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GDH

GUANGDONG INVESTMENT LIMITED
(粵海投資有限公司)

*（Incorporated in Hong Kong with limited liability）*
（**Stock Code: 0270**）

# 2014 ANNUAL RESULTS ANNOUNCEMENT

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

| | **2014** | 2013 | Changes |
|---|---|---|---|
| | **HK$'000** | HK$'000 | % |
| **Revenue** | **8,426,285** | 7,990,015 | + 5.5 |
| **Profit for the year attributable to owners of the Company** | **4,397,130** | 4,426,117 | - 0.7 |
| **Earnings per share – Basic** | **70.46 HK cents** | 70.96 HK cents | - 0.7 |
| **Dividends per share** | | | |
| Interim | **8.00 HK cents** | 7.00 HK cents | |
| Proposed final | **20.00 HK cents** | 16.00 HK cents | |
| | **28.00 HK cents** | 23.00 HK cents | + 21.7 |

**CONSOLIDATED FINANCIAL INFORMATION**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

The board of Directors (the "Board") of Guangdong Investment Limited (the "Company" or "GDI") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group" or the "GDI Group") for the year ended 31 December 2014 together with the comparative figures for 2013 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| REVENUE | 4 | 8,426,285 | 7,990,015 |
| Cost of sales | | (2,777,793) | (2,666,253) |
| Gross profit | | 5,648,492 | 5,323,762 |
| Other income | 4 | 591,208 | 400,386 |
| Net gains on disposal of subsidiaries, associates and a joint venture | | - | 441,518 |
| Changes in fair value of investment properties | | 891,826 | 735,758 |
| Selling and distribution expenses | | ( 187,651) | ( 166,197) |
| Administrative expenses | | (1,181,901) | (1,093,480) |
| Other operating income, net | | 106,781 | 149,764 |
| Finance costs | 5 | ( 79,353) | ( 60,020) |
| Share of profit of a joint venture | | - | 51,238 |
| Share of profits less losses of associates | | 311,546 | 262,168 |
| PROFIT BEFORE TAX | 6 | 6,100,948 | 6,044,897 |
| Income tax expense | 7 | (1,138,168) | (1,098,511) |
| PROFIT FOR THE YEAR | | 4,962,780 | 4,946,386 |
| Attributable to: | | | |
| Owners of the Company | 9 | 4,397,130 | 4,426,117 |
| Non-controlling interests | | 565,650 | 520,269 |
| | | 4,962,780 | 4,946,386 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 9 | | |
| Basic | | 70.46 HK cents | 70.96 HK cents |
| Diluted | | 70.30 HK cents | 70.75 HK cents |

Details of the dividends payable and proposed for the year are disclosed in note 8 to the announcement.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
Year ended 31 December 2014

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| PROFIT FOR THE YEAR | 4,962,780 | 4,946,386 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange fluctuation reserve released upon disposal of subsidiaries, associates and a joint venture | - | ( 276,184) |
| Exchange differences on translation of foreign operations | ( 34,997) | 405,541 |
| Net gains on available-for-sale financial assets | 21,212 | 2,867 |
| Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods | ( 13,785) | 132,224 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | |
| Fair value gains on property, plant and equipment, net of tax | 39,900 | - |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | 26,115 | 132,224 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 4,988,895 | 5,078,610 |
| Attributable to: | | |
| Owners of the Company | 4,424,319 | 4,490,134 |
| Non-controlling interests | 564,576 | 588,476 |
| | 4,988,895 | 5,078,610 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 3,649,550 | 3,085,632 |
| Investment properties | 10 | 12,113,823 | 10,531,668 |
| Prepaid land lease payments | | 173,107 | 94,558 |
| Goodwill | | 307,533 | 266,146 |
| Investments in associates | | 1,659,479 | 1,702,873 |
| Operating concession rights | | 12,858,007 | 13,320,172 |
| Receivables under service concession arrangements | | 463,392 | - |
| Prepayments and deposits | | 340,989 | 107,625 |
| Deferred tax assets | | 41,104 | 29,698 |
| Total non-current assets | | 31,606,984 | 29,138,372 |
| CURRENT ASSETS | | | |
| Available-for-sale financial assets | | 8,207,894 | 5,037,387 |
| Tax recoverable | | 11,419 | 4,032 |
| Inventories | | 94,468 | 79,462 |
| Receivables under service concession arrangements | | 8,821 | - |
| Receivables, prepayments and deposits | 11 | 642,390 | 521,451 |
| Due from a non-controlling shareholder of a subsidiary | | 41,478 | - |
| Cash and cash equivalents | | 7,001,911 | 6,531,736 |
| Total current assets | | 16,008,381 | 12,174,068 |
| CURRENT LIABILITIES | | | |
| Payables and accruals | 12 | ( 3,163,814) | ( 2,630,526) |
| Tax payable | | ( 528,440) | ( 494,427) |
| Due to non-controlling shareholders of subsidiaries | | ( 551,877) | ( 276,373) |
| Bank and other borrowings | | ( 1,889,431) | ( 974,547) |
| Total current liabilities | | ( 6,133,562) | ( 4,375,873) |
| NET CURRENT ASSETS | | 9,874,819 | 7,798,195 |
| TOTAL ASSETS LESS CURRENT LIABILITIES - page 5 | | 41,481,803 | 36,936,567 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2014

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES - page 4 | 41,481,803 | 36,936,567 |
| NON-CURRENT LIABILITIES | | |
| Bank and other borrowings | ( 1,975,248) | ( 1,580,635) |
| Other liabilities | ( 1,455,797) | ( 1,178,726) |
| Deferred tax liabilities | ( 2,386,607) | ( 1,995,688) |
| Total non-current liabilities | ( 5,817,652) | ( 4,755,049) |
| Net assets | 35,664,151 | 32,181,518 |
| EQUITY | | |
| **Equity attributable to owners of the Company** | | |
| Share capital: nominal value | 5,595,013 | 3,119,691 |
| Other statutory capital reserves | - | 2,473,222 |
| Share capital and other statutory capital reserves | 5,595,013 | 5,592,913 |
| Other reserves | 23,420,731 | 20,722,109 |
| Proposed final dividends | 1,251,000 | 998,300 |
| | 30,266,744 | 27,313,322 |
| **Non-controlling interests** | 5,397,407 | 4,868,196 |
| Total equity | 35,664,151 | 32,181,518 |

*Notes:*

### 1. BASIS OF PREPARATION

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 accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties and available-for-sale financial assets 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.

