GDH

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

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

2016 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights for the year ended 31 December

	2016	2015	Changes
	HK$'000	HK$'000	%
Revenue	**10,464,202**	9,171,959	+14.1
Profit before tax	**5,752,030**	5,246,248	+9.6
Profit for the year attributable to owners of the Company	**4,212,037**	3,905,277	+7.9
Earnings per share – Basic	**HK 67.25 cents**	HK 62.45 cents	+7.7
Dividends per share			
Interim	**HK 12.00 cents**	HK 10.00 cents	
Proposed final	**HK 30.00 cents**	HK 24.00 cents	
	HK 42.00 cents	HK 34.00 cents	+23.5

CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

The board of Directors (the "Board") of Guangdong Investment Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	4	10,464,202	9,171,959
Cost of sales		(3,583,988)	(3,027,980)
Gross profit		6,880,214	6,143,979
Other income and gains	4	551,805	812,632
Changes in fair value of investment properties		112,504	131,801
Selling and distribution expenses		(242,471)	(217,488)
Administrative expenses		(1,398,197)	(1,344,598)
Exchange differences, net		(220,791)	(491,449)
Other operating income, net		19,596	22,386
Finance costs	5	(129,635)	(136,094)
Share of profits less losses of associates		179,005	325,079
PROFIT BEFORE TAX	6	5,752,030	5,246,248
Income tax expense	7	(1,099,632)	(956,949)
PROFIT FOR THE YEAR		4,652,398	4,289,299
Attributable to:			
Owners of the Company		4,212,037	3,905,277
Non-controlling interests		440,361	384,022
		4,652,398	4,289,299
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		HK 67.25 cents	HK 62.45 cents
Diluted		HK 67.20 cents	HK 62.35 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR	4,652,398	4,289,299
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(1,802,026)	(1,239,800)
Reclassification adjustments for a foreign operation dissolved during the year	5,828	-
	(1,796,198)	(1,239,800)
Net loss on available-for-sale financial assets	(7,330)	(2,931)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(1,803,528)	(1,242,731)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(1,803,528)	(1,242,731)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,848,870	3,046,568
Attributable to:		
Owners of the Company	2,823,645	2,980,340
Non-controlling interests	25,225	66,228
	2,848,870	3,046,568

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,691,743	7,083,391
Investment properties		12,561,194	12,326,764
Prepaid land lease payments		264,498	295,013
Goodwill		301,150	303,521
Investments in associates		1,716,163	1,892,870
Operating concession rights		14,140,407	15,218,717
Receivables under service concession arrangements		417,289	437,785
Available-for-sale financial assets		5,191	-
Prepayments and deposits		64,167	13,481
Deferred tax assets		61,507	46,726
Pledged bank deposits		22,358	-
Total non-current assets		36,245,667	37,618,268
CURRENT ASSETS			
Available-for-sale financial assets		7,623,090	6,228,797
Tax recoverable		5,996	17,080
Inventories		126,209	143,056
Receivables under service concession arrangements		10,247	9,429
Receivables, prepayments and deposits	10	803,200	736,655
Due from non-controlling shareholders of subsidiaries		93,548	61,521
Pledged bank deposits		27,948	-
Cash and bank balances		7,194,452	9,295,184
Total current assets		15,884,690	16,491,722
CURRENT LIABILITIES			
Payables and accruals	11	(3,642,799)	(4,385,265)
Tax payable		(718,108)	(468,897)
Due to non-controlling shareholders of subsidiaries		(199,673)	(367,981)
Bank and other borrowings		(1,012,138)	(556,236)
Total current liabilities		(5,572,718)	(5,778,379)
NET CURRENT ASSETS		10,311,972	10,713,343
TOTAL ASSETS LESS CURRENT LIABILITIES - page 5		46,557,639	48,331,611

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2016

	2016 HK$'000	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES - page 4	46,557,639	48,331,611
NON-CURRENT LIABILITIES		
Bank and other borrowings	(4,415,680)	(7,015,960)
Other liabilities	(1,389,413)	(1,312,009)
Deferred tax liabilities	(2,513,860)	(2,736,217)
Total non-current liabilities	(8,318,953)	(11,064,186)
Net assets	38,238,686	37,267,425
EQUITY		
Equity attributable to owners of the Company		
Share capital	5,789,737	5,711,660
Reserves	26,432,231	25,760,484
	32,221,968	31,472,144
Non-controlling interests	6,016,718	5,795,281
Total equity	38,238,686	37,267,425

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2016 and 2015 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 2015 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 2016 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

1. BASIS OF PREPARATION (continued)

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and* Amortisation
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
   (i) the materiality requirements in HKAS 1;
   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
   (iv) that the share of other comprehensive income of associates accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[1,2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group 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 store segment operates department stores in Mainland China;

(iii) The water resources segment operates water distribution and sewage treatment in Mainland China and Hong Kong;

(iv) The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province, Mainland China;

(v) The hotel operation and management segment operates the Group's hotels and manages third parties' hotels in Hong Kong and Mainland China;

(vi) The road and bridge segment invests in 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 resource 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 associates are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged bank deposits, cash and bank balances, 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.

