04 cents (2022: HK 61.33 cents) per share. The said 2023 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 25 July 2024.

REVIEW

In 2023, the global economy rebounded with growth spurred by reopening, but the overall recovery remained slow and uneven, mainly due to increasing geo-economic disruptions, tightening of monetary policy to reduce inflation, cancellation of fiscal support in a high-debt environment, extreme weather and other events. With the world heading for a new period of turbulence and change, and the global economy running out of momentum, while withstanding external pressures and overcoming internal difficulties to achieve a steady rebound, China's economy is still challenged by a lack of domestic effective demand, over-capacities in certain industries, weak social expectations and persisting risks and potential issues. Faced with an increasingly complex and changing external environment, the Group adhered to the development strategy of "balancing progress and stability while enhancing quality and efficiency". On the one hand, the Group continued to strengthen the operational efficiency of its core operations while further optimising 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, the water resources segment continued to expand its capacity with the completion of a number of projects in the segment, contributing steadily to the Group's results. The average occupancy rate of the property investment and development business remained strong, while the hotel operation and management business benefitted from positive factors such as the pandemic ending and the border reopening, resulting in a substantial increase in overall operating revenue compared with last year. The department store retail business continued to promote the integration of online and offline businesses to stabilise its revenue. The operating efficiency of the power business increased as compared with last year due to the increase in electricity consumption and the decrease in coal price. The traffic flow and economic efficiency of the road and bridge business recovered steadily, resulting in an increase in overall operating revenue as compared with that of last year. Meanwhile, the Group closely monitored foreign exchange risks and utilised various strategies to minimise the Group's currency risk exposure.

PROSPECTS

Looking ahead into 2024, the global economic recovery remains sluggish, primarily due to high interest rates, escalating geopolitical conflicts, depressed international trade, and climate-related disasters. The credit crunch and rising borrowing costs will make it more difficult to boost economic growth. China's economy is expected to recover further in 2024, with favourable levels of economic growth among the best in the world. Under the general trend of economic recovery, facing the uncertainties in 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 while 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.

At the same time, the Group will focus its resources on expanding the water business to high-value-added businesses, steadily promoting property sales in the property investment and development business, capitalising on the post-pandemic business opportunities to increase profits in the hotel operation and management business, actively seeking new market opportunities in the department store retail business by leveraging on its branding strengths, opening up new sources of income and cutting down costs in the power business, and continuing to attract customer traffic flow to increase revenues in the road and bridge business, to proactively capture the potential development opportunities arising from the major strategic prospects of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, and to provide a long-term driving force for the Company's high-quality development, and to make its best endeavours to enhance the Company's results of operation and its overall 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.

BAI Tao
Chairman

Hong Kong, 25 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for the year ended 31 December 2023 was HK\$24,200 million (2022: HK\$23,196 million), an increase of 4.3% as compared with that of year 2022. The increase in revenue was mainly attributable to increase in revenue from property investment and development business, which was partially offset by the decrease in revenue from construction services in water resources business.

The consolidated profit before tax for the year ended 31 December 2023, excluding changes in fair value of investment properties, impairment of properties held for sale under development and completed properties held for sale, net gain on disposal of properties, net exchange loss and net finance costs, increased by 2.0% to HK\$6,977 million (2022: HK\$6,840 million), mainly attributed to the turnaround from loss to profit of both the hotel operation and management business and the electric power generation business as a result of the easing of pandemic prevention policies and the drop in coal price, respectively; the steady growth of the road and bridge business; which offset the impact of the decrease in profit of the property investment and development business and the depreciation of Renminbi against Hong Kong dollars by 4.7% over the last year. The net gain arising from fair value adjustments for investment properties of the Group for the year was HK\$330 million (2022: HK\$937 million), impairment of properties held for sale under development and completed properties held for sale was HK\$1,809 million (2022: Nil), net gain on disposal of properties was HK\$149 million (2022: HK\$103 million), net exchange loss was HK\$7 million (2022: net exchange gain of HK\$48 million) and net finance costs was HK\$1,036 million (2022: HK\$684 million). Taking into account the effect of the above factors, the consolidated profit before tax for the year decreased by 36.4% to HK\$4,604 million (2022: HK\$7,244 million). The consolidated profit attributable to owners of the Company for the year decreased by 34.5% to HK\$3,122 million (2022: HK\$4,764 million).