## 1. BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. 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.

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 in the accounting policy for subsidiaries. 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.

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | *Investment Entities* |
| Amendments to HKAS 32 | *Offsetting Financial Assets and Financial Liabilities* |
| Amendments to HKAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC)-Int 21 | *Levies* |
| Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle* | *Definition of Vesting Condition*[1] |
| Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle* | *Accounting for Contingent Consideration in a Business Combination*[1] |
| Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle* | *Short-term Receivables and Payables* |
| Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle* | *Meaning of Effective HKFRSs* |

[1] Effective from 1 July 2014

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

## 2.2 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKAS 1 | *Disclosure Initiative*[2] |
| HKFRS 9 | *Financial Instruments*[4] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | *Investment Entities: Applying the Consolidation Exception*[2] |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[2] |
| HKFRS 14 | *Regulatory Deferral Accounts*[5] |
| HKFRS 15 | *Revenue from Contracts with Customers*[3] |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation*[2] |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants*[2] |
| Amendments to HKAS 19 | *Defined Benefit Plans: Employee Contributions*[1] |
| Amendments to HKAS 27 (2011) | *Equity Method in Separate Financial Statements*[2] |
| *Annual Improvements 2010-2012 Cycle* | Amendments to a number of HKFRSs[1] |
| *Annual Improvements 2011-2013 Cycle* | Amendments to a number of HKFRSs[1] |
| *Annual Improvements 2012-2014 Cycle* | Amendments to a number of HKFRSs[2] |

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Management is in the process of making an assessment of the impact of the new standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

## 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 property investment and development segment mainly invests in various properties in Hong Kong and the mainland of the People's Republic of China（the "PRC" or "Mainland China"）that are held for rental income purposes and engages in the development of properties in Mainland China. This segment also provides property management services to certain commercial properties;

(ii) The department stores segment operates department stores in Mainland China;

(iii) The water resources segment operates water distribution and sewage treatment 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 operations and management segment operates the Group's hotels and manages third parties' hotels in Hong Kong and Mainland China;

(vi) The toll roads and bridges segment invests in various road and bridge projects; 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 interest income, interest and investment income from available-for-sale financial assets, finance costs, share of profits less losses of a joint venture and associates and net gains on disposal of subsidiaries, associates and a joint venture are excluded from such measurement.

Segment assets exclude investments in associates, deferred tax assets, tax recoverable, cash and cash equivalents, available-for-sale financial assets and other unallocated assets as these assets are managed on a group basis.

Segment 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.

## 3. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments

### Group

| | Property investment and development | | Department stores | | Water resources | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Segment revenue:** | | | | | | |
| Sales to external customers | 1,160,459 | 1,092,673 | 783,707 | 771,857 | 5,302,117 | 4,934,479 |
| Intersegment sales | 110,622 | 105,917 | - | - | - | - |
| Other revenue from external sources (note) | 7,635 | 8,569 | 51,098 | 44,333 | 6,363 | 1,241 |
| Other revenue from intersegment transactions (note) | - | - | - | - | - | - |
| Exchange differences, net | ( 4,984) | 2,612 | 47 | - | 8,015 | 45,857 |
| Total | 1,273,732 | 1,209,771 | 834,852 | 816,190 | 5,316,495 | 4,981,577 |
| **Segment results** | 1,733,270 | 1,540,326 | 247,502 | 252,088 | 3,017,974 | 2,860,524 |
| Interest income | | | | | | |
| Interest income from available-for-sale financial assets | | | | | | |
| Investment income from available-for-sale financial assets | | | | | | |
| Finance costs | | | | | | |
| Share of profits less losses of: | | | | | | |
| A joint venture | - | - | - | - | - | - |
| Associates | - | - | 12,087 | ( 26,588) | ( 20,455) | ( 29,843) |
| Net gains on disposal of subsidiaries, associates and a joint venture | | | | | | |
| Profit before tax | | | | | | |
| Income tax expense | | | | | | |
| Profit for the year | | | | | | |

Note: Excluding exchange differences, net

## 3. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

### Group

| | Electric power generation | | Hotel operations and management | | Toll roads and bridges | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Segment revenue:** | | | | | | |
| Sales to external customers | 478,816 | 497,891 | 701,186 | 678,753 | - | 14,362 |
| Intersegment sales | - | - | - | - | - | - |
| Other revenue from external sources (note) | 11,232 | 11,288 | 1,568 | 1,311 | - | 3,755 |
| Other revenue from intersegment transactions (note) | - | - | - | - | - | - |
| Exchange differences, net | ( 956) | 5,131 | ( 1,413) | 10,453 | - | 127 |
| Total | 489,092 | 514,310 | 701,341 | 690,517 | - | 18,244 |
| **Segment results** | 326,358 | 302,147 | 119,176 | 134,185 | - | ( 4,200) |
| Interest income | | | | | | |
| Interest income from available-for-sale financial assets | | | | | | |
| Investment income from available-for-sale financial assets | | | | | | |
| Finance costs | | | | | | |
| Share of profits less losses of: | | | | | | |
| A joint venture | - | - | - | - | - | 51,238 |
| Associates | 319,914 | 315,723 | - | - | - | 2,876 |
| Net gains on disposal of subsidiaries, associates and a joint venture | | | | | | |
| Profit before tax | | | | | | |
| Income tax expense | | | | | | |
| Profit for the year | | | | | | |

