GDH 粵海

GUANGDONG INVESTMENT LIMITED
(粵 海 投 資 有 限 公 司)

（Incorporated in Hong Kong with limited liability）

（Stock Code: 0270）

2017 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights for the year ended 31 December

	2017	2016	Changes
	HK$'000	HK$'000	%
Revenue	**12,168,839**	10,464,202	+16.3
Profit before tax	**7,620,765**	5,752,030	+32.5
Profit for the year attributable to owners of the Company	**5,685,371**	4,212,037	+35.0
Earnings per share – Basic	**HK 88.04 cents**	HK 67.25 cents	+30.9
Dividends per share			
Interim	**HK 14.50 cents**	HK 12.00 cents	
Proposed final	**HK 34.00 cents**	HK 30.00 cents	
	HK 48.50 cents	HK 42.00 cents	+15.5

CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 together with the comparative figures for 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2017

	Notes	2017 HK$’000	2016 HK$’000
REVENUE	4	12,168,839	10,464,202
Cost of sales		(4,984,830)	(3,583,988)
Gross profit		7,184,009	6,880,214
Other income and gains	4	665,985	551,805
Gain on bargain purchase	4	1,212,514	-
Changes in fair value of investment properties		431,752	112,504
Selling and distribution expenses		(280,826)	(242,471)
Administrative expenses		(1,584,301)	(1,398,197)
Exchange differences, net		(57,489)	(220,791)
Other operating income, net		58,161	19,596
Finance costs	5	(110,593)	(129,635)
Share of profits less losses of associates		101,553	179,005
PROFIT BEFORE TAX	6	7,620,765	5,752,030
Income tax expense	7	(1,617,111)	(1,099,632)
PROFIT FOR THE YEAR		6,003,654	4,652,398
Attributable to:			
Owners of the Company		5,685,371	4,212,037
Non-controlling interests		318,283	440,361
		6,003,654	4,652,398
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		HK 88.04 cents	HK 67.25 cents
Diluted		HK 87.96 cents	HK 67.20 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR	6,003,654	4,652,398
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	2,632,115	(1,802,026)
Reclassification adjustments for a foreign operation dissolved during the year	-	5,828
	2,632,115	(1,796,198)
Net loss on available-for-sale financial assets, net of tax	(7,265)	(7,330)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	2,624,850	(1,803,528)
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	9,962	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	2,634,812	(1,803,528)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	8,638,466	2,848,870
Attributable to:		
Owners of the Company	7,722,660	2,823,645
Non-controlling interests	915,806	25,225
	8,638,466	2,848,870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,484,561	6,691,743
Investment properties		16,037,772	12,561,194
Prepaid land lease payments		275,582	264,498
Goodwill		303,605	301,150
Investments in associates		3,679,684	1,716,163
Operating concession rights		14,113,313	14,140,407
Receivables under service concession arrangements		922,320	417,289
Available-for-sale financial assets		5,555	5,191
Prepayments and deposits		175,291	64,167
Deferred tax assets		158,733	61,507
Pledged bank deposits		-	22,358
Total non-current assets		43,156,416	36,245,667
CURRENT ASSETS			
Properties under development		5,748,595	-
Completed properties held for sale		417,595	-
Available-for-sale financial assets		8,093,040	7,623,090
Tax recoverable		1,852	5,996
Inventories		172,741	126,209
Receivables under service concession arrangements		12,445	10,247
Receivables, prepayments and deposits	10	1,099,700	803,200
Due from non-controlling shareholders of subsidiaries		66,113	93,548
Pledged bank deposits		68,242	27,948
Restricted bank balances		136,989	-
Cash and bank balances		7,565,286	7,194,452
Total current assets		23,382,598	15,884,690
CURRENT LIABILITIES			
Payables and accruals	11	(4,666,903)	(3,642,799)
Tax payable		(970,074)	(718,108)
Due to non-controlling shareholders of subsidiaries		(174,886)	(199,673)
Bank and other borrowings		(5,176,434)	(1,012,138)
Total current liabilities		(10,988,297)	(5,572,718)
NET CURRENT ASSETS		12,394,301	10,311,972
TOTAL ASSETS LESS CURRENT LIABILITIES - page 5		55,550,717	46,557,639

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2017

	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES - page 4	55,550,717	46,557,639
NON-CURRENT LIABILITIES		
Bank and other borrowings	(152,686)	(4,415,680)
Other liabilities	(1,385,917)	(1,389,413)
Deferred tax liabilities	(4,848,546)	(2,513,860)
Total non-current liabilities	(6,387,149)	(8,318,953)
Net assets	49,163,568	38,238,686
EQUITY		
Equity attributable to owners of the Company		
Share capital	8,966,177	5,789,737
Reserves	31,248,282	26,432,231
	40,214,459	32,221,968
Non-controlling interests	8,949,109	6,016,718
Total equity	49,163,568	38,238,686

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2017 and 2016 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 2016 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 2017 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 2017. 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have any entity's interest in a subsidiary, or an associate that is classified as held for sale or any disposal group held for sale during the year.

3. OPERATING SEGMENT INFORMATION

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

(i) The water resources segment operates water distribution and sewage treatment in the mainland of the People's Republic of China (the "PRC" or "Mainland China") and Hong Kong;

(ii) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development of properties in Mainland China. This segment also provides property management services to certain commercial properties;

(iii) The department store segment operates department stores in Mainland China;

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

(v) The hotel operation and management segment operates the Group's hotels and 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 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, gain on bargain purchase, gain on disposal of a subsidiary, finance costs and 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, restricted 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, loans from a fellow subsidiary and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Intersegment sales are eliminated in full on consolidation.