Basic earnings per share was HK 47.75 cents (2022: HK 72.86 cents), decreased by 34.5% as compared with that in year 2022.

BUSINESS REVIEW

A summary of the performance of the Group's major businesses during 2023 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 2023, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (2022: 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 2.209 billion tons (2022: 2.249 billion tons), a decrease of 1.8%, which generated a revenue of HK\$6,383 million (2022: HK\$6,456 million), a decrease of 1.1% over year 2022.

The Hong Kong Water Supply Agreement for 2021 to 2023 (the “2021 to 2023 Water Supply Agreement”) between the Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) and the Guangdong Provincial Government was signed on 28 December 2020. Pursuant to the 2021 to 2023 Water Supply Agreement, the annual basic water prices for the three years of 2021, 2022 and 2023 were HK\$4,885.53 million, HK\$4,950.51 million and HK\$5,016.35 million, respectively.

The Hong Kong Water Supply Agreement for 2024 to 2026 (the “2024 to 2026 Water Supply Agreement”) between the HKSAR Government and the Guangdong Provincial Government was signed on 27 December 2023. Pursuant to the 2024 to 2026 Water Supply Agreement, the annual basic water prices for the three years of 2024, 2025 and 2026 are HK\$5,136.24 million, HK\$5,259 million and HK\$5,384.69 million, respectively.

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 2026) in a particular year using a particular unit rate. The unit rates for each cubic metre of water supplied to Hong Kong which is conserved for the three years of 2024, 2025 and 2026 are HK\$0.315, HK\$0.323 and HK\$0.331, respectively; whereas the unit rate for the three years of 2021, 2022 and 2023 were HK\$0.300, HK\$0.304 and HK\$0.308, respectively.

The revenue from water sales to Hong Kong for the year increased by 1.4% to HK\$5,016 million (2022: HK\$4,947 million). The revenue from water sales to Shenzhen and Dongguan areas decreased by 9.4% to HK\$1,367 million (2022: HK\$1,509 million) during the year, which was principally due to the depreciation of Renminbi against Hong Kong dollars by 4.7% and the decrease in volume of water supply to Shenzhen over the last year. The profit before tax for the year, excluding gains on disposal of assets, net exchange differences and net finance costs, of the Dongshen Water Supply Project for the year ended 31 December 2023 was HK\$3,852 million (2022: HK\$3,952 million), 2.5% less than that in year 2022.

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 Mainland China.

During the year, the Group entered into certain investment cooperation agreements for the construction/expansion of the new/existing water supply plants and sewage treatment plants located in Nanchang City, Jiangxi Province and Wuxi City, Jiangsu Province. In addition, the Group launched two new water supply plant expansion projects in Baoying County, Jiangsu Province and Zhaoqing City, Guangdong Province. The total designed water supply capacity and waste water processing capacity are 257,000 tons per day and 3,000 tons per day, respectively. The expected total investment amount of these projects is approximately RMB917 million (equivalent to approximately HK\$1,012 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 2023 were 16,150,200 tons per day (2022: 15,893,200 tons per day) and 3,345,900 tons per day (2022: 3,342,900 tons per day), respectively.

The water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants operated by the subsidiaries and associates of the Group as at 31 December 2023 are 10,486,800 tons per day (2022: 7,931,800 tons per day) and 2,054,400 tons per day (2022: 1,925,900 tons per day), respectively. In addition, the water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants under construction by the subsidiaries of the Group as at 31 December 2023 were 1,437,000 tons per day and 50,000 tons per day, respectively.