Intersegment sales are eliminated in full on consolidation.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

	Property investment and development 2016 HK$'000	Property investment and development 2015 HK$'000	Department store 2016 HK$'000	Department store 2015 HK$'000	Water resources 2016 HK$'000	Water resources 2015 HK$'000
Segment revenue:						
Sales to external customers	1,130,392	1,171,425	717,339	812,552	6,505,311	5,895,616
Intersegment sales	117,686	109,947	-	-	-	-
Other income and gains from external sources	786	4,025	54,084	64,580	27,216	17,793
Other income from intersegment transactions	1,103	-	-	-	-	-
Total	1,249,967	1,285,397	771,423	877,132	6,532,527	5,913,409
Segment results	1,065,694	1,038,575	185,579	266,360	3,505,177	2,936,389
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 : associates	-	-	12,059	10,644	50,971	18,945
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	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	847,293	470,684	634,119	671,660	629,748	150,022
Intersegment sales	91,240	-	-	-	-	-
Other income and gains from external sources	22,172	10,694	168	196	3,877	56,806
Other income from intersegment transactions	-	-	-	-	-	-
Total	960,705	481,378	634,287	671,856	633,625	206,828
Segment results	323,001	204,225	79,312	100,130	403,454	144,842
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: associates	116,029	295,490	(54)	-	-	-
Profit before tax						
Income tax expense						
Profit for the year						

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	-	-	-	-	10,464,202	9,171,959
Intersegment sales	-	-	(208,926)	(109,947)	-	-
Other income and gains from external sources	1,723	1,548	-	-	110,026	155,642
Other income from intersegment transactions	6,895	11,122	(7,998)	(11,122)	-	-
Total	8,618	12,670	(216,924)	(121,069)	10,574,228	9,327,601
Segment results	(301,336)	(290,248)	-	-	5,260,881	4,400,273
Interest income					202,674	146,705
Interest income from available-for-sale financial assets					157,041	345,109
Investment income from available-for-sale financial assets					82,064	165,176
Finance costs					(129,635)	(136,094)
Share of profits less losses of: associates	-	-	-	-	179,005	325,079
Profit before tax					5,752,030	5,246,248
Income tax expense					(1,099,632)	(956,949)
Profit for the year					4,652,398	4,289,299

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Property investment and development		Department store		Water resources	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	12,971,657	12,813,420	165,253	171,866	14,860,658	15,757,067
Investments in associates	-	-	159,032	161,906	441,437	402,406
Unallocated assets						
Total assets						
Segment liabilities	1,066,167	1,081,488	859,401	973,849	1,942,085	2,352,089
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	38,536	39,020	20,253	15,502	965,541	915,197
Exchange differences, net	(118,313)	(44,999)	6,749	3,584	195,130	393,961
Impairment losses recognised/ (reversed) for trade receivables in the statement of profit or loss	(8,934)	-	482	-	700	2,322
Impairment losses on an investment in an associate reversed in the statement of profit and loss	-	-	-	-	-	-
Changes in fair value of investment properties	(112,504)	(131,801)	-	-	-	-
Capital expenditure*	883,577	794,167	9,470	43,531	209,589	1,941,226

* 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)

	Electric power generation		Hotel operation and management		Road and bridge	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	2,648,973	2,581,653	1,907,356	2,062,388	2,880,264	3,205,551
Investments in associates	1,112,390	1,328,558	3,304	-	-	-
Unallocated assets						
Total assets						
Segment liabilities	657,125	1,036,493	146,477	144,897	82,046	82,340
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	81,952	6,453	112,768	125,854	138,780	21,597
Exchange differences, net	(54,027)	(49,965)	10,075	9,853	(25,728)	(3,739)
Impairment losses recognised/ (reversed) for trade receivables in the statement of profit or loss	(1)	-	(191)	-	-	-
Impairment losses on an investment in an associate reversed in the statement of profit or loss	-	(21,403)	-	-	-	-
Changes in fair value of investment properties	-	-	-	-	-	-
Capital expenditure*	239,197	2,059,632	29,887	70,878	4,573	3,252,106

* 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)

	Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	26,962	7,469	-	-	35,461,123	36,599,414
Investments in associates	-	-	-	-	1,716,163	1,892,870
Unallocated assets					14,953,071	15,617,706
Total assets					52,130,357	54,109,990
Segment liabilities	68,053	63,577	-	-	4,821,354	5,734,733
Unallocated liabilities					9,070,317	11,107,832
Total liabilities					13,891,671	16,842,565
Other segment information:						
Depreciation and amortisation	480	768	-	-	1,358,310	1,124,391
Exchange differences, net	206,905	182,754	-	-	220,791	491,449
Impairment losses recognised/ (reversed) for trade receivables in the statement of profit or loss	-	-	-	-	(7,944)	2,322
Impairment losses on an investment in an associate reversed in the statement of profit or loss	-	-	-	-	-	(21,403)
Changes in fair value of investment properties	-	-	-	-	(112,504)	(131,801)
Capital expenditure*	1,426	73	-	-	1,377,719	8,161,613

* 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 2016 and 2015.