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

	Water resources		Property investment and development		Department store	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Segment revenue:						
Sales to external customers	7,698,047	6,505,311	1,355,338	1,130,392	719,677	717,339
Intersegment sales	-	-	124,668	117,686	-	-
Other income and gains from external sources	63,136	27,216	4,446	786	58,565	54,084
Other income from intersegment transactions	2,957	-	1,152	1,103	-	-
Total	7,764,140	6,532,527	1,485,604	1,249,967	778,242	771,423
Segment results	3,901,703	3,505,177	1,097,192	1,065,694	202,651	185,579
Interest income						
Interest income from available-for-sale financial assets						
Investment income from available-for-sale financial assets						
Gain on bargain purchase	-	-	1,212,514	-	-	-
Gain on disposal of a subsidiary	-	-	-	-	-	-
Finance costs						
Share of profits less losses of : associates	56,562	50,971	-	-	(16,283)	12,059
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	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Segment revenue:						
Sales to external customers	1,064,044	847,293	647,178	634,119	684,555	629,748
Intersegment sales	197,142	91,240	-	-	-	-
Other income and gains from external sources	28,241	22,172	682	168	4,567	3,877
Other income from intersegment transactions	-	-	-	-	-	-
Total	1,289,427	960,705	647,860	634,287	689,122	633,625
Segment results	94,612	323,001	119,865	79,312	379,814	403,454
Interest income						
Interest income from available-for-sale financial assets						
Investment income from available-for-sale financial assets						
Gain on bargain purchase	-	-	-	-	-	-
Gain on disposal of a subsidiary	-	-	2,968	-	-	-
Finance costs						
Share of profits less losses of: associates	61,296	116,029	(22)	(54)	-	-
Profit before tax						
Income tax expense						
Profit for the year						

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Segment revenue:						
Sales to external customers	-	-	-	-	12,168,839	10,464,202
Intersegment sales	-	-	(321,810)	(208,926)	-	-
Other income and gains from external sources	1,140	1,723	-	-	160,777	110,026
Other income from intersegment transactions	5,762	6,895	(9,871)	(7,998)	-	-
Total	6,902	8,618	(331,681)	(216,924)	12,329,616	10,574,228
Segment results	116,018	(301,336)	228	-	5,912,083	5,260,881
Interest income					288,174	202,674
Interest income from available-for-sale financial assets					153,317	157,041
Investment income from available-for-sale financial assets					60,749	82,064
Gain on bargain purchase	-	-	-	-	1,212,514	-
Gain on disposal of a subsidiary	-	-	-	-	2,968	-
Finance costs					(110,593)	(129,635)
Share of profits less losses of: associates	-	-	-	-	101,553	179,005
Profit before tax					7,620,765	5,752,030
Income tax expense					(1,617,111)	(1,099,632)
Profit for the year					6,003,654	4,652,398

3. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Water resources		Property investment and development		Department store	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Segment assets	15,666,149	14,860,658	23,353,269	12,971,657	179,666	165,253
Investments in associates	2,386,302	441,437	-	-	149,515	159,032
Unallocated assets						
Total assets						
Segment liabilities	2,127,696	1,942,085	1,778,459	1,066,167	921,422	859,401
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	1,027,324	965,541	54,786	38,536	20,666	20,253
Exchange differences, net	94,475	195,130	133,369	(118,313)	(9,569)	6,749
Impairment losses recognised/ (reversed) for trade receivables in the statement of profit or loss	(441)	700	716	(8,934)	(276)	482
Changes in fair value of investment properties	-	-	(431,752)	(112,504)	-	-
Gain on bargain purchase	-	-	(1,212,514)	-	-	-
Gain on disposal of a subsidiary	-	-	-	-	-	-
Loss/(gain) on disposal of property, plant and equipment	1,388	(410)	(1)	-	1,077	146
Capital expenditure*	899,232	209,589	4,189,775	883,577	16,771	9,470

* 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	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Segment assets	2,721,281	2,648,973	1,948,195	1,907,356	2,935,623	2,880,264
Investments in associates	1,140,356	1,112,390	3,511	3,304	-	-
Unallocated assets						
Total assets						
Segment liabilities	624,825	657,125	166,927	146,477	88,143	82,046
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	112,190	81,952	106,070	112,768	164,164	138,780
Exchange differences, net	55,472	(54,027)	(9,186)	10,075	27,232	(25,728)
Impairment losses recognised/ (reversed) for trade receivables in the statement of profit or loss	-	(1)	1,841	(191)	-	-
Changes in fair value of investment properties	-	-	-	-	-	-
Gain on bargain purchase	-	-	-	-	-	-
Gain on disposal of a subsidiary	-	-	(2,968)	-	-	-
Loss/(gain) on disposal of property, plant and equipment	-	-	460	276	177	65
Capital expenditure*	56,223	239,197	15,683	29,887	4,194	4,573

* 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	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Segment assets	10,673	26,962	-	-	46,814,856	35,461,123
Investments in associates	-	-	-	-	3,679,684	1,716,163
Unallocated assets					16,044,474	14,953,071
Total assets					66,539,014	52,130,357
Segment liabilities	87,486	68,053	-	-	5,794,958	4,821,354
Unallocated liabilities					11,580,488	9,070,317
Total liabilities					17,375,446	13,891,671
Other segment information:						
Depreciation and amortisation	940	480	-	-	1,486,140	1,358,310
Exchange differences, net	(234,076)	206,905	(228)	-	57,489	220,791
Impairment losses recognised/ (reversed) for trade receivables in the statement of profit or loss	-	-	-	-	1,840	(7,944)
Changes in fair value of investment properties	-	-	-	-	(431,752)	(112,504)
Gain on bargain purchase	-	-	-	-	(1,212,514)	-
Gain on disposal of a subsidiary	-	-	-	-	(2,968)	-
Loss/(gain) on disposal of property, plant and equipment	-	-	-	-	3,101	77
Capital expenditure*	1,784	1,426	-	-	5,183,662	1,377,719

* 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 2017 and 2016.