Note: Excluding exchange differences, net

## 3. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

### Group

| | Others 2014 HK$'000 | Others 2013 HK$'000 | Eliminations 2014 HK$'000 | Eliminations 2013 HK$'000 | Consolidated 2014 HK$'000 | Consolidated 2013 HK$'000 |
|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | |
| Sales to external customers | - | - | - | - | 8,426,285 | 7,990,015 |
| Intersegment sales | - | - | ( 110,622) | ( 105,917) | - | - |
| Other revenue from external sources (note) | 3,013 | 1,483 | - | - | 80,909 | 71,980 |
| Other revenue from intersegment transactions (note) | 9,039 | 5,829 | ( 9,039) | ( 5,829) | - | - |
| Exchange differences, net | 4,786 | 31,589 | - | - | 5,495 | 95,769 |
| Total | 16,838 | 38,901 | ( 119,661) | ( 111,746) | 8,512,689 | 8,157,764 |
| **Segment results** | ( 85,824) | ( 63,483) | - | - | 5,358,456 | 5,021,587 |
| Interest income | | | | | 82,048 | 70,318 |
| Interest income from available-for-sale financial assets | | | | | 306,844 | 205,056 |
| Investment income from available-for-sale financial assets | | | | | 121,407 | 53,032 |
| Finance costs | | | | | ( 79,353) | ( 60,020) |
| Share of profits less losses of: | | | | | | |
| A joint venture | - | - | - | - | - | 51,238 |
| Associates | - | - | - | - | 311,546 | 262,168 |
| Net gains on disposal of subsidiaries, associates and a joint venture | | | | | - | 441,518 |
| Profit before tax | | | | | 6,100,948 | 6,044,897 |
| Income tax expense | | | | | ( 1,138,168) | ( 1,098,511) |
| Profit for the year | | | | | 4,962,780 | 4,946,386 |

Note: Excluding exchange differences, net

## 3. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

### Group

| | Property investment and development | | Department stores | | Water resources | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Segment assets | 12,616,060 | 11,103,897 | 128,556 | 126,692 | 14,819,020 | 14,148,083 |
| Investments in associates | - | - | 164,802 | 153,187 | 90,362 | 168,617 |
| Unallocated assets | | | | | | |
| Total assets | | | | | | |
| Segment liabilities | 981,289 | 663,323 | 1,289,881 | 1,303,830 | 1,768,122 | 1,422,707 |
| Unallocated liabilities | | | | | | |
| Total liabilities | | | | | | |
| Other segment information: | | | | | | |
| Depreciation and amortisation | 40,428 | 45,306 | 17,849 | 18,196 | 873,145 | 868,431 |
| Impairment losses recognised in the statement of profit or loss | - | - | - | - | - | - |
| Impairment losses reversed in the statement of profit or loss | - | - | - | ( 214) | - | ( 488) |
| Reversal of payables and accruals | - | - | - | - | - | - |
| Changes in fair value of investment properties | ( 891,826) | ( 735,758) | - | - | - | - |
| Other non-cash expenses/(income), net | - | - | 24 | - | ( 99) | ( 44) |
| Capital expenditure* | 646,554 | 137,935 | 17,158 | 8,435 | 849,053 | 13,294 |

* Capital expenditure consists of additions to property, plant and equipment, operating concession rights, prepaid land lease payments and investment properties including assets from the acquisitions of subsidiaries.

## 3. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

### Group

| | Electric power generation | | Hotel operations and management | | Toll roads and bridges | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Segment assets | 899,143 | 308,008 | 2,217,533 | 2,304,669 | - | - |
| Investments in associates | 1,404,315 | 1,381,069 | - | - | - | - |
| Unallocated assets | | | | | | |
| Total assets | | | | | | |
| Segment liabilities | 593,084 | 531,074 | 134,973 | 114,678 | - | - |
| Unallocated liabilities | | | | | | |
| Total liabilities | | | | | | |
| Other segment information: | | | | | | |
| Depreciation and amortisation | 7,053 | 8,504 | 131,450 | 125,653 | - | - |
| Impairment losses recognised in the statement of profit or loss | - | - | 386 | - | - | - |
| Impairment losses reversed in the statement of profit or loss | ( 85,416) | ( 107,898) | ( 26) | ( 6) | - | - |
| Reversal of payables and accruals | ( 95,741) | - | - | - | - | - |
| Changes in fair value of investment properties | - | - | - | - | - | - |
| Other non-cash expenses/(income), net | 151 | 500 | 2 | ( 8) | - | - |
| Capital expenditure* | 377,840 | 43,631 | 31,650 | 43,932 | - | 4 |

* Capital expenditure consists of additions to property, plant and equipment, operating concession rights, prepaid land lease payments and investment properties including assets from the acquisitions of subsidiaries.

## 3. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

### Group

| | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Segment assets | 8,451 | 8,774 | - | - | 30,688,763 | 28,000,123 |
| Investments in associates | - | - | - | - | 1,659,479 | 1,702,873 |
| Unallocated assets | | | | | 15,267,123 | 11,609,444 |
| Total assets | | | | | 47,615,365 | 41,312,440 |
| Segment liabilities | 53,071 | 49,270 | - | - | 4,820,420 | 4,084,882 |
| Unallocated liabilities | | | | | 7,130,794 | 5,046,040 |
| Total liabilities | | | | | 11,951,214 | 9,130,922 |
| Other segment information: | | | | | | |
| Depreciation and amortisation | 923 | 934 | - | - | 1,070,848 | 1,067,024 |
| Impairment losses recognised in the statement of profit or loss | - | - | - | - | 386 | - |
| Impairment losses reversed in the statement of profit or loss | - | - | - | - | (85,442) | (108,606) |
| Reversal of payables and accruals | - | - | - | - | (95,741) | - |
| Changes in fair value of investment properties | - | - | - | - | (891,826) | (735,758) |
| Other non-cash expenses/(income), net | - | - | - | - | 78 | 448 |
| Capital expenditure* | 458 | 419 | - | - | 1,922,713 | 247,650 |

* Capital expenditure consists of additions to property, plant and equipment, operating concession rights, prepaid land lease payments and investment properties including assets from the acquisitions of subsidiaries.

## 3. OPERATING SEGMENT INFORMATION (continued)

### (b) Geographical information

The following table presents the Group's geographical information regarding revenue and certain assets for the years ended 31 December 2014 and 2013.

**Group**

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Revenue from external customers | | |
| Hong Kong | 297,132 | 289,853 |
| Mainland China | 8,129,153 | 7,700,162 |
| | 8,426,285 | 7,990,015 |

The revenue information above is based on the locations in which the Group operates.