	2016 HK$'000	2015 HK$'000
Revenue from external customers		
Hong Kong	244,059	254,812
Mainland China	10,220,143	8,917,147
	10,464,202	9,171,959

The revenue information above is based on the locations of the customers.

	2016 HK$'000	2015 HK$'000
Non-current assets		
Hong Kong	2,225,382	2,192,300
Mainland China	33,931,229	35,379,242
	36,156,611	37,571,542

The non-current asset information above is based on the locations of the assets and excludes available-for-sale financial assets, deferred tax assets and pledged bank deposits.

(c) Information about a major customer

Revenue of approximately HK$4,491,520,000 (2015: HK$4,222,790,000) 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

Revenue 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 operation; rental income and toll revenue, net of value-added tax and business tax during the year.

An analysis of revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Income from water distribution, sewage treatment and related services*	6,505,311	5,895,616
Sale of electricity	847,293	470,684
Sale of goods	70,896	78,016
Commissions from concessionaire sales	646,443	734,536
Hotel and rental income	1,764,511	1,843,085
Toll revenue	629,748	150,022
	10,464,202	9,171,959
Other income and gains		
Interest income	202,674	146,705
Interest income from available-for-sale financial assets	157,041	345,109
Investment income from available-for-sale financial assets	82,064	165,176
Others	110,026	91,743
	551,805	748,733
Gains on bargain purchase	-	63,899
	551,805	812,632

* Including imputed interest income under service concession arrangements of HK$29,531,000 (2015: HK$29,186,000) from the sewage treatment operation

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on bank and other borrowings	109,588	119,491
Interest on loans from the ultimate holding company	18,522	16,603
Interest expenses charged by a fellow subsidiary	1,525	-
Finance costs for the year	129,635	136,094

6. PROFIT BEFORE TAX

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

	2016 HK$'000	2015 HK$'000
Cost of inventories sold*	628,958	337,841
Cost of services rendered*	2,010,427	1,849,070
Depreciation	403,060	274,776
Recognition of prepaid land lease payments	10,647	8,546
Amortisation of operating concession rights*	944,603	841,069
Impairment losses recognised/(reversed) for trade receivables, net	(7,944)	2,322
Minimum lease payments under operating leases in respect of land and buildings	109,406	101,398
Contingent rents under operating leases	23,107	48,418
Auditor's remuneration	12,138	11,582
Employee benefit expenses:		
Wages and salaries (excluding directors' fee)	907,874	850,147
Equity-settled share option benefits	3,192	9,008
Pension scheme contributions	86,919	85,269
Less: Forfeited contributions	(14)	(23)
Net pension scheme contributions#	86,905	85,246
	997,971	944,401
Gross rental income from investment properties	(1,006,984)	(1,016,567)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	107,822	120,164
Net rental income from investment properties	(899,162)	(896,403)
Reversal of impairment on an investment in an associate^	-	(21,403)
Loss on disposal of items of property, plant and equipment, net^	77	4,616

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

\# As at 31 December 2016 and 2015, 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% (2015: 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%.

	2016 HK$'000	2015 HK$'000
Current - Hong Kong		
Charge for the year	13,848	19,151
Overprovision in prior years	(80)	(60)
Current - Mainland China		
Charge for the year	1,161,704	801,972
Overprovision in prior years	(12,776)	(10,686)
Deferred tax	(63,064)	146,572
Total tax charge for the year	1,099,632	956,949

8. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim – HK12.0 cents (2015: HK10.0 cents) per ordinary share	751,792	625,505
Proposed final – HK30.0 cents (2015: HK24.0 cents) per ordinary share	1,879,000	1,503,000
	2,630,792	2,128,505

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:

	2016 HK$'000	2015 HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	4,212,037	3,905,277

	Number of shares 2016	 2015
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,263,340,895	6,253,915,335
Effect of dilution - weighted average number of ordinary shares that assumed to have been issued:		
Share options	4,919,313	9,344,796
For the purpose of the diluted earnings per share calculation	6,268,260,208	6,263,260,131

10. 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 20% (2015: 9%) of the total trade receivables were due from one customer. The Group does not hold any collateral or other credit enhancements over these balances.

10. RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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:

	2016 HK$'000	2015 HK$'000
Within 3 months	422,881	329,222
3 months to 6 months	11,034	14,032
6 months to 1 year	761	1,691
More than 1 year	20,758	54,892
	455,434	399,837
Less: Impairment	(5,138)	(13,082)
	450,296	386,755

11. 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:

	2016 HK$'000	2015 HK$'000
Within 3 months	577,896	623,056
3 months to 6 months	183	79
6 months to 1 year	87	140
	578,166	623,275

12. EVENT AFTER THE REPORTING PERIOD

On 19 January 2017, the Company entered into a sale and purchase agreement with GDH Limited, the immediate holding company of the Company, pursuant to which the Company has conditionally agreed to acquire approximately 73.82% of the issued share capital of Guangdong Land Holdings Limited for a total consideration of RMB3,358,000,000 (equivalent to approximately HK$3,780,436,000). The consideration will be settled as to (i) RMB2,518,500,000 (equivalent to approximately HK$2,835,327,000) by the allotment and issue of 272,890,019 shares of the Company; and (ii) RMB839,500,000 (equivalent to approximately HK$945,109,000) in cash.