	2017 HK$'000	2016 HK$'000
Revenue from external customers		
Hong Kong	257,972	244,059
Mainland China	11,910,867	10,220,143
	12,168,839	10,464,202

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

	2017 HK$'000	2016 HK$'000
Non-current assets		
Hong Kong	2,271,291	2,225,382
Mainland China	40,720,837	33,931,229
	42,992,128	36,156,611

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$4,778,290,000 (2016: HK$4,491,520,000) 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, 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, toll revenue and invoiced revenue arising from the sale of completed properties, net of sales related tax during the year.

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

	2017 HK$'000	2016 HK$'000
Revenue		
Income from water distribution, sewage treatment and related services*	7,698,047	6,505,311
Rental and hotel income	1,843,285	1,764,511
Sale of properties	159,231	-
Commissions from concessionaire sales	644,997	646,443
Sale of goods	74,680	70,896
Sale of electricity	1,064,044	847,293
Toll revenue	684,555	629,748
	12,168,839	10,464,202
Other income and gains		
Interest income	288,174	202,674
Interest income from available-for-sale financial assets	153,317	157,041
Investment income from available-for-sale financial assets	60,749	82,064
Gain on disposal of a subsidiary	2,968	-
Others	160,777	110,026
	665,985	551,805
Gain on bargain purchase	1,212,514	-
	1,878,499	551,805

* Including imputed interest income under service concession arrangements of HK$34,112,000 (2016: HK$29,531,000) from the sewage treatment operation.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on bank and other borrowings	91,765	109,588
Interest on loans from the ultimate holding company	-	18,522
Interest expenses charged by a fellow subsidiary	18,828	1,525
Finance costs for the year	110,593	129,635

6. PROFIT BEFORE TAX

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

	2017 HK$'000	2016 HK$'000
Cost of inventories sold*	1,049,967	628,958
Cost of services rendered*	2,818,490	2,010,427
Cost of properties sold*	127,986	-
Depreciation	483,909	403,060
Recognition of prepaid land lease payments	13,844	10,647
Amortisation of operating concession rights*	988,387	944,603
Impairment losses recognised/(reversed) for trade receivables, net^	1,840	(7,944)
Minimum lease payments under operating leases in respect of land and buildings	99,486	109,406
Contingent rents under operating leases	13,371	23,107
Auditor's remuneration	12,783	12,138
Employee benefit expenses:		
Wages and salaries (excluding directors' fee)	1,007,179	907,874
Equity-settled share option benefits	693	3,192
Pension scheme contributions	129,695	86,919
Less: Forfeited contributions	(39)	(14)
Net pension scheme contributions#	129,656	86,905
	1,137,528	997,971
Gross rental income from investment properties	(1,047,166)	(1,006,984)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	130,742	107,822
Net rental income from investment properties	(916,424)	(899,162)
Loss on disposal of items of property, plant and equipment, net^	3,101	77
Government subsidies**^	(44,374)	(13,387)

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

** The government subsidies recognised during the year mainly represented subsidies received from certain government authorities in respect of the fulfilment of certain specific criteria by the Group.

\# As at 31 December 2017 and 2016, 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% (2016: 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%.

	2017 HK$'000	2016 HK$'000
Current - Hong Kong		
Charge for the year	15,618	13,848
Overprovision in prior years	(80)	(80)
Current - Mainland China		
Charge for the year	1,439,053	1,161,704
Overprovision in prior years	(57)	(12,776)
Deferred tax	162,577	(63,064)
Total tax charge for the year	1,617,111	1,099,632

8. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim – HK14.5 cents (2016: HK12.0 cents) per ordinary share	947,984	751,792
Proposed final – HK34.0 cents (2016: HK30.0 cents) per ordinary share	2,223,000	1,879,000
	3,170,984	2,630,792

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:

	2017 HK$'000	2016 HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	5,685,371	4,212,037

	Number of shares	
	2017	2016
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,457,823,544	6,263,340,895
Effect of dilution - weighted average number of ordinary shares that assumed to have been issued:		
Share options	5,499,017	4,919,313
For the purpose of the diluted earnings per share calculation	6,463,322,561	6,268,260,208

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 16% (2016: 20%) of the total trade receivables was 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 aging analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 3 months	515,375	422,881
3 months to 6 months	45,956	11,034
6 months to 1 year	29,435	761
More than 1 year	13,204	20,758
	603,970	455,434
Less: Impairment	(7,535)	(5,138)
	596,435	450,296

11. PAYABLES AND ACCRUALS

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

	2017 HK$'000	2016 HK$'000
Within 3 months	728,708	577,896
3 months to 6 months	385	183
6 months to 1 year	104	87
	729,197	578,166

12. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

(a)	2017 HK$'000	2016 HK$'000
The Group's proportional share of guarantees given to banks in connection with facilities utilised by an associate	58,619	93,121

As at 31 December 2017, the banking facilities granted to an associate subject to guarantees given to a bank by the Group and the other shareholders of that associate were in accordance with the shareholding ratio of each party. The facilities granted to the associate by bank was utilised to the extent of approximately HK$119,630,000 (2016: HK$190,043,000).

