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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00270)

UNAUDITED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

The board of directors (the “Board”) of Guangdong Investment Limited (the “Company”) is pleased to announce the unaudited financial information of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2019 (the “Period”) together with the comparative figures.

Unaudited financial highlights			
	<u>For the nine months ended 30 September</u>		
	2019	2018	Changes
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	%
Revenue	<u>11,345,366</u>	<u>9,951,382</u>	+14.0
Gain on bargain purchase	-	296,737	
Profit before tax	<u>5,844,008</u>	<u>5,776,321</u>	+1.2
Profit attributable to owners of the Company	<u>4,142,590</u>	<u>4,226,821</u>	-2.0
	30 September 2019	31 December 2018	Changes
	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	%
Total Assets	<u>75,824,395</u>	<u>73,182,444</u>	+3.6
Equity attributable to owners of the Company	<u>39,833,081</u>	<u>40,372,255</u>	-1.3

Notes:

- (1) *The financial information has not been audited or reviewed by the Company's auditor.*
- (2) *The financial information relating to the year ended 31 December 2018 included in this announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year 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 2018 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). The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

- (3) *This announcement is made by the Company on a voluntary basis in order to further enhance the Company's level of corporate governance and transparency. The Company will continue to publish financial information quarterly in subsequent financial years.*

PERFORMANCE HIGHLIGHTS

The unaudited consolidated revenue of the Group for the Period was HK\$11,345 million (2018: HK\$9,951 million), an increase of 14.0% as compared with the same period last year. The growth in revenue was mainly attributable to a better performance in water resources business and property investment and development business during the Period.

The unaudited consolidated profit before tax for the Period increased by 1.2% to HK\$5,844 million (2018: HK\$5,776 million). The increase in the profit before tax was mainly due to a better performance in water resources business, infrastructure business and property investment and development business for the Period, partially offset by the one-off gain on bargain purchase of approximately HK\$297 million arising from the acquisition of a 100% equity interest of 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd. ▲) recognised in the same period last year. Furthermore, the net gain arising from fair value adjustments for investment properties for the Period was HK\$196 million (2018: HK\$158 million), HK\$38 million higher than that in the same period last year. The net exchange gain of the Group for the Period amounted to HK\$105 million (2018: HK\$124 million), HK\$19 million lower than that in the same period last year. Total interest income and the changes in fair value of financial assets at fair value through profit or loss, net of finance cost of the Group for the Period decreased by 41.8% to HK\$185 million (2018: HK\$318 million) for the Period.

The unaudited consolidated profit attributable to owners of the Company for the Period decreased by 2.0% to HK\$4,143 million (2018: HK\$4,227 million). The decrease in profit attributable to owners of the Company was mainly due to the one-off reversal of over-provided land appreciation tax of approximately HK\$77 million in relation to the sales of certain properties of Guangdong Land Holdings Limited ("GD Land") in 2018, which resulted in the mismatch between the growth in profit before tax and the decrease in profit attributable to owners of the Company for the Period.

As at 30 September 2019, the unaudited equity attributable to owners of the Company was HK\$39,833 million (31 December 2018: HK\$40,372 million (audited)), decreasing by approximately HK\$539 million during the Period. The changes for the Period mainly represented the unaudited consolidated profit for the Period attributable to owners of the Company of HK\$4,143 million, the other comprehensive loss of HK\$1,130 million in relation to the exchange differences on translation of foreign operations as a result of RMB depreciation and dividends distributed during the Period of HK\$3,583 million.

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

Water Resources

Dongshen Water Supply Project

Total volume of water supply to Hong Kong, Shenzhen and Dongguan during the Period amounted to 1.546 billion tons (2018: 1.621 billion tons), decreasing by 4.6%, generating a revenue of HK\$4,948 million (2018: HK\$5,016 million), a decrease of 1.4% over the same period last year.

The revenue from water sales to Hong Kong for the Period increased by 0.3% to HK\$3,933 million (2018: HK\$3,921 million). The revenue from water sales to Shenzhen and Dongguan areas for the Period decreased by 7.3% to HK\$1,015 million (2018: HK\$1,095 million). The profit before tax for the Period, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project was HK\$3,292 million (2018: HK\$3,280 million), 0.4% higher than that in the same period last year.