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Non-current assets | | |
| Hong Kong | 2,110,020 | 1,910,375 |
| Mainland China | 29,455,860 | 27,198,299 |
| | 31,565,880 | 29,108,674 |

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

### (c) Information about a major customer

Revenue of approximately HK$3,959,340,000 (2013: HK$3,743,300,000) was derived from sales by the water resources segment to a single customer.

## 4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents income from water distribution, sewage treatment and related services; the invoiced value of electricity sold; the invoiced revenue arising from the sale of goods in department stores; commissions from concessionaire sales; revenue from hotel ownership and operations; rental income and toll revenue, net of value-added tax and business tax during the year.

An analysis of net revenue and other income is as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Revenue | | |
| Income from water distribution, sewage treatment and related services* | 5,302,117 | 4,934,479 |
| Sale of electricity | 478,816 | 497,891 |
| Sale of goods | 69,646 | 66,111 |
| Commissions from concessionaire sales | 714,061 | 705,746 |
| Hotel and rental income | 1,861,645 | 1,771,426 |
| Toll revenue | - | 14,362 |
| | 8,426,285 | 7,990,015 |
| Other income | | |
| Interest income | 82,048 | 70,318 |
| Interest income from available-for-sale financial assets | 306,844 | 205,056 |
| Investment income from available-for-sale financial assets | 121,407 | 53,032 |
| Others | 80,909 | 71,980 |
| | 591,208 | 400,386 |

* Included imputed interest income under service concession arrangements of HK$16,575,000 (2013: Nil) from the sewage treatment services.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | Group | |
|---|---|---|
| | 2014<br>HK$'000 | 2013<br>HK$'000 |
| Interest on bank and other borrowings wholly repayable within five years | 62,811 | 60,020 |
| Interest on loans from the ultimate holding company | 16,542 | - |
| Finance costs for the year | 79,353 | 60,020 |

## 6. PROFIT BEFORE TAX

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

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Cost of inventories sold* | 397,756 | 379,663 |
| Cost of services rendered* | 1,575,570 | 1,480,190 |
| Depreciation | 261,143 | 255,861 |
| Recognition of prepaid land lease payments | 5,238 | 4,763 |
| Amortisation of operating concession rights* | 804,467 | 806,400 |
| Minimum lease payments under operating leases in respect of land and buildings | 98,927 | 90,458 |
| Contingent rents under operating leases | 44,654 | 40,651 |
| Auditors' remuneration | 9,422 | 8,530 |
| Employee benefit expenses (excluding directors' remuneration): | | |
| Wages and salaries | 723,851 | 664,672 |
| Equity-settled share option expense | 22,400 | 21,944 |
| Pension scheme contributions | 83,950 | 78,051 |
| Less: Forfeited contributions | ( 10) | ( 4) |
| Net pension scheme contributions# | 83,940 | 78,047 |
| | 830,191 | 764,663 |
| Gross rental income from investment properties | (993,645) | (941,287) |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | 120,587 | 113,122 |
| Net rental income from investment properties | ( 873,058) | ( 828,165) |
| Exchange differences, net | ( 5,495) | ( 95,769) |
| Reversal of impairment of items of property, plant and equipment^ | ( 85,416) | - |
| Reversal of payables and accruals** | ( 95,741) | - |
| Reversal of impairment on an investment in an associate^ | - | (107,898) |
| Loss on disposal of items of property, plant and equipment, net^ | 2,767 | 149 |
| Gain on disposal of items of operating concession rights, net^ | - | ( 70,101) |

* These costs and expenses are included in "Cost of sales" on the face of the consolidated statement of profit or loss.

** Amounts of HK$36,884,000 and HK$58,857,000 are included in "Other operating income, net" and "Administrative expenses", respectively on the face of the consolidated statement of profit or loss.

\# As at 31 December 2014 and 2013, 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.

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC Corporate Income Tax Law, which became effective from 1 January 2008, enterprises are subject to corporate income tax at a rate of 25%.

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Group: | | |
| Current - Hong Kong | | |
| Charge for the year | 22,345 | 21,202 |
| Overprovision in prior years | (50) | (138) |
| Current - Mainland China | | |
| Charge for the year | 816,787 | 814,468 |
| Underprovision in prior years | 2,787 | 5,090 |
| Deferred tax | 296,299 | 257,889 |
| Total tax charge for the year | 1,138,168 | 1,098,511 |

## 8. DIVIDENDS

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Interim – 8.0 HK cents (2013: 7.0 HK cents) per ordinary share | 499,223 | 436,671 |
| Proposed final – 20.0 HK cents (2013: 16.0 HK cents) per ordinary share | 1,251,000 | 998,300 |
| | 1,750,223 | 1,434,971 |

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 diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Earnings: | | |
| Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations | 4,397,130 | 4,426,117 |

| | Number of shares | |
|---|---|---|
| | 2014 | 2013 |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 6,240,223,667 | 6,237,296,890 |
| Effect of dilution - weighted average number of ordinary shares that assumed to have been issued: | | |
| Share options | 14,957,958 | 18,471,522 |
| For the purpose of the diluted earnings per share calculation | 6,255,181,625 | 6,255,768,412 |

## 10. INVESTMENT PROPERTIES

As at 31 December 2014, an investment property under development located in Tianjin which was previously stated at cost as at 31 December 2013 was revalued on an open market, existing use basis, by the independent and professionally qualified valuers as the development project had reached a stage that its fair value could be reliably determined. This gave rise to a revaluation gain of HK$88,002,000 and a related deferred tax of HK$22,000,000, which were both recognised in the consolidated statement of profit or loss for the year.