12. CONTINGENT LIABILITIES (continued)

(b) As at 31 December 2017, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2017, the Group's outstanding guarantees amounted to HK$782,654,000 (2016: Nil) in respect of these guarantees.

(c) According to the master agreement relating to the disposal of the brewery business by Guangdong Land Holdings Limited ("GD Land") in 2013 (as disclosed in the circular of GD Land dated 9 April 2013), GD Land had undertaken to bear any losses arising from the brewery subsidiaries disposed of for additional obligations in relation to, among others, taxes, government levies, staff welfare and uncollectible trade receivables that occurred prior to the date of completion of the said disposal. The financial impact of the contingent liabilities that may arise from such agreement is not disclosed as the estimate of which is not practicable to do.

13. EVENT AFTER THE REPORTING PERIOD

On 1 February 2018, Guangdong Water Group (H.K.) Limited (a wholly-owned subsidiary of the Company), 廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited*) (an indirect wholly-owned subsidiary of Guangdong Holdings Limited, the ultimate holding company of the Company) and China First Metallurgical Group Co. Ltd. (an independent third party) successfully bid for the water resources project in Yangjiang, Guangdong Province (the "Project"). The Group will make capital contribution of RMB131 million (equivalent to approximately HK$162 million) to a joint venture company to be set up for the Project. Further details are set out in the announcement of the Company dated 1 February 2018.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report to the shareholders our results of 2017. The Group's consolidated profit attributable to owners of the Company for 2017 amounted to HK$5,685 million (2016: HK$4,212 million), an increase of 35.0% over 2016. Basic earnings per share increased by 30.9% over the same period last year to HK 88.04 cents (2016: HK 67.25 cents).

DIVIDEND

The Group uses its best endeavours to maximise shareholders' interests with a view to creating a long-term value for the stakeholders and considers that dividend forms an integral part of shareholders' return. The Company has maintained a stable dividend distribution policy over the years. The Board recommends the payment of a final dividend of HK 34.0 cents per share for 2017. Aggregating such dividend with the interim dividend of HK 14.5 cents per share paid in 2017, the total dividend for the entire year will be HK 48.5 cents (2016: HK 42.0 cents) per share. The said 2017 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on 20 July 2018.

REVIEW

In 2017, despite geopolitical tensions, the global economy outperformed and achieved the broadest level of sustained growth in the past ten years, with rebound in trade activities and raw material prices. The economy of China beat expectations and achieved stable pace of growth, reversing the downward trend in economic growth first began in 2011. However, China's economic fundamentals remain challenging due to ongoing economic structural adjustments, pressures on energy conservation and emission reduction, as well as Renminbi exchange rate volatility. Faced with complex and austere operating environment, the Group embraced its development strategy of "make progress while ensuring stability". On the one hand, the Group steadily strengthened operational efficiency of its core businesses while further improving its risk management mechanism. On the other hand, the Group seized market opportunities and intensified efforts to expand its core business segments to safeguard the sustainable development of the Company.

Among the Group's business segments, water resources segment continued its capacity expansion, accelerated the pace of new project acquisition and actively explored other opportunities in the water resources value chain such as integrated water environment management. Rental income from property investment and development segment showed a small increase, primarily due to revenue from a new commercial property, and the Group will actively step up its tenant acquisition efforts accordingly. Profit from hotel operation and management segment exhibited positive growth and the Group continued to focus on maintaining guest loyalty and enhancing its brand recognition. Profit from department store operation remained stable year-on-year, as proliferation of different retail channels adversely affected the business and offset gradual recovery in the overall consumer retail market. Profit from electric power generation business recorded a fairly substantial decrease mainly due to high coal prices, prompting the Group to explore creative methods to control fuel costs. The performance of other infrastructure segment was in line with expectation. Benefiting from regional economic development, our road and bridge segment achieved good growth in both traffic flow and economic efficiency. Meanwhile, the Group closely monitored foreign exchange risks and utilised various strategies to minimise the Group's currency risk exposure.

PROSPECTS

Looking ahead to 2018, slow economic recovery in some developing countries, lower than expected inflation in developed countries and low oil prices could bring uncertainties to global economic recovery. As a result of the acceleration of replacement of old growth drivers with new initiatives and difficulty in further increasing investment in fixed assets, China's economic growth may exhibit a stable yet gradually declining trend. Faced with complex political and economic circumstances, capital markets, interest rate and exchange rate volatilities, the Group will continue to build on its solid foundation of stable growth and development, and further strengthen its risk management capabilities in order to create long-term value for its stakeholders.

The Group will continue its investments in water resources management and property investment and development as well as infrastructure segments, expanding its core business segments while optimising the asset mix and resources allocation. The Group will also continue to monitor potential public-private-partnership projects as well as other market acquisition opportunities, explore development opportunities arising from the "Belt and Road" and the "Guangdong-Hong Kong-Macau Greater Bay Area" initiatives, grasp potential market investment opportunities and strive to explore new profit growth points with a view to further enhancing the Company's operating performance.

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, 28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2017 was HK$12,169 million (2016: HK$10,464 million), an increase of 16.3% as compared with that in 2016. In addition, the consolidated profit before tax for 2017 increased by 32.5% or HK$1,869 million to HK$7,621 million (2016: HK$5,752 million) and the consolidated profit attributable to owners of the Company for 2017 increased by 35.0% or HK$1,473 million to HK$5,685 million (2016: HK$4,212 million) during the year.