Other Water Resources Projects

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

On 7 May 2019, the Group completed an acquisition of a 79% equity interest of 江西海匯公用事業集團有限公司 (Jiangxi Haihui Public Utilities Group Co., Ltd.▲) (Name subsequently changed to 江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Group Co., Ltd.▲)) and its subsidiaries ("Jiangxi Guangdong Group") at a cash consideration of approximately RMB1,627 million (equivalent to approximately HK\$1,896 million). Jiangxi Guangdong Group was engaged in a number of water resources projects in Jiangxi, Anhui, Zhejiang and Gansu, the PRC, with total designed water supply capacity and waste water processing capacity of 1,090,000 tons per day and 81,000 tons per day, respectively. In addition, the Group successfully bid/contracted for three new water resources projects in Xinghua City of Jiangsu Province, Zhanjiang City and Chaozhou City of Guangdong Province, the PRC, during the Period, with total designed water supply capacity and waste water processing capacity of 1,490,000 tons per day and 70,000 tons per day respectively. The expected total investment amount of these projects are RMB6,524 million (equivalent to approximately HK\$7,233 million).

As at 30 September 2019, the total designed water supply capacity of the water supply plants and the total designed waste water processing capacity of the sewage treatment plants of the Group's Other Water Resources Projects are 8,584,000 tons per day (31 December 2018: 6,004,000 tons per day) and 1,291,000 tons per day (31 December 2018: 1,140,000 tons per day), respectively.

Capacity of Water Resources Projects in Operation

- The water supply capacity of the 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.▲), 盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited▲), 高州粵海水務有限公司 (Gaozhou Guangdong Water Company Limited▲) and Jiangxi Guangdong Group is 290,000 tons, 310,000 tons, 150,000 tons, 145,000 tons, 130,000 tons, 100,000 tons, 355,000 tons, 120,000 tons, 50,000 tons, 50,000 tons, 73,500 tons, 150,000 tons, 100,000 tons and 650,000 tons per day, respectively, totaling 2,673,500 tons per day (2018: 1,953,500 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.▲), 五華粵海清源環保有限公司 (Wuhua Yuehai Qingyuan Huanbao Co., Ltd.▲), 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.▲), 六盤水粵海環保有限公司 (Liupanshui Guangdong Water Co., Ltd.▲) and Jiangxi Guangdong Group is 100,000 tons, 140,000 tons, 70,000 tons, 50,000 tons, 40,000 tons, 40,000 tons, 3,000 tons, 25,000 tons, 15,000 tons, 30,000 tons, 11,000 tons, 115,000 tons and 81,000 tons per day, respectively, totaling 720,000 tons per day (2018: 463,000 tons per day).
- The water supply capacity of the water supply plants operated by 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 (2018: 1,840,000 tons per day).

Capacity of Water Resources Projects under Construction

- The water supply capacity of the water supply plants under construction of each of the subsidiaries of the Company, namely, 遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited▲), 雲浮粵海水務有限公司 (Yunfu Guangdong Water Company Limited▲), 恩施粵海正源水務有限公司 (Enshi Guangdong Zheng Yuan Water Company Limited▲) and Jiangxi Guangdong Group is 20,000 tons, 50,000 tons, 400,000 tons and 30,000 tons per day, respectively, totaling 500,000 tons per day .
- The waste water processing capacity of the sewage treatment plants under construction of each of the subsidiaries of the Company, namely, 大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd.▲), 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲), 梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲), 韶關粵海綠源環保有限公司 (Shaoguan Yuehai Luyuan Huanbao Co., Ltd.▲), 陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd.▲), 陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd.▲) and 吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲) is 22,000 tons, 20,000 tons, 150,000 tons, 28,500 tons, 35,300 tons, 20,000 tons and 25,000 tons per day, respectively, totaling 300,800 tons per day.

Revenue of Other Water Resources Projects for the Period in aggregate amounted to HK\$2,082,971,000 (2018: HK\$1,251,793,000), increasing by 66.4% over the same period last year. The growth was mainly attributable to additional returns from those water resources projects newly acquired or launched and increase in construction revenue from those projects under construction. Profit before tax of Other Water Resources Projects for the Period, excluding the net exchange differences and net finance costs, amounted to HK\$434,092,000 (2018: HK\$237,540,000) in aggregate, 82.7% higher than that in the same period last year.