Capacity of Water Resources Projects in Operation

The water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries and associates of the 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	3,500
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	801,500	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.▲)	100,000	-
雲浮市粵海水務發展有限公司 (Yunfu City Guangdong Water Development Co., Ltd) (formerly known as 雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao 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 (continued)</u>	<u>Water supply capacity (tons per day)</u>	<u>Waste water processing capacity (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. ▲)	80,000	-
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
汕尾粵海水務有限公司 (Shanwei Guangdong Water Co., Ltd. ▲)	245,000	-
東莞常平粵海水務有限公司 (Dongguan Changping Guangdong Water Co., Ltd. ▲)	280,000	-
中山市新涌口粵海水務有限公司 (Zhongshan City Xinyongkou Guangdong Water Co., Ltd. ▲)	120,000	-
中山市橫欄粵海水務有限公司 (Zhongshan City Henglan Guangdong Water Co., Ltd. ▲)	140,000	-
中山市南鎮粵海水務有限公司 (Zhongshan City Nanzhen Guangdong Water Co., Ltd. ▲)	130,000	-
清遠市龍塘粵海水務有限公司 (Qingyuan City Longtang Guangdong Water Co., Ltd. ▲)	50,000	-
Guangzhou Nansha GDH Water Co., Ltd.	550,000	-
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd. ▲)	1,060,000	-
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd. ▲)	100,000	-
恩施粵海水務有限公司 (Enshi Guangdong Water Co., Ltd. ▲)	400,000	-
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd. ▲)	-	100,000
開平粵海淨水有限公司 (Kaiping Guangdong Water Purification Co., Ltd. ▲)	-	25,000
Total as at 31 December 2023	<u>8,536,800</u>	<u>2,054,400</u>
Total as at 31 December 2022	<u>5,431,800</u>	<u>1,925,900</u>
<u>Name of associates of the Group</u>		<u>Water supply capacity (tons per day)</u>
Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd		600,000
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 2023		<u>1,950,000</u>
Total as at 31 December 2022		<u>2,500,000</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 2023 were 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>
荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd.▲)	80,000	-
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	50,000	-
揭陽粵海國業水務有限公司 (Jieyang Guangdong Guoye Water Co., Ltd.▲)	220,000	-
邳州粵海環保有限公司 (Pizhou Guangdong Huanbao Co., Ltd.▲)	-	35,000
河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.▲) and its subsidiaries	-	15,000
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd.▲)	100,000	-
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.▲)	200,000	-
Guangzhou Nansha GDH Water Co., Ltd.	200,000	-
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd.▲) and its subsidiaries	<u>177,000</u>	<u>-</u>
Total	<u>1,437,000</u>	<u>50,000</u>

Revenue of Other Water Resources Projects for the year ended 31 December 2023 in aggregate decreased by 14.5% to HK\$8,997,506,000 (2022: HK\$10,522,070,000), of which income from construction services amounted to HK\$2,199,388,000 (2022: HK\$4,712,693,000). Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences and net finance costs, amounted to HK\$1,853,937,000 (2022: HK\$1,834,379,000) in aggregate, 1.1% higher than that in year 2022.

Property Investment and Development

Mainland China

GDH Teem

As at 31 December 2023, the Group held an effective interest of 76.13% (2022: 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% (2022: 76.02%) in Tianjin Yuehai Teem Shopping Center Co., Ltd. (collectively the “GDH Teem”). GDH Teem operates several shopping malls in Mainland China including Teem Plaza, Panyu Teemmall, Guangzhou Comic City, Shenzhen Teemmall, 粵海天地 (Yuehai Tiandi[▲]) and Tianjin Teemmall.

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 of GDH Teem’s property investment business for the year decreased by 2.7% to HK\$1,464,427,000 (2022: HK\$1,504,513,000). 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 15.9% to HK\$711,021,000 (2022: HK\$845,682,000), which was mainly due to the depreciation of Renminbi against Hong Kong dollars by 4.7% and the drop of average occupancy rate over the last year.

The revenue of GDH Teem’s property investment business during the year was as follows:

	Area for lease sq.m.	Average occupancy rate %	Revenue for the year ended 31 December		Changes
			2023 HK\$'000	2022 HK\$'000	%
Teem Plaza - Teemmall	106,000	99.3	715,962	774,466	-7.6
Teem Plaza - Teem Tower	88,000	87.8	138,953	207,819	-33.1
Panyu Teemmall	144,000	94.7	244,571	255,642	-4.3
Tianjin Teemmall	145,000	95.7	246,449	230,254	+7.0
Guangzhou Comic City (acquired in June 2022)	23,000	95.2	54,692	32,082	+70.5
Shenzhen Teemmall (opened in December 2022)	59,200	92.0	61,864	4,250	+100.0
粵海天地 (Yuehai Tiandi [▲]) (opened in December 2023)	12,000	87.7	1,936	-	+100.0
	<u>577,200</u>		<u>1,464,427</u>	<u>1,504,513</u>	<u>-2.7</u>

Guangdong Land Holdings Limited (“GD Land”)

The Company’s effective interest in GD Land is approximately 73.82% (2022: 73.82%).