The proposed acquisition constitutes a disclosable and connected transaction under the Listing Rules. The proposed acquisition and the specific mandate to issue the abovementioned consideration shares of the Company to GDH Limited approved by the independent shareholders of the Company at the extraordinary general meeting held on 20 March 2017 are conditional subject to the fulfilment (or waiver) of certain conditions precedent pursuant to the abovementioned sale and purchase agreement. The transaction has not been completed as at the issue date of these financial statements. Further details of the transaction are set out in the circular of the Company dated 24 February 2017.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report to the shareholders our results of 2016. The Group's consolidated profit attributable to shareholders for 2016 amounted to HK$4,212 million (2015: HK$3,905 million), increased by 7.9% over 2015. Basic earnings per share increased by 7.7% over 2015, to HK 67.25 cents (2015: HK 62.45 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 HK 30.0 cents per share for 2016. Aggregating such dividend with the interim dividend of HK 12.0 cents per share paid in 2016, the total dividend for the entire year will be HK 42.0 cents (2015: HK 34.0 cents) per share. The said 2016 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on 20 July 2017.

REVIEW

In 2016, global economic growth momentum remained subdued, the occurrence of "black swan" events such as Brexit and U.S. presidential election result further exacerbated uncertainties in the global economy in the post-financial crisis period. Although Chinese economy remained stable, the combined effects of ongoing structural adjustments, economic transition and upgrades, pressures on energy conservation and emission reduction, as well as RMB exchange rate volatility led to certain challenges and shocks to the economic fundamentals. Faced with complex and austere operating environment, the Group embraced its sustainable development strategy of "make progress while ensuring stability" and focused on enhancing quality and profitability of its business development. On the one hand, the Group consolidated and strengthened operational efficiency and competitive advantages of its core businesses while further improving its corporate governance and internal control mechanism. On the other hand, the Group seized market opportunities and intensified efforts to expand its core business segments.

Among the Group's business segments, water resources segment continued its capacity expansion and margin improvement, accelerated pace of new project acquisition, further strengthened its ability to safeguard water quality. Rental income from property investment and development segment saw stable growth, primarily benefiting from our shopping malls and office space located at prime locations in well-developed business districts and resilient market demand. Profit from hotel operation and management segment was slightly lower as the Group continued to battle unfavourable business conditions brought on by Hong Kong's sluggish tourism industry as tourist number continued to decline. Profit from department store operation declined due to consumer fatigue and impacts from diversification of retail channels. The performance of other infrastructure segment was in line with expectation. Two 300 MW combined heat and power generators commenced operation as scheduled in 2016, effectively alleviating negative impacts from the electricity pricing reform. Benefiting from regional economic development, our road and bridge segment achieved stable growth in both traffic flow and operating results. The Group has also closely monitored foreign exchange risks and utilized various strategies to minimize the Group's currency risk exposure.

PROSPECTS

Looking ahead to 2017, policy uncertainty of major economies together with the rise of global trade protectionism may hamper global economic growth momentum. China could face further growth slowdown due to combined effects of domestic structural adjustments and uncertain external economic conditions. Faced with complex political and economic circumstances, the Group will build on its solid foundation, put greater emphasis on prudent business operation and sustainable development, and strengthen the Group's risk management in order to create long-term value for its stakeholders.

The Group will continue its investments in water resources management, property investment and development as well as infrastructure segments. The Group will continue to strengthen its core businesses while closely monitoring potential public-private-partnership projects as well as other market opportunities in our relevant business segments. The Group seeks to expand its international horizon, optimize its asset structure, grasp market opportunities arising from the "One Belt One Road" initiative and progressively explore possible execution approach. The Group strives to increase profit growth points and further enhance the Company's financial performance and create long-term value.

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

HUANG Xiaofeng
Chairman
Hong Kong, 29 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2016 was HK$10,464 million (2015: HK$9,172 million), an increase of 14.1% as compared with that in 2015. In addition, the profit before tax increased by 9.6% or HK$506 million to HK$5,752 million (2015: HK$5,246 million) and the consolidated profit attributable to owners of the Group increased by 7.9% or HK$307 million to HK$4,212 million (2015: HK$3,905 million) during the year. The Group's net cash flows from operating activities in 2016 was HK$6,099 million (2015: HK$5,429 million), an increase of 12.3% as compared with that in 2015. The growth in revenue, profit before tax and profit attributable to owners of the Company was mainly attributable to a better performance in both water resources and electric power generation businesses, and additional returns from the toll road business and certain water resources projects acquired during the last quarter of 2015. Nevertheless, the increase was partially offset by the unsatisfactory performance in department store operation as well as the hotel operation and management businesses. Total interest income and finance cost of the Group for the year amounted to HK$360 million (2015: HK$492 million) and HK$130 million (2015: HK$136 million), respectively, total interest income net of finance cost of the Group decreased by 35.4% to HK$230 million (2015: HK$356 million) for the year. Net exchange loss during the year was HK$221 million (2015: HK$491 million).