New Water Resources Project

After the end of the reporting period, the Group successfully bid for (but pending for signing the contract) one new water resources project in Lipu City of Guangxi Zhuang Autonomous Region, the PRC, with designed water supply capacity of 80,000 tons per day, and the expected investment amount of the project is approximately RMB116 million (equivalent to approximately HK\$129 million).

Property Investment and Development

Mainland China

GD Teem

As at 30 September 2019, 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 GD Teem’s property investment business mainly comprises rental and property management fee income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building of Teem Plaza. During the Period, revenue of GD Teem decreased by 1.1% to HK\$897,870,000 (2018: HK\$907,673,000). The HK\$ equivalent of rentals decreased because the average exchange rate of RMB has decreased by 4.6% compared with that in the same period last year. The profit before tax for the Period, excluding changes in fair value of investment properties and net interest income, decreased by 1.8% to HK\$609,312,000 (2018: HK\$620,710,000).

The shopping mall of Teem Plaza, known as the Teemall, had an average occupancy rate of nearly 99.9% during the Period (2018: 99.9%). The mall is successful in retaining existing brand-name tenants and attracting new ones.

The office building of Teem Plaza, known as Teem Tower, with an average occupancy rate of 96.7% (2018: 98.4%) during the Period, had a total revenue for the Period of HK\$157,760,000 (2018: HK\$160,801,000), decreasing by 1.9%. The profit before tax for the Period, excluding changes in fair value of investment properties, decreased by 4.9% to HK\$132,587,000 (2018: HK\$139,435,000).

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.[▲]), 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. 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 gross floor area (“GFA”) of approximately 385,000 square meters (“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 30 September 2019, the cumulative land and development cost incurred by the Group for Panyu Wanbo CBD Project amounted to approximately HK\$3,225 million (31 December 2018: approximately HK\$3,164 million).

The pre-sale of the commercial residential units and offices of Panyu Wanbo CBD Project had commenced in 2018, with contracts signed for accumulated GFA of approximately 78,000 sq.m. as at 30 September 2019 (31 December 2018: approximately 49,000 sq.m.).

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 145,000 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. The Group invested a total sum of approximately RMB2,508 million (equivalent to approximately HK\$2,862 million) for Tianjin Teem Shopping Mall upon its completion in 2017.

Tianjin Teem Shopping Mall with tenants ranging from local enterprises to well-known multinationals, the mall had an average occupancy rate of 95.6% (2018: 97.9%) during the Period. Revenue of Tianjin Teem Shopping Mall for the Period was HK\$139,987,000 (2018: HK\$125,886,000), increasing by 11.2%. The profit before tax of Tianjin Teem Shopping Mall for the Period, excluding changes in fair value of investment properties and net finance costs, was HK\$45,823,000 (2018: HK\$31,690,000), increasing by 44.6%.

GD Land

The Company’s effective interest in GD Land is approximately 73.82%. GD Land holds a 100% interest in the GDH City Project, which is a multi-functional commercial complex with jewelry as the main theme, located in Luohu District, Shenzhen City, the PRC. As at 30 September 2019, the cumulative development costs and fees incurred by the Group for the GDH City Project amounted to approximately HK\$8,356 million (31 December 2018: approximately HK\$8,262 million).

In relation to the property sale of the GDH City Project, the pre-sale of the properties with total GFA of approximately 116,000 sq. m. in the Northwestern Land had commenced in December 2018. As at 30 September 2019, accumulated GFA with contracts signed amounted to approximately 8,303 sq. m. (31 December 2018: Nil).

GD Land also holds a 100% interest in the Laurel House Project located in Yuexiu District, Guangzhou City, the PRC. The Laurel House Project includes residential units, commercial properties and car-parking spaces, among which all the residential units and some of the car-parking spaces are for sale, while the remaining properties are for lease.

The sale of the residential units with total GFA of approximately 65,636 sq. m. under the Laurel House Project commenced in November 2018. As at 30 September 2019, the accumulated GFA of the residential units under the Laurel House Project which had been delivered to customers amounted to approximately 10,291 sq. m. (31 December 2018: approximately 2,943 sq. m.).