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

General Information of the Projects

Name of the property project	Status	Use	Interest held by GD Land	Approximate gross floor area (“GFA”) of project (sq. m.)	Approximate GFA included in calculation of plot ratio* (sq. m.)	Expected completion and filing date
Shenzhen City						
Shenzhen GDH City (Northwestern Land)	Completed	Business apartment/ Commercial	100%	167,376	122,083	N/A
Shenzhen GDH City (Northern Land)	Completed	Commercial/ Offices	100%	219,864	153,126	N/A
Shenzhen GDH City (Southern Land)	Completed	Commercial/ Offices	100%	255,373	206,618	N/A
Guangzhou City						
Guangzhou GDH Future City	Sale in progress	Residential/ Business apartment/ Commercial/ Offices	100%	728,549	506,000	2027
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
Baohuaxuan	Completed	Car-parking spaces	100%	N/A	N/A	N/A
Foshan City						
Foshan Laurel House	Sale in progress	Residential	100%	202,895	151,493	2024
Foshan One Mansion	Sale in progress	Residential/ Commercial/ Offices	51%	154,271	118,122	2026
Zhuhai City						
Zhuhai Laurel House	Sale in progress	Residential/ Commercial	100%	249,918	166,692	2024
Zhongshan City						
Zhongshan GDH City	Sale in progress	Residential	97.64%	321,456	247,028	2025
Jiangmen City						
Jiangmen One Mansion	Completed	Residential/ Business apartment/ Commercial	100%	222,708	164,216	N/A
Jiangmen GDH City (Land No. 3)	Completed	Residential	51%	163,511	122,331	N/A

General Information of the Projects (continued)

Name of the property project	Status	Use	Interest held by GD Land	Approximate GFA of project (sq. m.)	Approximate GFA included in calculation of plot ratio* (sq. m.)	Expected completion and filing date
Jiangmen GDH City (Land No. 4)	Sale in progress	Residential/ Business apartment/ Commercial	51%	299,029	207,419	2027
Jiangmen GDH City (Land No. 5)	To be developed	Residential	51%	89,201	63,150	2027
Huizhou City						
Huizhou One Mansion	Sale in progress	Residential/ Business apartment/ Commercial	100%	140,163	92,094	2024
Huizhou Huiyang Lijiang Garden	Completed	Car-parking spaces	100%	N/A	N/A	N/A

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.

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							
Shenzhen GDH City (Northwestern Land)	114,986	4,234	104,912	91.2%	4,284	104,912	91.2%
Shenzhen GDH City (Northern Land)	84,246	-	-	0.0%	-	-	0.0%
Guangzhou City							
Guangzhou GDH Future City	492,223	53,742	80,081	16.3%	N/A	N/A	N/A
Guangzhou Laurel House (Car-parking spaces)	2,764	53	2,697	97.6%	53	2,697	97.6%
Ruyingju (Car-parking spaces)	8,052	120	6,621	82.2%	120	6,621	82.2%
Baohuaxuan (Car-parking spaces)	245	38	38	15.5%	38	38	15.5%
Foshan City							
Foshan Laurel House	146,278	32,074	71,879	49.1%	18,406	18,406	12.6%
Foshan One Mansion	117,336	10,762	10,762	9.2%	N/A	N/A	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.)	
Zhuhai City							
Zhuhai Laurel House	145,859	29,961	64,324	44.1%	31,685	31,685	21.7%
Zhongshan City							
Zhongshan GDH City	236,728	38,742	68,295	28.6%	33,017	33,017	13.8%
Jiangmen City							
Jiangmen One Mansion	158,407	34,635	106,269	67.1%	48,462	101,743	64.2%
Jiangmen One Mansion (Car-parking spaces)	37,574	5,711	5,711	15.2%	5,198	5,198	13.8%
Jiangmen GDH City (Land No. 3)	119,334	33,458	83,284	69.8%	62,142	76,104	63.8%
Jiangmen GDH City (Land No. 3) (Car-parking spaces)	29,895	8,456	8,456	28.3%	7,236	7,236	24.2%
Jiangmen GDH City (Land No. 4)	204,229	9,392	13,409	6.7%	10,989	10,989	5.5%
Jiangmen GDH City (Land No. 5)	42,254	N/A	N/A	N/A	N/A	N/A	N/A
Huizhou City							
Huizhou One Mansion	89,240	12,975	14,514	16.3%	N/A	N/A	N/A
Huizhou Huiyang Lijiang Garden (Car-parking spaces)	1,504	82	216	14.4%	82	216	14.4%