Basic earnings per share was HK 67.25 cents (2015: HK 62.45 cents), increased by 7.7% as compared with that in 2015.

BUSINESS OVERVIEW

A summary of the performance of the Group's major businesses during 2016 is 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 2016, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.0% (2015: 96.0%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 1.826 billion tons (2015: 2.067 billion tons), decreased by 11.7%, generating a revenue of HK$5,656 million (2015: HK$5,489 million), an increase of 3.0% over 2015.

Pursuant to the Hong Kong Water Supply Agreement for the years 2015 to 2017 entered into between the Government of the Hong Kong Special Administrative Region and the Guangdong Provincial Government in 2015, the annual revenue for water sales to Hong Kong for the three years of 2015, 2016 and 2017 were HK$4,222.79 million, HK$4,491.52 million and HK$4,778.29 million, respectively.

The revenue from water sales to Hong Kong for the year increased by 6.4% to HK$4,492 million (2015: HK$4,223 million). The revenue from water sales to Shenzhen and Dongguan areas for the year decreased by 8.1% to HK$1,164 million (2015: HK$1,266 million). The profit before tax of the Dongshen Water Supply Project for the year was HK$3,266 million (2015: HK$3,129 million), 4.4% higher than that in 2015.

Water Group HK

Guangdong Water Group (H.K.) Limited ("Water Group HK"), a wholly-owned subsidiary of the Company, holds a number of subsidiaries and associates which are principally engaged in water distribution, sewage treatment operation and waterworks construction in PRC.

The water supply capacity of each of the subsidiaries of Water Group HK, namely, 東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.*), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.*), 儀征港儀供水有限公司 (Yizheng Gangyi Water Supply Company Limited*), 高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited*), 寶應粵海水務有限公司 (Baoying Yuehai Water Company Limited*), 海南儋州自來水有限公司 (Hainan Danzhou Tap Water Company Limited*), 梧州粵海江河水務有限公司 (Wuzhou Yuehai Jianghe Water Company Limited*), Zhaoqing HZ GDH Water Co., Ltd. and 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited*) is 290,000 tons, 210,000 tons, 150,000 tons, 145,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 90,000 tons and 50,000 tons per day, respectively, totaling 1,520,000 tons per day (2015: 1,450,000 tons per day).

The waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries of Water Group HK, namely, 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.*), 梧州粵海環保發展有限公司 (Wuzhou Yuehai Huanbao Fazhan Company Limited*), 東莞市常平金勝水務有限公司 (Dongguan Changping Jinsheng Water Co., Ltd.*), 開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.*), 五華粵海環保有限公司 (Wuhua Yuehai Huanbao Co., Ltd.*), 東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd.*) and 興寧粵海環保有限公司(Xingning Yuehai Huanbao Co., Ltd.*) is 100,000 tons, 90,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons and 3,000 tons per day, respectively, totaling 393,000 tons per day (2015: 390,000 tons per day).

The water supply capacity of 江河港武水務（常州）有限公司 (Jianghe Gangwu Water (Changzhou) Company Limited*) and 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.*), being associates of Water Group HK, is 520,000 tons and 400,000 tons per day, respectively, totaling 920,000 tons per day (2015: 720,000 tons per day).

Revenue of Water Group HK and its subsidiaries for the year in aggregate amounted to HK$853,948,000 (2015: HK$406,255,000). Profit before tax of Water Group HK, its subsidiaries and associates for the year, excluding the net exchange differences, in aggregate amounted to HK$167,673,000 (2015: HK$63,787,000). The growth was mainly attributable to additional returns from those water resources projects acquired during the last quarter of 2015.

New Water Resources Projects

During the year, the Group successfully bid five new water resources projects in Danzhou, Suixi, Gaozhou, Kaiping and Shanwei, respectively, with total designed water supply capacity of 370,000 tons per day and waste water processing capacity of 195,000 tons per day. The expected investment costs of these projects are RMB1,279 million (equivalent to approximately HK$1,430 million).

Property Investment and Development

Mainland China

Teem Plaza

As at 31 December 2016, the Group held an effective 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.

Revenue of Teem Plaza comprises rental income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building. During the year, due to negative impact from exchange rate fluctuation, revenue of Teem Plaza decreased by 2.8% to HK$1,152,167,000 (2015: HK$1,185,966,000). Excluding the impact of currency translation, the revenue of Teem Plaza achieved a steady growth of 3.4% as compared with that in 2015. The profit before tax for the year, excluding changes in fair value of investment properties and net interest income, increased by 1.8% to HK$802,709,000 (2015: HK$788,848,000).

The shopping mall, known as Teemall, is one of the most popular shopping malls in the prime area of Guangzhou and it has a total gross floor area and lettable area of approximately 160,000 square meters and 103,000 square meters, respectively. The mall had an average occupancy rate of nearly 99.8% during the year (2015: 99%). The mall is successful in retaining existing brand-name tenants and attracting new ones.

The office building, known as Teem Tower, 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 95.5% (2015: 97.91%), the revenue for the year was HK$212,701,000 (2015: HK$219,425,000), a decrease of 3.1%. Excluding the impact of currency translation, the revenue recorded an increase of 3.2% as compared with that in 2015. The profit before tax for the year, excluding changes in fair value of investment properties, decreased by 1.8% to HK$183,712,000 (2015: HK$187,133,000).