## 11. RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the Group's receivables, prepayments and deposits are trade receivables, 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. Invoices are normally due within 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has a certain concentration of credit risk whereby 8% (2013: 16%) of the total trade receivables was due from one customer. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

| | **Group** | |
|---|---|---|
| | 2014 | 2013 |
| | HK$'000 | HK$'000 |
| Within 3 months | 264,063 | 273,339 |
| 3 months to 6 months | 3,439 | 172 |
| 6 months to 1 year | 6,761 | 172 |
| More than 1 year | 71,257 | 85,394 |
| | 345,520 | 359,077 |
| Less: Impairment | ( 10,760) | ( 10,374) |
| | 334,760 | 348,703 |

## 12. PAYABLES AND ACCRUALS

Included in the Group's payables and accruals are trade payables. An aged analysis of the Group's trade payables as at the end of the reporting period, based on the payment due date, is as follows:

| | **Group** | |
|---|---|---|
| | 2014 | 2013 |
| | HK$'000 | HK$'000 |
| Within 3 months | 635,979 | 574,751 |
| 3 months to 6 months | 184 | 168 |
| 6 months to 1 year | 278 | 417 |
| | 636,441 | 575,336 |

# CHAIRMAN'S STATEMENT

## RESULTS

I am pleased to report to the shareholders our results of 2014. The Group's consolidated profit attributable to shareholders for 2014 amounted to HK$4,397 million (2013: HK$4,426 million), slightly decreased by 0.7% over 2013. Basic earnings per share decreased by 0.7% over 2013, to 70.46 HK cents (2013: 70.96 HK cents).

## DIVIDEND

The Group uses its best endeavours to maximise the 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 20.0 HK cents per share for 2014. Aggregating such dividend with the interim dividend of 8.0 HK cents per share paid in 2014, the total dividend for the entire year will be 28.0 HK cents (2013: 23.0 HK cents) per share. The said 2014 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on 30 June 2015.

## REVIEW

In 2014, global economic recovery remained stagnant and the pace of economic growth was slower than what the market generally expected alongside with increasing risk of deflation. The year 2014 also marked the kicking off of China's comprehensive and profound reforms where its economy has adapted to "new normal" and a series of reformative measures have been implemented. Amid higher economic volatility and uncertainties in China, the Group coped with the challenges and sustained its sound growth strategies and planning established over the years. While ensuring a steady growth in its core business, the Group further expanded its business size actively and enhanced its operating efficiency. Substantive progress was made in various areas, which boosted the confidence of customers, investors and regulators on us. In addition to its emphasis on environmental protection, water safety and public health, the Group continued to uphold its operating principle of sustainability and actively participated in public welfare activities and community services in the last year.

The Group's profit attributable to shareholders slightly decreased by 0.7% to HK$4,397 million (2013: HK$4,426 million), and profit before tax increased by 0.9% or HK$56 million to HK$6,101 million (2013: HK$6,045 million). The growth was mainly attributable to a better performance in water resources and property investment and development businesses, without any gain realized from the disposal of any non-core investments of the Group whereas such a net gain of HK$442 million was recognized in 2013.

## PROSPECTS

Looking ahead to 2015, uncertainties remain in the course of global economic recovery. As the economic growth momentum in China is expected to remain a slow downturn, the additional short-term or structural factors may pose considerable risks to enterprises' operation. Facing a complicated and changing external economic environment where opportunities and risks both exist for business development, the Group will continue to closely monitor the changes in the external economic condition and seize the market opportunities in the industry while steadily pushing ahead the implementation of our growth strategies so as to create long-term value for our stakeholders.

The Group will continue to closely monitor the investment opportunities in the area of water resources management and accelerate the building of a comprehensive water resources management industrial chain. Meanwhile, we will further optimise our resource allocation, closely monitor potential opportunities for merger and acquisition, expand profit growth points and increase investment projects that generate stable income.

Finally, on behalf of the Board, I would like to thank all investors for their support in the year and all our management and staff for their dedication, hard work and the good results they have assisted the Group to achieve.

**HUANG Xiaofeng**
*Chairman*
Hong Kong, 30 March 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2014 was HK$8,426 million (2013: HK$7,990 million), an increase of 5.5% as compared with that in 2013. The growth was mainly attributable to better performance in water resources and property investment and development businesses.

The consolidated profit attributable to shareholders of the Group slightly decreased by 0.7% to HK$4,397 million (2013: HK$4,426 million). The profit before tax increased by 0.9% or HK$56 million to HK$6,101 million (2013: HK$6,045 million). The growth was mainly attributable to better performance in water resources and property investment and development businesses, without any gain realized from the disposal of any non-core investments of the Group whereas a net gain of HK$442 million was recognized in 2013.

The gain arising from fair value adjustments of investment properties of HK$892 million (2013: HK$736 million) was recorded during the year. The finance cost of the Group increased by 31.7% to HK$79 million (2013: HK$60 million).

Basic earnings per share was 70.46 HK cents (2013: 70.96 HK cents), slightly decreased by 0.7% as compared with that in 2013.

## BUSINESS OVERVIEW

A summary of the performance of the Group's major businesses during 2014 are set out as follows:

### Water Resources

*Dongshen Water Supply*

The profit contribution from the Dongshen Water Supply Project continued to form a significant part of the Group's profit. As at 31 December 2014, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.0% (2013: 96.0%). GH Water Holdings holds a 99% 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 cubic meters. Total water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 1.939 billion cubic meters (2013: 1.817 billion cubic meters), an increase of 6.7%, which generated a revenue of HK$5,164,371,000 (2013: HK$4,934,479,000), an increase of 4.7% over 2013.

Pursuant to the Hong Kong Water Supply Agreement for years 2012 to 2014 entered into between the Government of the Hong Kong Special Administrative Region ("HKG") and the Guangdong Provincial Government ("GPG") in 2011, the annual revenue for water sales to Hong Kong for the three years of 2012, 2013 and 2014 were HK$3,538.70 million, HK$3,743.30 million and HK$3,959.34 million, respectively.

The revenue from water sales to Hong Kong for the year increased by 5.8% to HK$3,959,340,000 (2013: HK$3,743,300,000). The revenue from water sales to Shenzhen and Dongguan areas for the year increased by 1.2% to HK$1,205,031,000 (2013: HK$1,191,179,000). The profit before tax of the Dongshen Water Supply Project for the year was HK$3,157,092,000 (2013: HK$2,915,216,000), 8.3% higher than that in 2013.

*Nansha Water Supply*

The Company's effective interest in 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.) ("Nansha Water Co") is 49%. The annual capacity of water supply of Nansha Water Co is 72.0 million cubic meters. The total volume of water supplied to the users during the year amounted to 66.71 million cubic meters (2013: 59.74 million cubic meters), showing an increase of 11.7%. Revenue for the year increased by 37.4% to HK$203,519,000 (2013: HK$148,138,000). The loss before tax of Nansha Water Co for the year was HK$42,635,000 (2013: HK$61,787,000), 31.0% less than that in 2013. During the year, the Group's share of loss in Nansha Water Co amounted to HK$20,455,000 (2013: HK$29,843,000), improved by 31.5%.