The growth in revenue was mainly attributable to a better performance in water resources business during the year. The increase in the profit before tax and profit attributable to owners of the Company was mainly attributable to a one-off gain on bargain purchase of HK$1,213 million arising from the acquisition of an approximately 73.82% of the issued share capital of Guangdong Land Holdings Limited ("GD Land"). In addition, the net gain arising from fair value adjustments for investment properties was HK$432 million (2016: HK$113 million), HK$319 million higher than that in 2016. Total interest income and finance cost of the Group for the year amounted to HK$441 million (2016: HK$360 million) and HK$111 million (2016: HK$130 million), respectively. Total interest income net of finance cost of the Group increased by 43.5% to HK$330 million (2016: HK$230 million) for the year. Net exchange loss during the year was HK$57 million (2016: HK$221 million).

Basic earnings per share was HK 88.04 cents (2016: HK 67.25 cents), an increase of 30.9% as compared with that in 2016.

BUSINESS OVERVIEW

A summary of the performance of the Group's major businesses during 2017 is set out as follows:

Water Resources

Dongshen Water Supply Project

The profit contribution from the Dongshen Water Supply Project continued to form a significant part of the Group's profit. As at 31 December 2017, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.03% (2016: 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 1.904 billion tons (2016: 1.826 billion tons), increasing by 4.3% and generating a revenue of HK$6,073 million (2016: HK$5,656 million), an increase of 7.4% over 2016.

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 ("HKSAR") and the Guangdong Provincial Government ("GPG") 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 Hong Kong Water Supply Agreement for the years 2018 to 2020 was signed between the Government of HKSAR and GPG during 2017. Pursuant to the latest Hong Kong Water Supply Agreement, the annual revenue for water sales to Hong Kong for the three years of 2018, 2019 and 2020 are HK$4,792.59 million, HK$4,807.00 million and HK$4,821.41 million, respectively.

The revenue from water sales to Hong Kong for the year increased by 6.4% to HK$4,778 million (2016: HK$4,492 million). The revenue from water sales to Shenzhen and Dongguan areas for the year increased by 11.3% to HK$1,295 million (2016: HK$1,164 million). The profit before tax, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project for the year was HK$3,810 million (2016: HK$3,551 million), 7.3% higher than that in 2016.

Other Water Resources Projects

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

<u>Capacity of Water Resources Projects in Operation</u>

- The water supply capacity of water supply plants operated by each of the subsidiaries of the Company, 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., 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited*), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited*), 豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.*) and 盱眙粵海水務有限公司 (Xuyi 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, 150,000 tons, 50,000 tons, 50,000 tons, 73,500 tons and 150,000 tons per day, respectively, totaling 1,853,500 tons per day (2016: 1,520,000 tons per day).

- The waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries of the Company, 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.*), 興寧粵海環保有限公司 (Xingning Yuehai Huanbao Co., Ltd.*), 開平粵海污水處理有限公司 (Kaiping Yuehai Sewage Treatment Co., Ltd.*) and 五華粵海清源環保有限公司(Wuhua Yuehai Qingyuan Huanbao Co., Ltd.*) is 100,000 tons, 90,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons, 3,000 tons, 25,000 tons and 15,000 tons per day, respectively, totaling 433,000 tons per day (2016: 393,000 tons per day).

- The water supply capacity of Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd., 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.*) and 汕頭市粵海水務有限公司(Shantou Guangdong Water Company Limited*), being associates of the Company, is 520,000 tons, 400,000 tons and 920,000 tons per day, respectively, totaling 1,840,000 tons per day (2016: 920,000 tons per day).

<u>Capacity of Water Resources Projects under Construction</u>

- The water supply capacity of the water supply plants under construction of each of the subsidiaries of the Company, namely, 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.*), 高州粵海水務有限公司 (Gaozhou Guangdong Water Company Limited*), Zhaoqing HZ GDH Water Co., Ltd., 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited*) and 雲浮粵海水務有限公司 (Yunfu Guangdong Water Company Limited*) is 100,000 tons, 100,000 tons, 50,000 tons, 20,000 tons and 50,000 tons per day, respectively, totaling 320,000 tons per day.

- The waste water processing capacity of the sewage treatment plants under construction of each of the subsidiaries of the Company, namely, 汕尾粵海環保有限公司 (Shanwei Yuehai Huanbao Co., Ltd.*), 五華粵海綠源環保有限公司 (Wuhua Yuehai Luyuan Huanbao Co., Ltd.*) (established during the year), 大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd.*) and 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited*) is 30,000 tons, 11,000 tons, 21,900 tons and 20,000 tons per day, respectively, totaling 82,900 tons per day.

Revenue of Other Water Resources Projects for the year in aggregate amounted to HK$1,641,100,000 (2016: HK$853,948,000). The growth was mainly attributable to the increase in construction revenue of HK$608,725,000 from those projects under construction. Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences, in aggregate amounted to HK$207,677,000 (2016: HK$167,673,000), 23.9% higher than that in 2016.

New Water Resources Projects

During the year, the Group successfully acquired by public tender or by agreement seven new water resources projects in Meizhou, Jiangsu, Zhaoqing, Yunfu and Shantou with total designed water supply capacity of 1,953,500 tons per day and waste water processing capacity of 33,000 tons per day. The expected total investment amount of these projects are RMB4,837 million (equivalent to approximately HK$5,787 million).

After the end of the reporting period, the Group successfully bid for two new water resources projects in Yangjiang and Yangshan in Guangdong Province respectively, with total designed waste water processing capacity of 85,300 tons per day. In addition, the Group successfully bid for a new water resources project in Yangjiang in Guangdong Province which is principally engaged in construction, operation and maintenance of certain water pipe networks and ancillary facilities for discharge of waste water and rainwater. The expected total investment amount of these projects are RMB1,470 million (equivalent to approximately HK$1,759 million).