Tianjin Teem Shopping Mall

The Group owns a parcel of land situated in Tianjin for developing 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$2,342 million had been invested as at 31 December 2016.

Panyu Wanbo CBD Project

The Group's effective interest in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited*) ("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 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 is being 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$1,981 million had been invested by Tianhecheng Investco into Wanye in accordance with the cooperation agreement as at 31 December 2016.

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 100% (2015: 100%). As a result of the increase in average rental, total revenue for the year was up by 4.6% to HK$53,788,000 (2015: HK$51,400,000).

Department Store Operation

As at 31 December 2016, 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 Teemall Store in Teem Plaza. GDTDS also operates Teemall Store – Beijing Road Branch ("Ming Sheng Store"), 奥體歐萊斯名牌折扣店 ("Ao Ti Store"), 東圃百貨店 ("Dong Pu Store"), 東莞第一國際百貨店 ("Dongguan Store"), 佛山南海百貨店 ("Nanhai Store") and 北京路粵海仰忠匯店 ("Yuehaiyangzhong Hui Store"). 天河城萬博 operates 天河城百貨歐萊斯折扣店 ("Wan Bo Store").

The eight stores (2015: nine stores) had a total leased area of approximately 169,000 square meters (2015: 184,000 square meters) as at 31 December 2016. Confronted with keen competition of the retail market in Guangzhou during the year, the total revenue decreased by 11.7% to HK$717,339,000 (2015: HK$812,552,000). The profit before tax for the year decreased by 27.1% to HK$245,287,000 (2015: HK$336,646,000).

The revenue of the stores operated by the Group for the year ended 31 December 2016 was as follows:

		Revenue for the year ended 31 December		
	Leased area	2016	2015	Changes
	sq.m.	HK$'000	HK$'000	%
Teemall Store	40,000	459,575	534,000	-13.9
Wan Bo Store	19,600	91,221	95,078	-4.1
Ming Sheng Store	13,300	53,945	62,074	-13.1
Dong Pu Store	28,400	51,826	52,884	-2.0
Ao Ti Store	21,500	35,561	37,965	-6.3
Baiyun New Town Store (closed in July 2016)	-	14,949	25,269	-40.8
Dongguan Store	9,800	3,672	3,644	+0.8
Nanhai Store (opened in August 2015)	28,400	3,720	1,458	+155.1
Yuehaiyangzhong Hui Store (opened in December 2015)	8,000	2,870	180	+1,494.4
	169,000	717,339	812,552	-11.7

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 profit in GD Aeon Teem amounted to HK$12,059,000 (2015: HK$10,644,000) during the year, increased by 13.3%.

Hotel Operation and Management

As at 31 December 2016, the Group's hotel management team managed a total of 42 hotels (2015: 40 hotels), of which two were located in Hong Kong (2015: two), one in Macau (2015: one) and 39 in Mainland China (2015: 37). As at 31 December 2016, six hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou, Zhuhai and Zhengzhou, were owned or lease-owned by the Group. Of these six hotels, five were managed by our hotel management team with the exception of the one located in Guangzhou, namely Sheraton Guangzhou Hotel, which was managed by Sheraton Overseas Management Corporation.

Among the six hotels (2015: seven hotels) owned or lease-owned, five are star-rated hotels and one is budget hotel. During the year, the average room rate of Sheraton Guangzhou Hotel was HK$1,198 (2015: HK$1,302) whereas the average room rate of the remaining four star-rated hotels and the budget hotel were HK$668 (2015: HK$693) and HK$218 (2015: HK$246), respectively. The average occupancy rate of Sheraton Guangzhou Hotel was 87.3% (2015: 87.7%) and that of the other four star-rated hotels was 77.3% (2015: 79.3%) during the year.

Due to the decline in the number of overnight visitors from Mainland China and the adverse effect of interior renovation works, both of the average room rate and the occupancy rate of hotels in Hong Kong dropped. The revenue of hotel operation and management business for the year decreased by 5.6% to HK$634,119,000 (2015: HK$671,660,000). The profit before tax for the year decreased by 21.8% to HK$88,305,000 (2015: HK$112,964,000).

Other Infrastructure Projects

Zhongshan Power Plant

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds 75% equity interest in 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.*) ("ZTP"). During the year, the construction of two new 300 MW heat and power generators was completed and they commenced operation in February 2016 and June 2016, respectively, to replace the two former power generators.

As at 31 December 2016, ZTP has two power generators with a total installed capacity of 600 MW (2015: 110 MW). Sales of electricity during the year amounted to 1,926 million kwh (2015: 652 million kwh), increased by 195.4%. As a result of the increase in electricity sales, revenue for the year increased by 114.3% to HK$837,656,000 (2015: HK$390,855,000). The profit before tax for the year was HK$257,253,000 (2015: HK$156,631,000), an increase of 64.2%.