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 274,000 sq.m. (2022: 169,000 sq.m.) and 222,000 sq.m. (2022: 76,000 sq.m.), respectively. Revenue of GD Land for the year increased by 181.4% to HK\$3,877,416,000 (2022: HK\$1,377,691,000), of which income from sales of properties amounted to HK\$3,842,660,000 (2022: HK\$1,351,831,000). The net gain arising from fair value adjustments for investment properties was HK\$230,115,000 (2022: HK\$762,820,000); net gain on disposal of properties was HK\$149,175,000 (2022: HK\$102,519,000). Affected by the continued downturn in the real estate market, transaction volume had shrunk, and sales prices had also declined. The Group made provision for inventory impairment of approximately HK\$1,808,996,000 (2022: Nil) during the year due to signs of impairment in some of the Group's property projects.

The loss before tax of GD Land for the year ended 31 December 2023 was HK\$1,957,825,000 (2022: profit before tax of HK\$592,244,000). Due to the higher gross profit margin of properties delivered in year 2022, the loss before tax of GD Land for the year ended 31 December 2023, excluding changes in fair value of investment properties, net gain on disposal of properties, impairment of properties held for sale under development and completed properties held for sale and net finance costs, was HK\$295,552,000 (2022: HK\$85,907,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 91.6% (2022: 95.8%). The total revenue for the year ended 31 December 2023 decreased by 3.1% to HK\$46,978,000 (2022: HK\$48,500,000).

Department Store Operation

As at 31 December 2023, the Group operated five department stores with a total leased area of approximately 209,900 sq.m. (2022: 222,300 sq.m.). The total revenue for the year ended 31 December 2023 decreased by 5.0% to HK\$758,786,000 (2022: HK\$798,860,000). The profit before tax for the year ended 31 December 2023 decreased by 60.7% to HK\$49,828,000 (2022: HK\$126,650,000). After adjusting for the changes in fair value of investment properties and the gain on lease modifications, which amounted to a net loss of HK\$51,054,000 in 2023 compared to a net gain of HK\$68,874,000 in 2022, the profit before tax increased by 74.6% to HK\$100,882,000 (2022: HK\$57,776,000), which is principally related to strategic cost reduction initiatives.

The revenue of the department stores operated by the Group for the year ended 31 December 2023 was as follows:

	Leased area sq.m.	2023 HK\$'000	2022 HK\$'000	Changes %
Teemall Store	41,500	562,843	597,916	-5.9
Wan Bo Store	20,100	54,407	52,229	+4.2
Ming Sheng Store (closed in March 2023)	-	7,025	17,801	-60.5
Dong Pu Store	28,300	69,492	75,211	-7.6
Ao Ti Store	21,500	43,207	42,596	+1.4
Hua Du Store (opened in January 2022)	98,500	21,812	13,107	+66.4
	<u>209,900</u>	<u>758,786</u>	<u>798,860</u>	<u>-5.0</u>

Hotel Ownership, Operation and Management

As at 31 December 2023, the Group's hotel management team managed a total of 20 hotels (2022: 24 hotels), of which three were located in Hong Kong and seventeen in Mainland China. As at 31 December 2023, six hotels, of which two in each of Hong Kong and Zhuhai and one in each of Shenzhen and Guangzhou, were owned by the Group. Of these six hotels, four were managed by our hotel management team whereas Holiday Inn Zhuhai City Center located in Zhuhai was operated under franchise arrangement and Sheraton Guangzhou Hotel located in Guangzhou was managed by another hotel management group.