*Water Group HK*

During the year, Guangdong Water Group (H.K.) Limited ("Water Group HK"), a wholly-owned subsidiary of the Company, established a subsidiary named 五華粵海環保有限公司 ("Wuhua Water Co"), which is principally engaged in sewage treatment operations in the PRC with a registered capital of RMB30 million.

During the year, Water Group HK acquired certain water distribution and sewage treatment operations companies, which included 100% equity interests in both 東莞市常平金勝水務有限公司 ("Jinsheng Water Co") and 東莞市道滘鴻發污水處理有限公司 ("Daojiao Water Co"), 54.29% equity interests in 開平粵海水務有限公司("Kaiping Water Co"), as well as 70% equity interests in both 梅州粵海水務有限公司 (the "Meizhou Water Group") and Super Sino Investment Limited (the "Danzhou Water Group") at an aggregate consideration of approximately HK$679 million.

The waste water processing capacities of each of the sewage treatment plants operated by Wuhua Water Co, Jinsheng Water Co, Daojiao Water Co, the Meizhou Water Group and Kaiping Water Co are 20,000 tons, 70,000 tons, 40,000 tons, 100,000 tons and 50,000 tons per day, respectively. The annual capacities of water supply for the Meizhou Water Group and the Danzhou Water Group are 87.6 million cubic meters and 36.5 million cubic meters, respectively.

Revenue and profit before tax of Wuhua Water Co, Jinsheng Water Co, Daojiao Water Co, the Meizhou Water Group, Kaiping Water Co and the Danzhou Water Group for the period from their respective dates of operation/acquisition to 31 December 2014 amounted to HK$137,746,000 and HK$8,504,000 in aggregate, respectively.

**Property Investment**

***Mainland China***

*Teem Plaza*

As at 31 December 2014, the Group held an effective equity interest of 76.13% in 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited) ("GD Teem"), the property owner of Teem Plaza. Teem Plaza comprises a shopping mall, an office building and a hotel. The shopping mall and the office building are held for investment purposes by the Group.

During the year, revenue of Teem Plaza, comprising rental income from both the shopping mall (included rentals from the department stores operated by the Group) and the office building, reached HK$1,180,164,000 (2013: HK$1,115,335,000), an increase of 5.8%. The profit before tax for the year, excluding the revaluation gain and net interest income, increased by 6.4% to HK$796,439,000 (2013: HK$748,499,000).

The shopping mall, which is known as the Teemall, is one of the most popular shopping malls in the prime area of Guangzhou and, has a total gross floor area and lettable area of approximately 160,000 square meters and 103,000 square meters, respectively. The mall was operated with an average occupancy rate of nearly 99% during the year (2013: 99%). The mall is successful in retaining existing brand-name tenants and attracting new ones. Strong demands for shop spaces in the mall and the open tendering system for selecting new tenants resulted in an increase of rental income during the year.

The office building, known as the Teem Tower (粵海天河城大廈), is a 45-storey Grade A office tower with a total gross floor area and lettable area of approximately 102,000 square meters and 90,000 square meters, respectively. With an average occupancy rate of 98.9% (2013: 99.0%) as at 31 December 2014, the total rental income for the year was HK$217,783,000 (2013: HK$210,017,000), an increase of 3.7%. The profit before tax for the year, excluding the revaluation gain, grew by 4.8% to HK$188,183,000 (2013: HK$179,625,000).

*Tianjin Teem Shopping Mall*

The Group owns a parcel of land situated in Tianjin to be developed into a large-scale modern shopping mall with a total gross floor area above ground and underground of approximately 137,100 square meters and 56,000 square meters, respectively. A total sum of approximately HK$1,750 million had been invested as at 31 December 2014.

*Panyu Wanbo CBD Project*

The Company's effective interest in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited) ("Wanye") is 31.06%. 廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.) ("Tianhecheng Investco"), a 60%-owned subsidiary of GD Teem, directly holds 68% interest in Wanye. Wanye owns a parcel of land well located in 番禺萬博中央商務區 (Panyu Wanbo Central Business District), which is designated to be a new commercial area in Guangzhou. This parcel of land will be developed into a large-scale integrated commercial project with a gross floor area of approximately 260,000 square meters. A total sum of approximately HK$1,338 million had been invested by Tianhecheng Investco into Wanye in accordance with the cooperation agreement as at 31 December 2014.

***Hong Kong***

*Guangdong Investment Tower*

The average occupancy rate of Guangdong Investment Tower for the year was 100% (2013: 99.1%), which was 0.9% higher than that in 2013. As a result of the increase in average rental and the occupancy rate, total rental income for the year was up by 9.1% to HK$48,266,000 (2013: HK$44,225,000).

**Department Store Operation**

As at 31 December 2014, the Group held an effective interest of approximately 85.2% in both 廣東天河城百貨有限公司 (Guangdong Teemall Department Stores Ltd.) ("GDTDS") and 廣州市天河城萬博百貨有限公司 ("天河城萬博"). GDTDS operates the Teemall Store in Teem Plaza. It also operates Teemall Store – Beijing Road Branch ("Ming Sheng Store"), 奧體歐萊斯名牌折扣店 ("Ao Ti Store"), 白雲新城百貨店 ("Baiyun New Town Store"), 東圃百貨店 ("Dong Pu Store") and 東莞第一國際百貨店("Dongguan Store"). 天河城萬博 operates 天河城百貨歐萊斯折扣店 ("Wan Bo Store"). The seven stores with leased area of approximately 147,000 square meters (2013: 133,700 square meters) in aggregate generated a total revenue of HK$783,707,000 (2013: HK$771,857,000), an increase of 1.5%. The profit before tax for the year increased by 1.8% to HK$311,565,000 (2013: HK$305,938,000).

Teemall Store offers to sell a wide range of products and is one of the major top-selling department stores in Guangzhou. Due to keen competition of retail market in Guangzhou, the revenue of Teemall Store decreased by 2.2% to HK$508,608,000 (2013: HK$520,046,000) during the year.