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 2016, Yudean Jinghai Power had four power generators with a total installed capacity of 3,200 MW. Sales of electricity for the year amounted to 10,589 million kwh (2015: 12,124 million kwh), a decrease of 12.7%. As a result of the softer demand and drop in electricity tariff, revenue for the year declined by 24.3% to HK$4,702,989,000 (2015: HK$6,213,255,000). In order to reduce the emissions during the operation, Yudean Jinghai Power plans to enhance technical transformation work on power generators. Accordingly, an impairment of HK$83,117,000 for the property, plant and equipment had been made by Yudean Jinghai Power during the year. The profit before tax of Yudean Jinghai Power for the year decreased by 59.2% to HK$643,179,000 (2015: HK$1,577,194,000). The Group's share of profit in Yudean Jinghai Power amounted to HK$116,029,000 (2015: HK$295,490,000) during the year, a decrease of 60.7%.

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 25% interest in Meixian Power Plant. During the year, no dividend income was received by GD Power Investment from this investment (2015: Nil).

Xingliu Expressway

廣西新長江高速公路有限責任公司 (Guangxi Xinchangjiang Gonglu Company Limited*) ("Xinchangjiang Company") principally engaged in the operation of the Xingliu Expressway. The Xingliu Expressway comprises a main line which is 99.6 km in length and three connection lines (in Xingye, Guigang and Hengxian) with an aggregate length of 52.7 km.

The average daily traffic flow of the Xingliu Expressway was 22,429 vehicle trips during the year (2015: 18,710 vehicle trips from the date of acquisition to 31 December 2015). The revenue and profit before tax of Xinchangjiang Company during the year amounted to HK$629,748,000 (2015: from the date of acquisition to 31 December 2015 amounted to HK$150,022,000) and HK$366,218,000 (2015: from the date of acquisition to 31 December 2015 amounted to HK$78,265,000), respectively.

Yinping PPP Project

On 8 June 2016, the Company entered into a cooperation agreement with 東莞市謝崗鎮人民政府 (Dongguan City Xiegang Town People's Government) (the "Xiegang Government") in respect of a public-private-partnership project (the "Yinping PPP Project") for the development of certain A-grade highways, connecting roads and municipal roads (not being toll roads) (each a "Project Road" and together, the "Project Roads") and the related ancillary support services such as drainage, greening and lighting in 銀瓶創新區 (Yinping Innovation Zone) in Dongguan, Guangdong, the PRC.

During the period of construction of the Project Roads (the "Development Period"), the Group shall be responsible for providing funding for the development of the Project Roads (the "Development Costs") depending on the overall development plan and progress of Yinping Innovation Zone in phases with the total Development Costs not exceeding RMB4.754 billion (equivalent to approximately HK$5.314 billion). The Xiegang Government shall pay the Development Costs by 10 annual instalments throughout the maintenance period, being ten years (the "Maintenance Period") from the acceptance of the Project Roads by the Xiegang Government.

During the Development Period, the Group would be entitled to an accrued interest at 8% (compounded annually) from the date of each amount disbursed by the Project Co (as defined below) that constitute the Development Costs for such Project Road until the end of the Development Period of the relevant Project Roads. This amount (the "Accrued Interest Amount") will be paid by 10 annual instalments throughout the Maintenance Period. In addition, a management fee (the "Management Fee") equal to 2.5% of the Development Costs will be payable by 10 annual instalments throughout the Maintenance Period and an annual maintenance fee equal to 1.1% of the total Development Costs, will be payable annually over the Maintenance Period by the Xiegang Government. The aggregate of the then outstanding Development Costs, the Accrued Interest Amount and the Management Fee are calculated on an accrued interest at 8% per annum on a reducing balance basis over the Maintenance Period.

As at 31 December 2016, the Company had established a wholly-owned subsidiary, 東莞粵海銀瓶開發建設有限公司 (Dongguan Yuehai Yinping Development and Construction Limited*) (the "Project Co" or "Yuehai Yinping") to perform the Company's obligations in the Yinping PPP Project. The rights and responsibilities of the Company under the cooperation agreement had been transferred to Yuehai Yinping after its establishment. No Development Costs were paid and payable for the year.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2016, the available-for-sale financial assets of the Group increased by HK$1,394 million to HK$7,623 million (2015: HK$6,229 million), which were placed by the Group with a number of licensed banks in Mainland China each of which for a term not exceeding one year. The principal sums of these financial assets with those licensed banks were denominated in Renminbi and were principal protected upon the maturity date. Up to the date of this announcement, HK$6,110 million were matured.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2016, the cash and bank balances of the Group decreased by HK$2,101 million to HK$7,194 million (2015: HK$9,295 million), of which 96% was denominated in Renminbi and 4% in Hong Kong dollars.

As at 31 December 2016, the Group's financial borrowings decreased by HK$2,263 million to HK$6,137 million (2015: HK$8,400 million), of which 96.5% was denominated in Hong Kong dollars and 3.5% in Renminbi, including non-interest-bearing receipt in advance of HK$709 million. Of the Group's total financial borrowings, HK$1,130 million was repayable within one year while the remaining balances of HK$4,842 million and HK$165 million are repayable within two to five years and beyond five years from the end of the reporting period, respectively.

The Group did not maintain any credit facility as at 31 December 2016 (2015: Nil).