During the year ended 31 December 2023, the average room rate of Sheraton Guangzhou Hotel was HK\$1,226 (2022: HK\$857) whereas the average room rate of the remaining five hotels was HK\$737 (2022: HK\$452). The average occupancy rate of Sheraton Guangzhou Hotel was 94.5% (2022: 69.6%) and that of the other five hotels was 68.2% (2022: 59.1%) for the year ended 31 December 2023.

With the easing of pandemic prevention policies, the hotel industry shows signs of recovery. The revenue of hotel ownership, operation and management business for the year ended 31 December 2023 increased by 67.8% to HK\$648,780,000 (2022: HK\$386,660,000). The profit before tax for the year ended 31 December 2023, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$105,850,000 (2022: loss before tax of HK\$52,798,000).

Energy Projects

GDH Energy Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% (2022: 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 ended 31 December 2023 amounted to 2,912 million kwh (2022: 2,604 million kwh), increased by 11.8%. Due to the mixed impact of the increase in sales of electricity and the depreciation of Renminbi against Hong Kong dollars by 4.7% over the last year, revenue of GDH Energy project (including intersegment sales) generated from electricity sales and related operations for the year ended 31 December 2023 decreased by 3.8% to HK\$1,817,993,000 (2022: HK\$1,890,633,000). As a result of the drop in coal price, the profit before tax of GDH Energy for the year ended 31 December 2023, excluding net finance costs, was HK\$99,722,000 (2022: loss before tax of HK\$93,614,000).

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

The Group’s effective interest in Yudean Jinghai Power is 25% (2022: 25%). As at 31 December 2023, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the year ended 31 December 2023 amounted to 15,863 million kwh (2022: 15,054 million kwh), an increase of 5.4%. Revenue for the year ended 31 December 2023 increased by 2.4% to HK\$8,359,489,000 (2022: HK\$8,166,239,000). Due to the drop in coal price, the profit before tax of Yudean Jinghai Power for the year ended 31 December 2023 was HK\$476,644,000 (2022: loss before tax of HK\$561,191,000). The Group’s share of profit in Yudean Jinghai Power amounted to HK\$89,626,000 (2022: share of loss of HK\$105,694,000) during the year ended 31 December 2023.

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 18% to 27,208 vehicle trips (2022: 23,060 vehicle trips). The revenue of GDH Highway for the year ended 31 December 2023 amounted to HK\$664,252,000 (2022: HK\$647,855,000), increased by 2.5%. The profit before tax during the year ended 31 December 2023, excluding net finance costs, amounted to HK\$371,766,000 (2022: HK\$357,003,000), increased by 4.1%.

Yinping 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 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 Project.

On 31 May 2023, Yuehai Yinping and the Xiegang Government entered into a supplemental agreement, pursuant to which the cooperation agreement was supplemented and amended to the effect that payments to be made for the Yinping Project would be subject to performance assessment. Details of the assessment were set out in the announcement of the Company published on 31 May 2023.

As at 31 December 2023, four Project Roads (2022: four Project Roads) were completed and one Project Road (2022: one Project Road) was under construction. As at 31 December 2023, the cumulative development costs in relation to the Yinping Project amounted to RMB1,987 million (equivalent to approximately HK\$2,193 million) (2022: approximately RMB1,881 million (equivalent to approximately HK\$2,105 million)).

For the year ended 31 December 2023, the total interest, management fee and maintenance fee of the Yinping Project recognized increased by 27.1% to HK\$163,367,000 (2022: HK\$128,573,000) and profit before tax, excluding other operating income, increased by 20.6% to HK\$133,734,000 (2022: HK\$110,935,000).

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2023, cash and bank balances of the Group increased by HK\$3,656 million to HK\$12,594 million (2022: HK\$8,938 million), of which 97.12% was denominated in Renminbi, 2.87% in Hong Kong dollars and 0.01% in United States dollars.

As at 31 December 2023, the Group's financial borrowings increased by HK\$1,692 million to HK\$42,428 million (2022: HK\$40,736 million), of which 17.2% was denominated in Hong Kong dollars and 82.8% in Renminbi, including loans from the ultimate holding company, fellow subsidiaries and an associate of HK\$9,577 million (2022: HK\$12,954 million). Of the Group's total financial borrowings, HK\$15,252 million was repayable within one year while the remaining balances of HK\$15,997 million and HK\$11,179 million were repayable within two to five years and beyond five years from the end of the reporting period, respectively. Furthermore, as at 31 December 2023, the interest rate structure of the Group's total financial borrowings comprised of 74.5% floating rate borrowings, 25.0% fixed rate borrowings and 0.5% non-interest bearing borrowings.