Revenue of GD Land for the Period increased by 23.6 times to HK\$765,084,000 (2018: HK\$31,136,000), of which sales of properties amounted to HK\$758,815,000 (2018: HK\$28,789,000). The profit before tax of GD Land for the Period, excluding gain on bargain purchase, changes in fair value of investment properties and net finance costs, was HK\$19,272,000 (2018: loss before tax of HK\$82,155,000).

On 29 September 2019, GD Land succeeded in the bid for the land use rights of a piece of state-owned construction land located at Pengjiang District, Jiangmen City, the PRC, with a site area of approximately 59,704.9 sq. m. and a maximum total GFA included in the calculation of plot ratio of approximately 164,216 sq. m. for a cash consideration of RMB919,490,000 (equivalent to HK\$1,019,277,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the Period was 98.4% (2018: 100%). The total revenue for the Period increased by 4.3% to HK\$43,374,000 (2018: HK\$41,590,000).

Department Store Operation

As at 30 September 2019, the Group operated seven stores with a total leased area of approximately 136,300 sq. m. (31 December 2018: 168,700 sq. m.). The total revenue for the Period decreased by 7.6% to HK\$527,352,000 (2018: HK\$570,712,000). The profit before tax for the Period decreased by 4.1% to HK\$201,662,000 (2018: HK\$210,177,000).

The revenue of the stores operated by the Group for the nine months ended 30 September 2019 was as follows:

	Leased area sq. m.	Revenue for the nine months ended 30 September		Changes %
		2019 HK\$'000	2018 HK\$'000	
Teemall Store	40,200	358,849	389,423	-7.9
Wan Bo Store	19,600	63,264	67,112	-5.7
Ming Sheng Store	11,900	31,358	34,554	-9.2
Dong Pu Store	28,300	39,297	39,136	+0.4
Ao Ti Store	21,500	30,815	30,990	-0.6
Dongguan Store	9,800	2,679	2,571	+4.2
Nanhai Store	5,000	1,090	2,210	-50.7
Yuehaiyangzhong Hui Store (closed in 2018)	-	-	2,107	-100.0
Tianjin Teem Store (transformed into lease operation in 2019)	-	-	2,609	-100.0
	<u>136,300</u>	<u>527,352</u>	<u>570,712</u>	<u>-7.6</u>

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\$3,100,000 (2018: HK\$11,768,000) during the Period.

Hotel Ownership, Operation and Management

As at 30 September 2019, the Group's hotel management team managed a total of 35 hotels (31 December 2018: 34 hotels), of which three were located in Hong Kong, one in Macau and 31 in Mainland China. As at 30 September 2019, five star-rated hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou and Zhuhai, were owned by the Group. Of these five hotels, four were managed by our hotel management team with the exception of the one located in Guangzhou, namely Sheraton Guangzhou Hotel, which was managed by Sheraton Overseas Management Corporation.

During the Period, the average room rate of Sheraton Guangzhou Hotel was HK\$1,210 (2018: HK\$1,247) whereas the average room rate of the remaining four star-rated hotels was HK\$673 (2018: HK\$728). The average occupancy rate of Sheraton Guangzhou Hotel was 93.4% (2018: 92.7%) and that of the other four star-rated hotels was 75.2% (2018: 76.8%) during the Period.

The revenue of hotel ownership, operation and management business for the Period decreased by 5.8% to HK\$477,836,000 (2018: HK\$507,086,000). The profit before tax for the Period, excluding the net exchange differences, decreased by 18.1% to HK\$97,307,000 (2018: HK\$118,816,000).

Energy Projects

Zhongshan Energy Project

中山粤海能源有限公司 (formerly known as 中山火力發電有限公司) has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the Period amounted to 2,135 million kwh (2018: 2,162 million kwh), decreasing by 1.2%. As a result, revenue of Zhongshan Energy Project (including intersegment sales) generated from electricity sales and related operations for the Period decreased by 7.0% to HK\$1,114,129,000 (2018: HK\$1,198,568,000). However, due to reduction in coal price, the profit before tax for the Period, excluding net exchange differences and net finance costs, was HK\$218,078,000 (2018: HK\$148,443,000), an increase of 46.9%.