Property Investment and Development

Mainland China

Teem Plaza

As at 31 December 2017, 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 1.4% to HK$1,135,585,000 (2016: HK$1,152,167,000). Excluding the impact of currency translation, the revenue of Teem Plaza slightly decreased by 0.1% as compared with that in 2016. The profit before tax for the year, excluding changes in fair value of investment properties and net interest income, decreased by 2.1% to HK$785,620,000 (2016: HK$802,709,000).

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 ("GFA") of approximately 160,000 square meters ("sq. m."), of which 106,000 sq. m. was held for rental purposes. The mall is successful in retaining existing brand-name tenants and attracting new ones. It had an average occupancy rate of nearly 99.9% during the year (2016: 99.8%).

The office building, known as Teem Tower, is a 45-storey Grade A office tower with a total GFA of approximately 102,000 sq. m., of which 90,000 sq. m. was held for rental purposes. With an average occupancy rate of 92.7% (2016: 95.5%), the revenue for the year was HK$196,590,000 (2016: HK$212,701,000), decreasing by 7.6%. Excluding the impact of currency translation, the revenue recorded a decrease of 6.3% as compared with that in 2016. The profit before tax for the year, excluding changes in fair value of investment properties, decreased by 13.3% to HK$159,319,000 (2016: HK$183,712,000).

Tianjin Teem Shopping Mall

The Group held an effective interest of 76.02% in Tianjin Teem Shopping Center Co., Ltd. (“Tianjin Teem”), the property owner of Tianjin Teem Shopping Mall. Tianjin Teem Shopping Mall, with a total GFA of approximately 205,000 sq. m., of which 140,000 sq. m. was held for rental purposes, is situated at a convenient location above underground railroads and is one of the leading shopping and leisure destinations in the renowned “Binjiang Dao - Heping Road” Commercial District in Tianjin.

Tianjin Teem Shopping Mall opened on 26 June 2017. As pre-leasing was progressing well and encouraging response from tenants ranging from local enterprises to well-known multinationals was received, the mall had an average occupancy rate of 96.7% since its opening to 31 December 2017. Tianjin Teem Shopping Mall recognised a valuation gain of HK$413,487,000 upon its completion. Revenue of Tianjin Teem Shopping Mall for the year was HK$81,512,000 (including rentals from the department stores operated by the Group). The loss before tax of Tianjin Teem Shopping Mall for the year, excluding changes in fair value of investment properties and net finance costs, was HK$667,000.

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 a 68% interest in Wanye. As at 31 December 2017, a total sum of approximately HK$2,335 million had been invested by Tianhecheng Investco into Wanye in accordance with the cooperation agreement.

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. Based on the Group’s current development plan, this parcel of land is being developed into a large-scale integrated commercial project with a total GFA of approximately 385,000 sq. m. of which properties with GFA of approximately 152,000 sq. m. and 104,000 sq. m. will be held for sale and for rental purposes, respectively, upon their completion. As at 31 December 2017, properties with amount of approximately HK$1,699 million and HK$1,497 million were attributable to “Properties under development” under the current assets and “Investment properties” under non-current assets, respectively.

GD Land

On 18 April 2017, the Company completed the acquisition of an approximately 73.82% of the issued share capital of GD Land from GDH Limited ("GDH"), the immediate holding company of the Company, at a total consideration of RMB3,658,794,000 (equivalent to approximately HK$4,122,287,000). The consideration was settled as to (i) RMB2,819,294,000 (equivalent to approximately HK$3,176,440,000) by the allotment and issue of 272,890,019 ordinary shares of the Company; and (ii) RMB839,500,000 (equivalent to approximately HK$945,847,000) in cash. Further details of the transaction are set out in the circular of the Company dated 24 February 2017.

GD Land holds a 100% interest in the Buxin Project, which is a multi-functional commercial complex with jewelry as the main theme, located in the Buxin Area, Luohu, Shenzhen in the PRC. The total site area of the project amounts to approximately 66,526 sq. m., and the GFA included in the calculation of the plot ratio amounts to approximately 432,051 sq. m. In addition, an underground area of 30,000 sq. m. could be developed for commercial use. The Buxin Project, which is in close proximity to the urban highway and subway station as well as adjoining Weling Park, is surrounded by several municipal parks within a 1.5-kilometer radius, thus possessing convenient transport and superb landscape resources.

The Northwestern Land, which is under the first phase of the development of the Buxin Project, has a GFA of approximately 166,000 sq. m., of which the total saleable GFA is approximately 116,000 sq. m. In the second quarter of 2017, GD Land completed the tender and engagement of the main contractor for the development of the Northwestern Land. Based on GD Land's current development plan, except for the underground car-parking spaces, properties built on the Northwestern Land will be for sale upon completion. During the year under review, construction of properties on the Northwestern Land was on track with construction of the basement and some floors having been completed. GD Land has formed a sales management team and has been preparing to establish a sales center. Meanwhile, GD Land continued to visit potential customers and promoted the Buxin Project vigorously, and positive feedback has been received. With regard to the Southern Land and the Northern Land which are under the second phase of the development of the Buxin Project, GD Land plans to build, among others, office buildings with a height of approximately 180 meters and 300 meters, respectively, as well as a shopping mall across the Southern Land and the Northern Land.

As at 31 December 2017, the cumulative land and development cost incurred by the Group for the Buxin Project amounted to approximately HK$7,723 million, of which approximately HK$4,050 million and HK$3,673 million were attributable to "Properties under development" under the current assets and "Investment properties" under non-current assets, respectively.

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 100% (2016: 100%). As a result of the increase in average rental, total revenue for the year was up by 2.3% to HK$55,031,000 (2016: HK$53,788,000).