The revenue of the other six stores during the year recorded various levels of growth due to successful promotional activities. During the year, (i) the revenue of Ming Sheng Store increased by 3.8% to HK$63,748,000 (2013: HK$61,385,000); (ii) the revenue of Ao Ti Store, an outlet mall, increased by 18.8% to HK$36,398,000 (2013: HK$30,649,000); (iii) the revenue of Baiyun New Town Store increased by 26.2% to HK$23,644,000 (2013: HK$18,733,000); (iv) the revenue of Dong Pu Store increased by 12.1% to HK$52,513,000 (2013: HK$46,843,000); (v) Dongguan Store was opened in August 2014 and its revenue for the year was HK$1,807,000; (vi) Wan Bo Store, an outlet mall which sells brand-name products at a substantial discount, increased its revenue by 3.0% to HK$96,989,000 (2013: HK$94,201,000).

The Group's effective interest in 廣東永旺天河城商業有限公司 (Guangdong Aeon Teem Co., Ltd.) ("GD Aeon Teem") is 26.65%. The Group's share of profits in GD Aeon Teem amounted to HK$12,087,000 (2013: share of loss HK$26,588,000) during the year.

**Hotel Operation and Management**

As at 31 December 2014, our hotel management team managed a total of 38 hotels (2013: 39 hotels), of which two were located in Hong Kong, one in Macau and 35 in Mainland China. As at 31 December 2014, seven hotels, of which two were located in Hong Kong, two in Shenzhen, one in each of Guangzhou, Zhuhai and Zhengzhou, were owned or lease-owned by the Group. Of these seven hotels, six were managed by our hotel management team but the one located in Guangzhou, namely Sheraton Guangzhou Hotel, was managed by Sheraton Overseas Management Corporation.

Among the seven hotels owned or lease-owned, five are star-rated hotels and two are budget hotels. During the year, the average room rate of Sheraton Guangzhou Hotel was HK$1,248 (2013: HK$1,218) whereas the average room rates of the remaining four star-rated hotels and the two budget hotels were HK$767 (2013: HK$763) and HK$247 (2013: HK$244), respectively. The average occupancy rate of Sheraton Guangzhou Hotel was 84.4% (2013: 80.3%) and that of the remaining star-rated hotels was 82.8% (2013: 80.4%) during the year.

Regarding the hotel operation and management business as a whole, the revenue for the year increased by 3.3% to HK$701,186,000 (2013: HK$678,753,000). The profit before tax for the year decreased by 8.1% to HK$131,860,000 (2013: HK$143,530,000).

**Electric Power Generation**

*Zhongshan Power Plant*

Zhongshan Power (Hong Kong) Limited ("ZPHK"), a subsidiary of the Company, holds 75% (2013: 63%) interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.) ("ZTP"). ZTP has two power generation units with a total installed capacity of 110 MW and steam generation capacity of 80 tons per hour. Sales of electricity during the year amounted to 624 million kwh (2013: 655 million kwh), decreased by 4.7%. As a result of the decrease in electricity sales and electricity tariff, revenue for the year was down by 6.0% to HK$399,642,000 (2013: HK$424,961,000). However, due to the reduction in coal price, profit margin of ZTP for the year increased as compared to that in 2013. The profit before tax for the year was HK$148,748,000 (2013: HK$125,919,000), an increase of 18.1%.

Pursuant to the agreements entered into by ZPHK and 中山興中集團有限公司 (Zhongshan Xingzhong Group Co., Ltd.) ("Xing Zhong") on 22 July 2009, ZPHK and Xing Zhong agreed to make additional capital contribution to ZTP for the construction of two 300 MW heat and electricity supply plants (the "Zhongshan Project"), and their respective interests in ZTP was adjusted to 75% and 25%. During the year, capital contributions made by ZPHK for the Zhongshan Project amounted to HK$485,289,000.

The construction of Zhongshan Project was approved by the relevant PRC authorities in 2014, and the term of the joint venture was extended for a further 30 years to 29 October 2043.

*廣東粵電靖海發電有限公司 (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 2014, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the year amounted to 13,795 million kwh (2013: 15,025 million kwh), a decrease of 8.2%. Revenue for the year amounted to HK$7,635,263,000 (2013: HK$8,280,555,000), a decrease of 7.8%. Due to the reduction in coal prices, the profit before tax of Yudean Jinghai Power for the year increased by 1.6% to HK$1,709,340,000 (2013: HK$1,682,825,000). The Group's share of profit in Yudean Jinghai Power amounted to HK$319,914,000 (2013: HK$315,723,000) during the year.

*廣東粵嘉電力有限公司 (Guangdong Yuejia Electric Power Co., Ltd) ("Meixian Power Plant")*

The Group's effective interest in Meixian Power Plant is 12.25%. Guangdong Power Investment Limited ("GD Power Investment"), a 49% associate of the Company, holds a 25% interest in Meixian Power Plant. During the year, no dividend income was received by GD Power Investment from this investment (2013: Nil).

**AVAILABLE-FOR-SALE FINANCIAL ASSETS**

As at 31 December 2014, the available-for-sale financial assets of the Group increased by HK$3,171 million to HK$8,208 million (2013: HK$5,037 million), which have been placed by the Group with a number of licensed banks in the PRC for a term of no more than one year. The principal sums are denominated in Renminbi and guaranteed by the relevant banks upon the maturity date.

## LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2014, the cash and bank balances of the Group increased by HK$470 million to HK$7,002 million (2013: HK$6,532 million), of which 94.6% was denominated in Renminbi, 4.1% in Hong Kong dollars and 1.3% in US dollars.

As at 31 December 2014, the Group's financial borrowings amounted to HK$4,810 million (2013: HK$3,619 million), of which 96.0% was denominated in Hong Kong dollars and 4.0% in Renminbi, including non-interest-bearing receipt in advance of HK$946 million. Of the Group's total financial borrowings, HK$2,008 million was repayable within one year while the remaining balances of HK$2,387 million and HK$415 million are repayable within two to five years and beyond five years from the end of reporting period, respectively. During the year, the Group's financial borrowing increased by HK$1,191 million due to new bank and other loans arising from borrowings and/or through acquisitions.