The Group maintained a credit facility of HK\$12,287 million as at 31 December 2023 (2022: HK\$17,270 million).

As at 31 December 2023, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was 77.3% (2022: 78.4%). The Group was in a healthy debt servicing position with the EBITDA/finance cost incurred as at 31 December 2023 being 4.3 times (2022: 6.7 times).

Net cash inflows from operating activities for the year ended 31 December 2023 amounted to approximately HK\$10,711 million (2022: net cash outflows of HK\$1,399 million). GD Land recorded net cash inflows from operating activities for the year amounting to approximately HK\$3,607 million (2022: net cash outflows of HK\$6,661 million). 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 2023, except for (i) certain property assets (including operating income receivables of certain investment properties) of HK\$9,090 million (2022: HK\$26,353 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\$12,838 million (2022: HK\$10,625 million); (iii) equity interest in certain subsidiaries of the Group, 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\$4,676 million (2022: approximately HK\$2,597 million) as disclosed in note 13 to the financial statements as set out in this announcement, there was no other material contingent liability as at 31 December 2023 and 2022.

CAPITAL EXPENDITURE

The Group's capital expenditure during the year ended 31 December 2023 amounted to HK\$7,696 million which was principally related to property, plant and equipment and leasehold land, 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 2023, total Renminbi borrowings amounted to HK\$35,146 million (2022: HK\$32,263 million). Exchange rate risk might result from the fluctuation of Renminbi exchange rate. The Group did not use derivative financial instruments to hedge its foreign currency risk as there was 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 2023, the Group's total floating rate borrowings amounted to HK\$31,618 million (2022: HK\$32,365 million). Interest rate risk might 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 would 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 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. However, due to the combined effects of the 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 rates. 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 a 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 the 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 taking 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.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 11,495 employees, of which 2,528 were at the managerial level. Among the employees, 11,268 were employed by subsidiaries in Mainland China and 227 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$2,502,471,000 (2022: approximately HK\$2,513,717,000).

In 2023, the Group proactively implemented the concepts of “prioritising determined employees” and “performance-oriented for shared value”, and with our goal of high-quality development, to promote refined management and encourage employees to be bold and ambitious towards excellence. The Group has 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 the manpower guideline of “advancing the capable, rewarding the excellent, demoting the mediocre, and eliminating the inferior”. Through the 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 C1 (formerly known as 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 2023 and, where appropriate, the applicable recommended best practices of the CG Code, save as disclosed below:

Mr. Hou Wailin, the then chairman of the board of Directors (the “Board”) and the then chairman of the Nomination Committee was unable to attend the annual general meeting of the Company held on 16 June 2023 (the “2023 Annual General Meeting”) as required by Code Provision F.2.2. Nevertheless, with the consent of the other Directors present, Mr. Lin Tiejun, Vice Chairman of the Company, chaired the 2023 Annual General Meeting.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities listed on The Stock Exchange of Hong Kong Limited.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, One Harbour Road, Wanchai, Hong Kong on Tuesday, 18 June 2024 at 2:30 p.m. (the “2024 Annual General Meeting”).

In order to qualify for attending and voting at the 2024 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 Wednesday, 12 June 2024.

ENTITLEMENT FOR FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK 12.33 cents per ordinary share for the year ended 31 December 2023 which is expected to be paid on or about Thursday, 25 July 2024 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 28 June 2024 subject to the final approval at the 2024 Annual General Meeting.

For the purpose of determining shareholders' entitlements to the proposed final dividend for the year ended 31 December 2023, the register of members of the Company will be closed on Friday, 28 June 2024 and no transfer of shares will be registered on that day. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at the above address not later than 4:30 p.m. on Thursday, 27 June 2024.

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 2023 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

BAI Tao

Chairman

Hong Kong, 25 March 2024

As at the date of this announcement, the Board of the Company comprises five Executive Directors, namely, Ms. BAI Tao, 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.