Department Store Operation

As at 31 December 2017, 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"), 北京路粵海仰忠匯店 ("Yuehaiyangzhong Hui Store") and 天津天河城百貨店 ("Tianjin Teem Store"). 天河城萬博 operates 天河城百貨歐萊斯折扣店 ("Wan Bo Store").

The nine stores (2016: eight stores) had a total leased area of approximately 183,400 sq. m. (2016: 169,000 sq. m.) as at 31 December 2017. The total revenue increased by 0.3% to HK$719,677,000 (2016: HK$717,339,000). The profit before tax for the year decreased by 4.5% to HK$234,276,000 (2016: HK$245,287,000).

The revenue of the stores operated by the Group for the year ended 31 December 2017 was as follows:

		Revenue for the year ended 31 December		
	Leased area	2017	2016	Changes
	sq.m.	HK$'000	HK$'000	%
Teemall Store	40,200	475,632	459,575	+3.5
Wan Bo Store	19,600	91,167	91,221	-0.1
Ming Sheng Store	13,300	50,191	53,945	-7.0
Dong Pu Store	28,300	51,899	51,826	+0.1
Ao Ti Store	21,500	37,803	35,561	+6.3
Baiyun New Town Store (closed in July 2016)	-	-	14,949	NA
Dongguan Store	9,800	3,899	3,672	+6.2
Nanhai Store	28,400	3,954	3,720	+6.3
Yuehaiyangzhong Hui Store	7,500	2,061	2,870	-28.2
Tianjin Teem Store (opened in June 2017)	14,800	3,071	-	NA
	183,400	719,677	717,339	+0.3

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%. Due to keen competition, the Group's share of loss in GD Aeon Teem amounted to HK$16,283,000 (2016: share of profit of HK$12,059,000) during the year.

Hotel Ownership, Operation and Management

As at 31 December 2017, the Group's hotel management team managed a total of 32 hotels (2016: 42 hotels), of which two were located in Hong Kong, one in Macau and 29 in Mainland China. As at 31 December 2017, five star-rated hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou and Zhuhai, were owned by the Group (2016: owned five star-rated hotels and lease-owned one budget hotel). Of these five hotels, four were managed by our hotel management team with the exception of the one located in Guangzhou, namely Sheraton Guangzhou Hotel, which was managed by Sheraton Overseas Management Corporation.

During the year, the average room rate of Sheraton Guangzhou Hotel was HK$1,227 (2016: HK$1,198) whereas the average room rate of the remaining four star-rated hotels were HK$679 (2016: HK$668). The average occupancy rate of Sheraton Guangzhou Hotel was 90.8% (2016: 87.3%) and that of the other four star-rated hotels was 77.4% (2016: 77.3%) during the year.

The revenue of hotel ownership, operation and management business for the year increased by 2.1% to HK$647,178,000 (2016: HK$634,119,000). The profit before tax for the year, excluding the net exchange differences, increased by 24.3% to HK$122,253,000 (2016: HK$98,379,000).

Energy Projects

Zhongshan Power Project

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"). ZTP has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the year amounted to 2,416 million kwh (2016: 1,926 million kwh), increasing by 25.4%. As a result, revenue of Zhongshan Power Project (including intersegment sales) generated from electricity sales and related operations for the year increased by 34.4% to HK$1,261,186,000 (2016: HK$938,533,000). However, due to the significant increase in coal price, the profit before tax for the year, excluding net exchange differences and net finance costs, was HK$143,381,000 (2016: HK$275,689,000), a decrease of 48.0%.

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 2017, 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 12,896 million kwh (2016: 10,589 million kwh), an increase of 21.8%. Revenue for the year increased by 17.1% to HK$5,505,898,000 (2016: HK$4,702,989,000).

As a result of the significant increase in coal price, the profit before tax of Yudean Jinghai Power for the year was HK$320,652,000 (2016: HK$643,179,000), a decrease of 50.1%. The Group's share of profit in Yudean Jinghai Power amounted to HK$61,296,000 (2016: HK$116,029,000) during the year, a decrease of 47.2%.

Road and Bridge

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 approximately 100 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of approximately 53 km.

The average daily traffic flow of the Xingliu Expressway was 26,005 vehicle trips during the year (2016: 22,429 vehicle trips), increasing by 15.9%. The revenue of Xinchangjiang Company during the year amounted to HK$684,555,000 (2016: HK$629,748,000), increasing by 8.7%. Profit before tax during the year amounted to HK$410,724,000 (2016: HK$366,218,000), increasing by 12.2%.

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$5.687 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 2017, the Company had established a wholly-owned subsidiary, 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. During the year, the Development Costs budget of two Project Roads have been approved by the relevant government authorities and both Project Roads were under construction. No Development Costs were paid or payable during the year.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2017, the available-for-sale financial assets of the Group increased by HK$470 million to HK$8,093 million (2016: HK$7,623 million), which were placed by the Group with a number of licensed banks in the PRC, 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, available-for-sale financial assets in the amount of approximately HK$6,447 million matured.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2017, the cash and bank balances of the Group increased by HK$371 million to HK$7,565 million (2016: HK$7,194 million), of which 92% was denominated in Renminbi, 6% in Hong Kong dollars and 2% in United States dollars.

As at 31 December 2017, the Group's financial borrowings decreased by HK$217 million to HK$5,920 million (2016: HK$6,137 million), of which 96% was denominated in Hong Kong dollars and 4% in Renminbi, including non-interest-bearing receipt in advance of HK$591 million. Of the Group's total financial borrowings, HK$5,295 million was repayable within one year while the remaining balances of HK$576 million and HK$49 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 2017 (2016: Nil).