The Group did not maintain any credit facility as at 31 December 2014 (2013: Nil).

As at 31 December 2014 and 2013, the Group was in net cash position. Hence, no gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was presented. The Group was in a healthy debt servicing position as the EBITDA/finance cost as at 31 December 2014 was 87.5 times (2013: 114.3 times).

The existing cash resources of the Group, together with steady cash flows generated from the Group's operations, are sufficient to meet the Group's payment obligations and business requirements.

## PLEDGE OF ASSETS

As at 31 December 2014, certain property, plant and equipment, concession rights for water distribution operations and sewage treatment, comprising operating concession rights and receivables under service concession agreement with net carrying amount of HK$4,190,000 (2013: Nil), HK$43,472,000 (2013: Nil) and HK$53,687,000 (2013: Nil), respectively, were pledged to secure certain bank loans granted to the Group.

## CAPITAL EXPENDITURE

The Group's capital expenditure during the year amounted to HK$1,923 million which was principally related to development cost for property development projects, construction cost for Zhongshan Project and the assets from the acquisitions of subsidiaries.

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

As at 31 December 2014, total Renminbi borrowings amounted to HK$192 million (2013: Nil). As at 31 December 2013, total US dollars borrowings amounted to HK$620 million. The foreign currency risk exposure was considered to be minimal and thus no currency hedging was considered necessary.

As at 31 December 2014, the Group's total floating rate borrowings amounted to HK$3,672 million (2013: HK$2,555 million). The interest rate risk exposure was considered to be minimal and thus no interest rate hedging was considered necessary.

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group had a total of 5,321 employees, of whom 1,026 employees were at managerial level. Among them, 5,061 employees were employed by subsidiaries in Mainland China and 260 were employed by the head office and subsidiaries in Hong Kong. Total remuneration for the year was approximately HK$766,853,000 (2013: HK$701,985,000).

In 2014, the global economy remained in a period of profound adjustments after the global financial crisis and the economy of China also slowed down and shifted to “new normal”. Under such circumstances, the Group stimulated the internal momentum of innovative development using the concept of “new thinking” and comprehensively adjusted the objectives of strategic growth to build itself into a Hong Kong listed company with the best investment value. By focusing on capital operation and fund management, the Group continued to optimise the level of corporate governance to sustain value creation for stakeholders including shareholders. In 2014, the Group actively established a corporate culture of integrity, professionalism, positivity, honesty and cooperation. The Group also further enhanced the establishment of a team of professionals and experts, stepped up its efforts in introducing professionals necessitated by the Company’s business development and training and nurturing employees with great potentials. On this basis, the Group has adopted a strategic view on establishing a performance management system with a continuous emphasis on incentive and disciplinary mechanism. This effort has fostered an environment for employee development, as a result of which a group of managerial and professional talents has been trained to meet the rapid business development of the Company. Further, the Group implemented an achievement-oriented appraisal system, regularly reviewing the performance of its senior management to ensure of their integrity and efficiency. Remuneration and incentive packages were commensurate with the results of the Group, such as operating net cash flows and profits after tax. For further motivation, performance-based incentive policy was introduced for the benefit of the management team, key officers and outstanding members of staff in accordance with their positions and performance appraisals. The Group also adopted a share option scheme to attract, reward and retain executives and employees of the calibre necessary to produce high levels of performance. In order to advance the integrated proficiency of its employees, the Group actively encouraged its employees to attend continuing education and training programs by providing subsidies as well as providing training on related professional knowledge according to business growth and working needs on a target-oriented basis. Looking into the future, the Group will focus on regulating internal management, enhance capability of the management team, optimize organizational structure and internal control, push up reconciliation of the company resources orderly, conduct effective operation, and build a corporate culture and working environment emphasising integrity and honesty. The Group believes these arrangements will build a solid foundation for the long term development of the Group.

## CORPORATE GOVERNANCE CODE

The Group recognizes 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 code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of 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 was in compliance with the applicable code provisions in the CG Code for the year ended 31 December 2014 and, where appropriate, the applicable recommended best practices of the CG Code.

## REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Company.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, the Company issued the following new ordinary shares to an option holder pursuant to the share option scheme adopted by the Company on 24 October 2008:

| **Total number of new ordinary shares issued** | **Exercise price per ordinary share** | **Total cash consideration** |
|---|---|---|
| | HK$ | HK$ |
| 900,000 | 1.88 | 1,692,000 |

Save as disclosed above, 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 during the year.

## BOOK CLOSURE

### 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, 5 June 2015 at 10:30 a.m. (the "2015 Annual General Meeting"). The register of members of the Company will be closed on Thursday, 4 June 2015 and Friday, 5 June 2015 and no transfer of shares will be registered during these two days.

In order to qualify for attending and voting at the 2015 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 3 June 2015.

### Entitlement for Final Dividend

The Board has resolved to recommend the payment of a final dividend of 20.0 HK cents per ordinary share for the year ended 31 December 2014 which is expected to be paid on Tuesday, 30 June 2015 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 11 June 2015 subject to the final approval at the 2015 Annual General Meeting.

For the purpose of determining shareholders' entitlements to the proposed final dividend for the year ended 31 December 2014, the register of members of the Company will be closed on Thursday, 11 June 2015 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, 10 June 2015.

## 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 2014 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

By Order of the Board
**HUANG Xiaofeng**
*Chairman*

Hong Kong, 30 March 2015

*As at the date of this announcement, the Board of the Company comprises three Executive Directors, namely, Mr. HUANG Xiaofeng, Mr. WEN Yinheng and Mr. TSANG Hon Nam; six Non-Executive Directors, namely, Mr. HUANG Zhenhai, Mr. WU Jianguo, Mr. ZHANG Hui, Ms. ZHAO Chunxiao, Mr. LAN Runing and Mr. LI Wai Keung; and five Independent Non-Executive Directors, namely, Dr. CHAN Cho Chak, John, Dr. the Honourable LI Kwok Po, David, Mr. FUNG, Daniel R., Dr. CHENG Mo Chi, Moses and Mr. WU Ting Yuk, Anthony.*