As at 31 December 2016 and 2015, the Group was in a net cash position and hence no gearing ratio was presented. The Group was in a healthy debt servicing position as the EBITDA/finance cost as at 31 December 2016 was 54.47 times (2015: 45.42 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 2016 and 2015, except for bank deposits of HK$50,306,000 (2015: Nil) pledged to secure performance obligations of certain service concession agreements, none of property, plant and equipment, concession rights for water distribution operation and sewage treatment operation, comprising operating concession rights and receivables under service concession agreements, were pledged to secure bank loans granted to the Group.

CAPITAL EXPENDITURE

The Group's capital expenditure during the year amounted to HK$1,378 million which was principally related to the development cost for property development projects and the construction cost for Zhongshan Power Plant, water supply and sewage treatment plants.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 31 December 2016, total Renminbi borrowings amounted to HK$213 million (2015: HK$685 million). During the year, the net exchange loss was mainly attributable to certain net monetary assets denominated in Renminbi held by a subsidiary of the Company, where operation is principally in Mainland China with its functional currency denominated in Hong Kong dollars. Due to the existing restriction of the conversion of currencies in Mainland China, it led to an exchange loss arising from translation of monetary assets denominated in Renminbi to Hong Kong dollars. Currently, the Group has not used derivative financial instruments to hedge its foreign currency risk.

As at 31 December 2016, the Group's total floating rate borrowings amounted to HK$5,265 million (2015: HK$7,381 million). The interest rate risk exposure was considered to be minimal and thus no interest rate hedging was considered necessary.

PRINCIPAL RISKS AND UNCERTAINTIES

Macroeconomic Risk

The financial and operating performance of the Company is closely linked to macroeconomic conditions. Outside of China, the global economy has gradually recovered from the global financial crisis, but many uncertainties lie in the path to a full recovery. Domestically, overall macroeconomic conditions continued to improve. However, due to the combined effects of slow economic recovery in the EU zone, RMB exchange rate fluctuations, continuous capital outflow, higher PRC inflation expectations and further energy saving and emission reduction efforts, the fundamentals of the economy remain challenging. China's economic development 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, interest rate and exchange rate. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to senior 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 Hong Kong and 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 utilizes multiple strategic approaches, such as optimizing cash management strategy and project finance instruments, to manage foreign exchange risk.

Market Competition Risk

As market competition intensifies, the Company faces difficulties in its expansion efforts and further decline in project investment returns in the sectors it operates in. In this regard, the Company seeks to explore new sources of revenue and reduce operating costs through product improvement, operating efficiency enhancement and strengthening of the project management team so as to enhance profitability of its projects.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the Group had a total of 6,469 employees, of whom 1,414 employees were at managerial level. Among them, 6,242 employees were employed by subsidiaries in Mainland China and 227 were employed by the head office and subsidiaries in Hong Kong. Total remuneration for the year was approximately HK$964,807,000 (2015: HK$901,081,000).

In 2016, adhering to the people-oriented concept, the Group adhered to the core values of "integrity, professionalism, willingness, honesty and cooperation" of the corporate culture. The Group also continued to strengthen the management team building by employing more professionals. The Group further strengthened the training of employees in order to meet the Company's further development needs.

The Group implemented the assessment and feedback mechanism for the senior management which carries out regular review on the performance to ensure their integrity and efficiency. Performance-based incentive policy was introduced and remuneration and incentive packages were commensurate with the results of the Group. The Group also adopted a share option scheme to reward and attract professional talents to provide long-term service to the Group.

In order to enhance the operational capacity of the employees, the Group actively encouraged its employees to attend continuing education and training programmes by providing subsidies as well as providing professional training according to the Company's strategic objectives and working needs on a target-oriented basis.

Looking into the future, the Group will commit to the establishment of a human resources system with good career prospects and incentives, actively build the management team, and forge a corporate and working environment emphasising on integrity and honesty. The Group believes these initiatives 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 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 2016 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 2016 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company issued the following new ordinary shares to certain option holders 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$
9,883,080	6.20	61,275,096

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.

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, 23 June 2017 at 11:00 a.m. (the "2017 Annual General Meeting").

In order to qualify for attending and voting at the 2017 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 Monday, 19 June 2017.

ENTITLEMENT FOR FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK 30.0 cents per ordinary share for the year ended 31 December 2016 which is expected to be paid on Thursday, 20 July 2017 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 29 June 2017 subject to the final approval at the 2017 Annual General Meeting.

For the purpose of determining shareholders' entitlements to the proposed final dividend for the year ended 31 December 2016, the register of members of the Company will be closed on Thursday, 29 June 2017 and no transfer of shares will be registered on that day. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at the above address not later than 4:30 p.m. on Wednesday, 28 June 2017.

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 2016 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, 29 March 2017

* *The English names are translations of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely, Mr. HUANG Xiaofeng, Mr. WEN Yinheng, Mrs. HO LAM Lai Ping, Theresa and Mr. TSANG Hon Nam; six Non-Executive Directors, namely, Mr. CAI Yong, 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. the Honourable CHENG Mo Chi, Moses and Mr. WU Ting Yuk, Anthony.