As at 31 December 2017 and 2016, 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 2017 was 82.39 times (2016: 54.47 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 AND CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, except for bank deposits of HK$68,242,000 (2016: HK$50,306,000) pledged to secure performance obligations of certain service concession agreements and construction agreement, 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.

Except for the Group's proportional share of guarantees given to banks in connection with facilities utilised by an associate of approximately HK$59 million (2016: HK$93 million), the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK$783 million (2016: Nil) and undertakings made in the master agreement relating to the disposal of brewery business by GD Land as disclosed in note 12 of this announcement, there was no other material contingent liability as at 31 December 2017 and 2016.

CAPITAL EXPENDITURE

The Group's capital expenditure during the year amounted to HK$5,184 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 and acquisition of subsidiaries.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 31 December 2017, total Renminbi borrowings amounted to HK$264 million (2016: HK$213 million). During the year, the net exchange loss was mainly attributable to certain net monetary liabilities 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. The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 31 December 2017, the Group's total floating rate borrowings amounted to HK$5,143 million (2016: HK$5,265 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

As a diversified conglomerate with investments in different business segments, the financial and operating performance of the Company is inextricably linked to the macroeconomic environment. Outside of China, the global economy outperformed and achieved the broadest level of sustained growth in the past ten years, yet uncertainty about global economic recovery still lingers. Domestically, overall macroeconomic conditions continue to improve. However, due to the combined effects of ongoing economic structural adjustments, acceleration of replacement of old growth drivers with new initiatives, Renminbi exchange rate fluctuations, capital outflow and further energy saving and emission reduction efforts, economic fundamentals remain challenging. Macroeconomic 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 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 Mainland China, the Company faces foreign currency risks due to exchange gain/loss from exchange rate fluctuations as well as currency conversion risk due to converted net asset value fluctuations of investment projects in Mainland China. To effectively manage foreign currency risk, the Company closely monitors foreign exchange markets, and utilises multiple strategic approaches, such as optimising cash management strategy and deploying project finance instruments, to contain foreign exchange risk.

Market Competition Risk

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

Project Safety Management Risk

Project safety management risk encompasses product safety management risk as well as personnel safety management risk. With respect to product safety risk, the Company will systemize the relevant risk control mechanism so as to establish firm-wide standardized risk management procedures. On the other hand, the Company will strengthen production quality control by performing regular safety inspections on its production and operational facilities as a preventive measure, and by seeking market supervision and take timely actions to rectify existing problems to avoid adverse impact.

With respect to personnel safety risk, each investment project in the Company's investment portfolio has a customised safety liability mechanism best suited to its operating environment. These safety liability mechanisms clearly define the assignment of duty and responsibility, and serve as the related performance evaluation guidelines. On top of that, the Company also provides regular operational safety training to its employees, and puts in place contingency plans to emergency events in order to ensure that such risks are effectively managed.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group had a total of 7,087 employees, of which 1,339 employees were at managerial level. Among the employees, 6,847 were employed by subsidiaries in Mainland China and 240 were employed by the head office and subsidiaries in Hong Kong. Total remuneration for the year was approximately HK$1,059,481,000 (2016: HK$964,807,000).

In 2017, 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 remuneration policy of the Group is designed to ensure that the remuneration is market competitive and is in line with the development objectives and business performance of the Group. The remuneration package includes basic salary, allowance benefits and discretionary bonus. Salary standards are based on factors such as employee qualifications, experience, job nature, performance and market conditions. The discretionary bonus is subject to the performance-based incentive policy. 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.

CHANGE OF COMPANY LOGO

The Board is pleased to advise that the Company has adopted a new logo as shown at the top of this announcement.

The new logo will be printed on the relevant corporate documents of the Company, including but not limited to the Company's promotional materials, interim and annual reports, announcements and circulars.

All share certificates of the Company in issue bearing the old logo will continue to be effective as documents of title to the shares of the Company, and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of existing share certificates of the Company for new share certificates as a result of the change of logo of the Company.

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 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 2017 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 2017 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 19 January 2017, the Company entered into a sale and purchase agreement with GDH to acquire an approximately 73.82% of the issued share capital of GD Land (the "Acquisition") from GDH. The Acquisition was approved at an Extraordinary General Meeting of the Company held on 20 March 2017 and 272,890,019 ordinary shares of the Company (the "Consideration Share(s)") at the price of HK$10.39 per Consideration Share in an aggregate amount of HK$2,835,327,297.41 were allotted and issued to GDH, credited as fully paid, upon completion of the Acquisition on 18 April 2017. Since the closing price of one Consideration Share was HK$11.64 as at 18 April 2017, the Consideration Shares amounted to HK$3,176,439,821.16 and the issued share capital of the Company was accordingly increased to HK$8,966,176,406.66. Further details of the transaction are set out in the circular of the Company dated 24 February 2017.

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, 15 June 2018 at 3:00 p.m. (the "2018 Annual General Meeting").

In order to qualify for attending and voting at the 2018 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, 11 June 2018.

ENTITLEMENT FOR FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK 34.0 cents per ordinary share for the year ended 31 December 2017 which is expected to be paid on Friday, 20 July 2018 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 21 June 2018 subject to the final approval at the 2018 Annual General Meeting.

For the purpose of determining shareholders' entitlements to the proposed final dividend for the year ended 31 December 2017, the register of members of the Company will be closed on Thursday, 21 June 2018 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, 20 June 2018.

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 2017 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, 28 March 2018

* *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; five Non-Executive Directors, namely, Mr. CAI Yong, 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.