Guangdong Yudean Jinghai Power Generation Co., Ltd. ("Yudean Jinghai Power")

The Group's effective interest in Yudean Jinghai Power is 25%. As at 30 September 2019, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the Period amounted to 8,815 million kwh (2018: 10,475 million kwh), a decrease of 15.8%. Revenue for the Period decreased by 14.7% to HK\$3,853,063,000 (2018: HK\$4,519,119,000). However, as coal price decreased, the profit before tax of Yudean Jinghai Power for the Period was HK\$425,987,000 (2018: HK\$163,038,000), increasing by 1.6 times. The Group's share of profit in Yudean Jinghai Power amounted to HK\$79,714,000 (2018: HK\$30,570,000) during the Period, increasing by 1.6 times.

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”) is principally engaged in the operation of the Xingliu Expressway. The Xingliu Expressway comprises a main line which is approximately 100 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of approximately 53 km.

The average daily toll traffic flow of the Xingliu Expressway was 25,426 vehicle trips during the Period (2018: 22,842 vehicle trips), increasing by 11.3%. The revenue of Xinchangjiang Company during the Period amounted to HK\$577,069,000 (2018: HK\$562,647,000), increasing by 2.6%. Profit before tax, excluding net finance costs, during the Period amounted to HK\$372,402,000 (2018: HK\$356,613,000), increasing by 4.4%.

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. The Company had established Dongguan Yuehai Yinping Development and Construction Limited (“Yuehai Yinping”), a wholly-owned subsidiary of the Company, to perform the Company’s obligations in the Yinping PPP Project.

During the period of construction of the Project Roads (the “Development Period”), the Group shall be responsible for providing funding for the development of the Project Roads (the “Development Costs”) depending on the overall development plan and progress of Yinping Innovation Zone in phases with the total Development Costs not exceeding RMB4.754 billion (equivalent to approximately HK\$5.270 billion). The Xiegang Government shall pay the Development Costs by 10 annual instalments throughout the maintenance period, being ten years (the “Maintenance Period”) from the acceptance of the Project Roads by the Xiegang Government.

During the Development Period, the Group would be entitled to an accrued interest at 8% (compounded annually) from the date of each amount disbursed by Yuehai Yinping that constitutes the Development Costs for such Project Roads until the end of the Development Period of the relevant Project Roads. This amount (the “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 30 September 2019, three Project Roads (31 December 2018: three Project Roads) were under construction. The Accrued Interest Amount and Management Fee of Yuehai Yinping recognised during the Period amounted to HK\$28,000,000 in total (2018: HK\$9,718,000) and profit before tax during the Period amounted to HK\$19,032,000 (2018: HK\$1,014,000).

PROSPECTS

The global economy continued to weaken. Escalating US-China trade tensions, Brexit uncertainties and loose monetary policies of major economies have led to increased uncertainties in global economic growth. Faced with increasingly complex and severe economic environment, the Group will continue to closely monitor global political and economic policy changes as well as capital markets trends, strengthen risk management and seek business expansion opportunities while ensuring a steady growth of its core businesses.

The Group will continue to monitor investment opportunities in the areas of water resources management, properties and infrastructure development. Meanwhile, the Group will also monitor potential opportunities involving public-private-partnership projects and “The Greater Bay Area Initiative” to further enhance the Company’s financial performance and ensure sustainable growth.

REVIEW OF UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the Group for the nine months ended 30 September 2019 has been reviewed by the Audit Committee of the Company.

CAUTION STATEMENT

Shareholders of the Company and potential investors should note that all the information contained in this announcement has not been audited. Accordingly, any information contained in this announcement should in no way be regarded as to provide any indication or assurance on the financial results of the Group for the nine months ended 30 September 2019.

Shareholders of the Company and potential investors are urged to exercise caution in dealing in the securities of the Company and are recommended to consult their own professional advisers if they are in doubt as to their investment positions.

By Order of the Board
HOU Wailin
Chairman

Hong Kong, 28 October 2019

▲ *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. HOU Wailin, Mr. WEN Yinheng, Mrs. HO LAM Lai Ping, Theresa and Mr. TSANG Hon Nam; four Non-Executive Directors, namely, Mr. CAI Yong, 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.